Calendar No. 1928

86TH CONGRESS
2d Session

SENATE

REPORT
No. 1856

SOCIAL SECURITY AMENDMENTS OF 1960

REPORT

TOGETHER WITH

MINORITY VIEWS

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

TO ACCOMPANY

H.R. 12580

A BILL TO EXTEND AND IMPROVE COVERAGE UNDER THE FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AND TO REMOVE HARDSHIPS AND INEQUITIES, IMPROVE THE FINANCING OF THE TRUST FUNDS, AND PROVIDE DISABILITY BENEFITS TO ADDITIONAL INDIVIDUALS UNDER SUCH SYSTEM; TO PROVIDE GRANTS TO STATES FOR MEDICAL CARE FOR AGED INDIVIDUALS OF LOW INCOME; TO AMEND THE PUBLIC ASSISTANCE AND MATERNAL AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT; TO IMPROVE THE UNEMPLOYMENT COMPENSATION PROVISIONS OF SUCH ACT; AND FOR OTHER PURPOSES

AUGUST 19, 1960.—Ordered to be printed

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SOCIAL SECURITY AMENDMENTS OF 1960

AUGUST 19, 1960.—Ordered to be printed

Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 12580]

The Committee on Finance, to whom was referred the bill (H.R. 12580) to extend and improve coverage under the Federal old-age, survivors, and disability insurance system and to remove hardships, and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such act; and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

I. SCOPE OF THE BILL

In this 25th anniversary year of the Social Security Act, the committee has examined proposals relating to almost every title of the Social Security Act. As a result of our consideration, the committee is reporting a bill which makes changes and improvements in all of the programs encompassed by this legislation.

The major issue presented to the committee this year has been the increasing cost of adequate medical care for older people. The evidence presented to the committee indicated that these costs derive, to a large extent, from the fact that impressive improvements have been made in medicines and medical technology, which assist in better

diagnosis and treatment, and from improved hospital and other facilities and their wider availability to the public. The knowledge that these costs are unpredictable, and sometimes very heavy, especially for our older men and women living on reduced retirement incomes, has been a matter of grave concern to this committee.

As a result, we are recommending a program of Federal assistance in providing, through the cooperation of the States, an expanded program of medical care for persons aged 65 and over. Under this proposal the Federal share of existing old-age assistance plans will be substantially increased to encourage States to strengthen their medical programs for these people or to initiate new programs. In addition, Federal money will be made available, on a generous matching formula, to assist the States in aiding those aged persons, many of them otherwise self-sufficient, who need help only in meeting the costs of medical care of a very expensive nature.

II. Principal Provisions of the Bill on Medical Services for the Aged

The amendment of the Committee on Finance is an improvement on the bill passed by the House of Representatives for a number of reasons. First, it can be made effective on October 1, 1960, whereas the effective date of the House bill is July 1, 1961. Second, the committee plan strengthens the House bill by adding an additional $130 million in Federal money for the medical vendor payments, in the form of more favorable Federal matching, to act as an incentive to the initiation or fuller development of State medical programs for the aged. Finally, the reported bill is a simplification and streamlining of the House bill, which will greatly facilitate its administration.

In summary, the bill as reported by the committee represents a realistic and workable plan. States can take advantage of its provisions in part or whole almost immediately upon enactment. The financial incentive in the plan should enable every State to improve and extend medical services to aged persons.

The Committee on Finance has made three basic changes in the existing old-age assistance provisions (title I) of the Social Security Act to encourage the States to improve and extend medical services to the aged:

(*a*) Increases Federal funds to the States for medical services for the 2.4 million aged persons on old-age assistance;

(*b*) Authorizes Federal grants to the States for payment of part or all of the medical services of a group of persons totaling about 10 million who may, at one time or another, be in need of assistance in paying their medical expenses;

(*c*) Instructs the Secretary of Health, Education, and Welfare to develop guides or recommended standards for the use of the States in evaluating and improving their programs of medical services for the aged.

The committee has given careful consideration to the subject of medical care for the aged. This has included review of the testimony presented in the extensive public hearings held by the House Committee on Ways and Means and the additional hearings by the Committee on Finance on the House bill and certain other health care proposals which have been advanced. As a result, the committee is cognizant of many problems which exist in this area. The com-

mittee is also cognizant of difficulties attendant upon various approaches which have been advanced.

Your committee has designed a Federal-State matching program based upon historic principles of Federal-State cooperation. This program is established under title I of the Social Security Act, thereby providing additional matching funds to the States to (1) establish a new or improve their existing medical care program for those on the old-age assistance rolls, and (2) add a new program designed to furnish medical assistance to those needy elderly citizens who are not eligible for old-age assistance but who are financially unable to pay for the medical and hospital care needed to preserve their health and prolong their life. This twofold plan would thus cover all medically needy aged 65 or over, whether or not they are eligible for old-age assistance, or whether or not they are eligible for the benefits under the social security or any other retirement program. It accomplishes this objective within the framework of a Federal-State program with broad discrimination allowed to the States as to the programs they will institute, improve, and administer in meeting the health needs of the aged when illness occurs or continues.

A. MEDICAL CARE FOR THE AGED RECEIVING OLD-AGE ASSISTANCE

1. Purpose

The existing provisions of title I provide Federal funds to the States for medical services to aged individuals who are determined to be needy by the States. At the present time, States provide needy aged persons with "money payments" for medical services and also provide "vendor payments" to the suppliers of medical care (for instance, doctors, hospitals, and nurses). These provisions vary greatly. Some States have relatively adequate provisions for the medical care of needy aged persons; others have little or no provision. The increased Federal financial provisions in the bill are designed to encourage the States to extend comprehensive medical services to all needy persons receiving monthly assistance payments. Participation in the Federal-State program is completely optional with the States, with each State determining the extent and character of its own program, including the standards of eligibility and the nature and scope of benefits. The limits of Federal financial participation are discussed later in this report.

2. Effect of bill.

At the present time, the Federal Government makes available to the States funds for medical services to needy aged persons. Federal financial participation is limited to a stated statutory proportion of average assistance expenditures up to $65 per month.

To encourage all States to develop a comprehensive medical care program, additional Federal funds would be available to the States, effective October 1, 1960, as follows: A provision is added to the existing law to provide for Federal financial participation in expenditures to vendors for medical services of up to $12 per month in addition to the existing $65 maximum provision. Where the State average payment is over $65 per month, the Federal share in respect to such medical-services costs would be a minimum of 50 percent and a maximum of 80 percent depending upon each State's per capita in-

come. (See table A, col. II, for the Federal medical percentage for each State.) Where the State average payment is $65 a month or under, the Federal share, in respect to such medical-services costs, would be 15 percentage points in addition to the existing Federal percentage points (50 to 65 percent); thus, for these States the Federal percent applicable to such medical-services costs would range from 65 to 80 percent. (See table A, col. III.)

A State with an average payment of over $65 a month would never receive less in additional Federal funds in respect to such medical-services costs than if it had an average payment of $65. For example, if a State has an average payment of $67, including an average of $10 in such medical-services costs, and has a Federal medical percentage of 70 percent, it will receive an additional Federal payment per recipient of old-age assistance (over present law) of the larger of (*a*) 15 percent of $10, or $1.50, or (*b*) 70 percent of $2 (i.e., the excess of the average payment over $65), or $1.40.

As to Puerto Rico, Guam, and the Virgin Islands, their additional matching for vendor medical expenditures will be on up to an additional $6 a month per recipient rather than the additional $12 a month for the States and the District of Columbia. This was done because their matching maximum for old-age assistance is an average of $35 a month per recipient in contrast to $65 for the States. Under existing law there are also dollar maximums applicable to Guam, Puerto Rico, and the Virgin Islands for the public assistance programs, these are increased proportionately on condition that the additional increases are used for vendor medical expenditures under the old-age assistance.

The payments under this program would be made directly to providers of medical services.

3. Eligibility

Each State has the responsibility of determining the standard of eligibility for the medical care it provides aged persons. For aged persons receiving money payments the State must take into consideration any income and resources of the individual.

4. Scope of medical services

There is no Federal limitation on medical services provided under the bill. Each State may determine for itself the scope of medical services to be provided in its program.

5. Federal matching

The bill provides for an increase in Federal funds for medical services. The formula, as outlined above, would result in Federal funds in addition to those presently provided. Additional Federal funds may be obtained only for medical services, within the $12 per recipient maximum for payments, made directly to providers of the medical services. States have the option of transferring part or all of the money payments now made for medical services to vendor payments.

TABLE A.—*Existing and proposed Federal matching percentages (effective for October 1960 through June 1961)*

	Federal matching percentages currently applicable under old-age assistance I	Federal medical matching percentages under bill [1] II	Total Federal matching percentage applicable to medical expenses of old-age assistance recipients for States with average total payment of under $65 III
Alabama	65.00	79.15	80.00
Alaska	50.00	50.00	65.00
Arizona	63.23	63.23	78.23
Arkansas	65.00	80.00	80.00
California	50.00	50.00	[2]
Colorado	53.42	53.42	[2]
Connecticut	50.00	50.00	[2]
Delaware	50.00	50.00	65.00
District of Columbia	50.00	50.00	65.00
Florida	59.68	59.68	74.68
Georgia	65.00	74.36	80.00
Guam	50.00	50.00	65.00
Hawaii	53.38	53.38	68.38
Idaho	65.00	67.04	[2]
Illinois	50.00	50.00	[2]
Indiana	50.00	50.00	65.00
Iowa	63.23	63.23	[2]
Kansas	60.78	60.78	[2]
Kentucky	65.00	76.94	80.00
Louisiana	65.00	72.00	[2]
Maine	65.00	65.23	[2]
Maryland	50.00	50.00	65.00
Massachusetts	50.00	50.00	[2]
Michigan	50.00	50.00	[2]
Minnesota	58.57	58.57	[2]
Mississippi	65.00	80.00	80.00
Missouri	53.42	53.42	68.42
Montana	54.07	54.07	69.07
Nebraska	63.41	63.41	[2]
Nevada	50.00	50.00	[2]
New Hampshire	57.91	57.91	[2]
New Jersey	50.00	50.00	[2]
New Mexico	65.00	67.99	[2]
New York	50.00	50.00	[2]
North Carolina	65.00	77.46	80.00
North Dakota	65.00	74.18	[2]
Ohio	50.00	50.00	[2]
Oklahoma	65.00	67.54	[2]
Oregon	52.58	52.58	[2]
Pennsylvania	50.00	50.00	[2]
Puerto Rico	50.00	50.00	65.00
Rhode Island	50.00	50.00	[2]
South Carolina	65.00	80.00	80.00
South Dakota	65.00	75.42	80.00
Tennessee	65.00	76.55	80.00
Texas	61.36	61.36	76.36
Utah	65.00	65.00	[2]
Vermont	65.00	65.82	80.00
Virgin Islands	50.00	50.00	65.00
Virginia	65.00	65.44	80.00
Washington	50.00	50.00	[2]
West Virginia	65.00	72.69	80.00
Wisconsin	54.60	54.60	[2]
Wyoming	50.92	50.92	[2]

[1] These are applicable to the new program of medical assistance for the aged and to vendor medical costs under the old-age assistance program when State average total assistance payment is over $65 per month (when average is $65 or under, percentages shown in next column are applicable).

[2] Average total assistance payment in May 1960 was over $65, so no figure is shown in this table. In all other studies, the average payment was $65 or less, and under these conditions the Federal matching percentage as shown in this column would be applicable.

B. MEDICAL ASSISTANCE FOR THE AGED NOT RECEIVING OLD-AGE ASSISTANCE

1. Purpose

The bill would amend existing title I to make it clear that States may extend their assistance programs to cover the medically needy.

The bill would give the States a financial incentive to establish such programs where they do not exist or to extend such programs where they are not adequate in coverage or comprehensive in the scope of benefits.

Under the provisions of the committee bill, a State desiring to establish a program for assisting low income individuals in meeting their medical expenses would submit an amendment of its old-age assistance plan which, if found by the Secretary of Health, Education, and Welfare to fulfill the requirements specified in this title, would be approved for Federal matching. A number of the plan requirements are substantially the same as those in the present public assistance titles. Other plan requirements are directed specifically to accomplishing the purposes of the new title, to assist aged persons who are able to meet their expenses other than their medical needs.

A State would have broad latitude in determining eligibility for benefits under the program as well as the scope and nature of the services to be provided within the limitations prescribed. Thus, each State would determine the tests for eligibility and the medical services to be provided under the State program within the limitations described below. Federal financial participation would be governed by the establishment of an approved plan subject to the criteria and limitations prescribed in the law.

2. Eligibility

Benefits under a State program may be provided only for persons 65 years of age or over to the extent they are unable to pay the cost of their medical expenses. Under this program, it will be possible for States to provide medical services to individuals on the basis of an eligibility requirement that is more liberal than that in effect for the States' old-age assistance programs.

Section 1 of the Social Security Act, as it would be amended by the bill, provides that one of the objectives of the title is to furnish medical assistance to individuals who are not recipients of old-age assistance but whose income and resources are insufficient to meet the costs of necessary medical services.

It would cover all medically needy aged 65 or over; it would cover every such person including those under the social security system, railroad retirement system, civil service system, or any other public or private retirement system whether such person is retired or still working, subject only to the participation in the program by the State of which they are resident; it would cover the widows of such workers as well as their dependents who meet the age 65 requirement and are unable to provide for their medical care. There are many individuals who have not worked under the social security program or any other retirement program for a sufficient time to ever become eligible for retirement benefits; this is another needy group which would be able to receive medical assistance under the health plan endorsed by the Finance Committee.

A State may, if it wishes, disregard in whole or part, the existence of any income or resources, of an individual for medical assistance. An individual who applies for medical assistance may be deemed eligible by the State notwithstanding the fact he has a child who may be financially able to pay all or part of his care, or that he owns or has an equity in a homestead, or that he has some life insurance with a cash value, or that he is receiving an old-age insurance benefit, annu-

ity, or retirement benefit. The State has wide latitude to establish the standard of need for medical assistance as long as it is a reasonable standard consistent with the objectives of the title. In establishing such standard a State must comply with all other applicable provisions of section 2 of the Social Security Act, as it would be amended by the bill.

This is based on the grounds that an aged individual who has adjusted his living standard to a low income, but who still has income and resources above the level applicable for old-age assistance, might be unable to deal with his medical expenses. The committee intends that States should set reasonable outer limits on the resources an individual may hold and still be found eligible for medical services. Individuals who are recipients of old-age assistance in any month would not be eligible for participation in the medical assistance program in that month.

3. Scope of benefits

The scope of medical benefits and services provided will be determined by the States. The Federal Government, however, will participate under the matching formula in any program which provides any or all of the following services, provided both institutional and noninstitutional services are available:

(1) Inpatient hospital services;
(2) Skilled nursing-home services;
(3) Physicians' services;
(4) Outpatient hospital services;
(5) Home health care services;
(6) Private duty nursing services;
(7) Physical therapy and related services;
(8) Dental services;
(9) Laboratory and X-ray services;
(10) Prescribed drugs, eye glasses, dentures, and prosthetic devices;
(11) Diagnostic, screening, and preventive services; and
(12) Any other medical care or remedial care recognized under State law.

The Federal Government will not participate as to services rendered in mental and tuberculosis hospitals.

The description of the care, services, and supplies provided with Federal financial participation which may be provided for recipients of medical assistance for the aged is intended to be as broad in scope as the medical and other remedial care which may be provided as old-age assistance under title I of the existing law with Federal financial participation. The various types of care and services have been enumerated primarily for informational purposes. Accordingly, a State may, if it wishes, include medical services provided by osteopaths, chiropractors, and optometrists and remedial services provided by Christian Science practitioners.

4. Federal matching

The Federal Government will share with the States in the cost of the new medical assistance program in accordance with the matching formula prescribed by the bill. The Federal share of the cost will be determined in the same general manner as now provided for the portion of the old-age assistance payments between $30 and $65 per month; that is, the Federal share will depend upon the per capit

income of the State as related to the national average, but with a range from 50 to 80 percent. (See col. II of table A on p. 5 for Federal share by States.) For Puerto Rico, Guam, and the Virgin Islands the matching will be on a 50–50 basis. There is no maximum upon the dollar amount of Federal participation in the new program. Appropriation requirements, therefore, would depend upon the programs developed by the States. Thus, the total cost would depend upon the scope of services offered and the number of persons found eligible by the States under the respective State plans.

The Federal Government will participate in the cost of administering these programs on a dollar-for-dollar basis, as is now true in the case of the four public assistance programs.

The committee, in recognition of the fact that some States could take advantage of the Federal funds for this program very quickly, has set the effective date for the new program as October 1, 1960.

5. Plan requirements

Although the requirements for the approval of the medical assistance for the aged in the State plan are generally comparable to those in the public assistance titles of the Social Security Act, the committee concluded that some changes are needed to carry out the intent of the new part of the program.

A State would not be permitted as a condition for medical assistance to impose a lien on the property of a recipient during his lifetime. An enrollment fee for recipients would not be permitted. However, the bill would permit the recovery from an individual's estate after the death of his spouse if one survives him. This provision was inserted in order to protect the individual and his spouse from the loss of their property, usually the home, during their lifetime.

The committee concluded also that in order to meet the practicalities of providing an effective medical benefit program for this low income group, a State should not be permitted to have as an eligibility requirement a durational residence requirement which excludes any individual who resides in the State. A State plan must also provide for inclusion, to the extent required by regulation prescribed by the Secretary of Health, Education, and Welfare, of provisions with respect to the furnishing of care to individuals who are residents of the State but are absent therefrom. It is the intent of the committee that the Secretary will promulgate regulations governing the provision of such assistance to residents outside of their States of residence in a reasonable manner with due regard to the traditional rights of the States under the public assistance programs to determine the scope of the medical care provided.

C. MEDICAL GUIDES AND RECOMMENDATIONS

As recommended by the Advisory Council on Public Assistance, appointed pursuant to the Social Security Amendments of 1958, the bill instructs the Secretary of Health, Education, and Welfare to develop guides or recommended standards for the information of the States as to the level, content, and quality of medical care for the public assistance medical programs. He would also prepare such guides and standards for use in the new programs of medical assistance for the medically needy aged.

D. NUMBERS OF PERSONS AFFECTED AND COSTS

Under the revised title I, State plans (with Federal matching funds) could provide potential protection under the new program of medical assistance for the aged to as many as 10 million persons aged 65 and over whose financial resources are such that, if they have sizable medical expenses, they will qualify. These 10 million persons would include the vast majority of the 12 million individuals aged 65 and over who are receiving old-age and survivors insurance benefits—as well as other aged persons, too. Each year, after all State plans are in full operation, an estimated one-half to 1 million persons among these 10 million may become ill and require medical services that will result in payments under this title. In the first year after enactment of the bill, when relatively few States will probably have had an opportunity to develop comprehensive plans (although it is expected that all States now not having comprehensive medical programs for their old-age assistance recipients will adopt or extend such programs) an estimated additional $60 million in Federal funds would be expended for medical assistance for the aged. In addition, increased Federal funds for matching vendor medical-care payments in respect to the 2,4 million old-age assistance recipients are estimated at about $140 million. Thus, under both programs combined, the cost would total about $200 million. See table B for State-by-State breakdown of these figures.

With respect to costs after the new programs have been in effect for several years, it must be considered that the old-age assistance roll is decreasing slowly, but that States with no vendor medical payments now (or with small payments of this type) will probably develop quite comprehensive medical-care programs for the old-age assistance recipients. The increased Federal funds for matching the vendor medical-care payments of old-age assistance recipients are estimated at about $175 million annually in the long run. In addition, an estimated $165 million in Federal funds for medical services for the aged may be provided in a full year of operation after the States have had opportunity to develop these programs (and this figure could even be somewhat higher if all States had relatively well developed and comprehensive plans). Thus, under both programs combined, the annual cost would total about $330 million.

E. COST ESTIMATES OF MEDICAL PROVISIONS (STATE-BY-STATE BREAKDOWN)

1. Cost estimates for the new program of medical assistance for the aged

Total Federal and State expenditures under the new program of medical assistance for the aged will, of course, depend upon a number of factors. For example, actual Federal and State expenditures under the program will, in the long run, depend on the number of people found to be eligible and on the kind and volume of medical services that will be provided under the plans to be developed by the States. In the near future a very important factor in estimating costs will be the timing involved in the adoption and development of these plans by the various States.

The estimates shown in table B were prepared by the Department of Health, Education, and Welfare on the basis of what the experience might be in the first year after enactment of the bill.

Because of the obvious difficulties in estimating what the experience will be in each State under the flexible plans that can be developed under the provisions of the proposed program and in projecting exactly when each State will take the necessary action and begin operations, it should be understood that the figures in the table as to what the expenditures would be in individual States, of necessity, may vary considerably from what may be actual results. The estimates are based on assumptions related to objective factors for each State such as per capita income, existing medical services under old-age assistance, number of persons aged 65 and over, and number of recipients of old-age assistance. Because the actual expenditures in any individual State is a matter for State decision and action, the estimates may be wide of the mark for individual States and yet be reasonably reliable for the country as a whole.

2. Cost estimates under old-age assistance amendments

In developing the estimates of the cost of Federal matching of vendor medical care payments under the old-age assistance program, shown in table B, it was possible to make estimates, within a reasonable margin of error for the States that are now spending for medical care an average monthly amount of at least $12 per recipient. States that have average monthly payments for medical care below $12 are assumed to utilize the additional Federal money to improve their medical care programs (and thus obtain further Federal funds). States with no medical care programs (or with relatively insignificant ones) are assumed to develop plans that will have an average monthly cost of $6 per recipient.

TABLE B.—*Estimated annual 1st-year costs under proposed program of medical assistance for the aged and for additional matching for vendor medical care payments under old-age assistance*

[All figures in thousands]

	Medical assistance for the aged [1]		Additional OAA vendor medical costs		Additional costs—both programs	
	Federal cost	State and local cost	Federal cost	State and local cost	Federal cost	State and local cost
United States	$60,000	$55,837	$142,175	$3,873	$202,175	$59,710
Alabama	34	9	4,155	----------	4,189	9
Alaska	1	1	52	52	53	53
Arizona	12	6	635	370	647	376
Arkansas	27	7	3,308	----------	3,335	7
California	750	750	18,365	----------	19,115	750
Colorado	361	314	3,627	----------	3,988	314
Connecticut	3,318	3,318	1,039	----------	4,357	3,318
Delaware	33	33	41	13	74	46
District of Columbia	75	75	46	----------	121	75
Florida	296	199	3,354	----------	3,650	199
Georgia	14	5	4,804	984	4,818	989
Hawaii	43	43	28	----------	71	43
Idaho	34	17	673	----------	707	17
Illinois	5,911	5,911	3,905	----------	9,816	5,911
Indiana	3,013	3,013	594	----------	3,607	3,013
Iowa	98	57	3,120	----------	3,218	57
Kansas	1,052	678	2,485	----------	3,537	678
Kentucky	15	4	2,795	572	2,810	576
Louisiana	123	48	12,970	----------	13,093	48
Maine	156	83	731	----------	887	83
Maryland	822	822	384	----------	1,206	822
Massachusetts	4,751	4,751	5,663	----------	10,414	4,751
Michigan	1,778	1,778	4,405	----------	6,183	1,778
Minnesota	2,612	1,848	3,943	----------	6,555	1,848
Mississippi	6	2	4,638	1,112	4,644	1,114
Missouri	175	152	4,582	----------	4,757	152
Montana	30	26	186	158	216	184
Nebraska	944	545	712	----------	1,656	545
Nevada	47	47	187	----------	234	47
New Hampshire	854	620	404	----------	1,258	620
New Jersey	4,879	4,879	1,362	----------	6,241	4,879
New Mexico	9	4	877	----------	886	4
New York	13,416	13,416	5,919	----------	19,335	13,416
North Carolina	62	18	1,897	----------	1,959	18
North Dakota	245	85	773	----------	1,018	85
Ohio	1,336	1,336	6,430	----------	7,766	1,336
Oklahoma	1,318	633	8,699	----------	10,017	633
Oregon	1,719	1,550	1,064	----------	2,783	1,550
Pennsylvania	2,451	2,451	3,601	----------	6,052	2,451
Rhode Island	896	896	485	----------	1,381	896
South Carolina	6	2	1,623	----------	1,629	2
South Dakota	8	3	419	186	427	189
Tennessee	22	7	1,934	----------	1,956	7
Texas	79	50	6,891	426	6,970	476
Utah	34	18	741	----------	775	18
Vermont	43	22	206	----------	249	22
Virginia	503	266	331	----------	834	266
Washington	2,481	2,481	3,517	----------	5,998	2,481
West Virginia	75	28	567	----------	642	28
Wisconsin	2,980	2,478	2,770	----------	5,750	2,478
Wyoming	53	52	238	----------	291	52

[1] Because of the newness of this program, it is extremely difficult to estimate exactly which States will participate and to what extent, especially in the 1st year after enactment.

NOTE.—Estimates were not made for Guam, Puerto Rico, and Virgin Islands, which can participate in these programs; any additional expenditures for these jurisdictions would probably be relatively small.

III. Summary of Other Provisions of the Bill

A. The Old-Age, Survivors, and Disability Insurance (OASDI) Provisions

1. The disability insurance program

(*a*) *Removal of age 50 eligibility requirement.*—An estimated 250,000 people—disabled insured workers under age 50 and their dependents—would qualify for benefits for the second month following the month of enactment of the bill through removal of the age 50 qualification for benefits in present law.

(*b*) *Trial work period.*—The bill would strengthen the rehabilitation aspects of the disability program by providing a 12-month period of trial work, during which benefits are continued for all disabled workers who attempt to return to work, rather than limiting this trial work period to those under the formal Federal-State vocational rehabilitation plan, as in existing law.

(*c*) *Waiting period.*—The bill would provide that the disabled worker who regains his ability to work and then within 5 years again becomes disabled will not be required to wait through a second 6-month waiting period before his benefits will be resumed, as is now required.

2. Retirement test (earnings limitation)

The committee's bill would liberalize the retirement test (earnings limitation) to allow annual earnings of $1,800 per year without loss of benefits. Under existing law a beneficiary under age 72 will lose 1 month's benefits for every $80 (or fraction thereof) by which his annual earnings exceed $1,200. Under the committee's bill a beneficiary would lose 1 month's benefits for every $80 (or fraction thereof) by which his annual earnings exceed $1,800. There would be no change in the provision of existing law which guarantees that no benefits will be lost for any month in which a beneficiary earns $100 or less and does not render substantial services in self-employment. The House bill would have made no change in the earnings limitation of present law.

3. Reduction of retirement age for men to 62

Under the bill as reported by the Committee on Finance, men workers and dependent husbands would be entitled to elect to retire at age 62, with actuarially reduced benefits, in the same way that women workers and wives can now make such an election. Likewise, dependent widowers and dependent fathers of deceased workers would qualify for full benefits at age 62 in the same manner as widows and dependent mothers of deceased workers now can qualify. Approximately 1.8 million men would be eligible to elect to retire immediately and receive these benefits.

4. Insured status requirement

The committee's bill deletes the provision of the House bill which would liberalize the fully insured status requirement by making eligible for benefits persons who have one quarter of coverage for every four calendar quarters elapsing after 1950 (or age 21), and before age 62 or, if earlier, disability or death. Present law requires one quarter of coverage for each two quarters so elapsing. The House provision would enable a rather substantial number of people to qualify for benefits on the basis of a very limited record in covered work, and a

relatively small contribution to the system. The liberalization would also have caused a large drain on the trust fund, particularly within the next few years.

5. Improved benefit protection for dependents and survivors of insured workers—wives, widows, children, husbands, and widowers

The committee's bill, like the House bill, would increase the benefits payable to children in certain cases and would provide benefits for certain wives, widows, widowers, and children of insured workers who are not now eligible for benefits. Other than as noted below, these changes would be effective for benefits for the month following the month of enactment.

(*a*) *Survivors of workers who died before 1940.*—Survivors of workers who died before 1940, and who had at least six quarters of coverage, would qualify for benefit payments. About 25,000 people, most of them widows aged 75 or over, would be made eligible for benefits for the first time by this change.

(*b*) *Increase in children's benefits.*—The benefits payable to the children of deceased workers, which now can be somewhat less than 75 percent of the worker's benefit depending on the number of children in the family, would be made 75 percent for all children, subject to the family maximum of $254 a month, or 80 percent of the worker's average monthly wage if less. About 400,000 children would get some increase in benefits as a result of this change, effective for benefits for the third month after the month of enactment.

(*c*) *Other changes affecting wives, widows, children, husbands, and widowers.*—Certain dependents and survivors of insured workers would also benefit by provisions included in the bill which (effective with the month of enactment) (1) authorize benefits on the basis of certain invalid ceremonial marriages contracted in good faith; and (2) assure continuation of a child's right to a benefit based on the wage record of his father, which is now voided if a stepfather was living with and supporting him at the time his father died, or, in a retirement or disability case, at the time when the child applied for benefit.

The House provision reducing from 3 years to 1 year the period required for marriage for a wife, husband, or stepchild of a retired or disabled worker to qualify for benefits was deleted, however, because there was insufficient evidence that the 3-year provision is not necessary to prevent payments to persons who marry for the primary purpose of qualifying for benefits.

6. Increased coverage

Another opportunity would be provided for an estimated 60,000 ministers to be covered under the program, in the same manner as is provided in the House bill. In addition, if the States take advantage of the opportunity offered them, nearly 2½ million employees of State and local governments could obtain coverage for certain past years on a retroactive basis. The provision of the House bill covering American citizens employed in the United States by foreign governments was also approved, as was the House provision making possible the coverage of certain policemen and firemen under retirement systems in Virginia. Other approved provisions would facilitate coverage for some of the noncovered people employed in positions covered by State or local retirement systems, and for the 100,000 noncovered employees of certain nonprofit organizations.

The provision in the House bill extending coverage to physicians has been deleted because of lack of definitive information on whether a majority of doctors wish to come under the program. The coverage of domestic and casual workers who earn between $25 and $50 a quarter from one employer, as provided in the House bill, was eliminated, together with the coverage of parents who work for their sons or daughters. In both of these instances it was not clear that the administrative problems which constituted the reasons for these exclusions had been completely eliminated. Also eliminated from the House bill were the extensions of coverage to American Samoa and Guam, to Americans employed in the United States by international organizations, and to certain American employees of labor organizations in the Panama Canal Zone. The committee believes that further examination and hearings should be undertaken before coverages should be extended to these groups of workers.

7. Investment of the trust funds

The bill would make certain changes in the investment provisions relating to the Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund so as to make interest earnings on the Government obligations held by the trust funds more nearly equivalent to the rate of return being received by people who buy Government obligations in the open market.

These changes, which were made in the House bill, would make for more equitable treatment of the trust funds and are generally in line with the recommendations of the Advisory Council on Social Security Financing.

8. Technical and minor substantive changes

The bill would provide a number of amendments of a technical nature. These provisions will correct several technical flaws in the law, make for more equitable treatment of people, and simplify and improve the operation of the program.

B. AID TO THE BLIND PROGRAM OF PUBLIC ASSISTANCE

The committee's bill liberalizes the exemption of earned income allowed for people receiving aid to the blind under State programs (now $50 per month) so that earnings of $1,000 per year, plus one-half of additional earnings, would be exempted under these plans. This provision is not in the House bill. The committee's bill, like that of the House, would extend to June 30, 1964 (now expires June 30, 1961), the temporary legislation which relates to the approval by the Secretary of Health, Education, and Welfare of certain State plans for aid to the blind which do not meet in full certain Federal requirements relating to the "needs" test.

C. THE MATERNAL AND CHILD WELFARE PROGRAMS

Both the House and committee bills would provide that the authorization for annual appropriations for the maternal and child health services program be increased from $21.5 million to $25 million and the services for crippled children program from $20 million to $25 million. The child welfare program authorization was increased from

$17 million to $20 million by the House bill, but the committee has increased the authorization to $25 million. The committee's attention has been called to the need for more and better services for children, particularly those who are mentally retarded. The new authorization for research and demonstration projects, provided in the House bill, is included in the committee bill. It permits grants to public and other nonprofit institutions and agencies for this purpose.

D. THE UNEMPLOYMENT COMPENSATION PROGRAM

The committee's bill makes two changes affecting the so-called George-Reed loan fund which is used to make advances to States with depleted reserve accounts:

(1) The maximum amount authorized in the loan fund from Federal unemployment tax revenues is increased from $200 million to $500 million;

(2) More realistic eligibility requirements for States applying for advances are provided and also increases in the rate of repayment of advances.

The committee deleted the provisions contained in the House bill raising the Federal unemployment tax, establishing a new procedure for financing administrative expenses, extending coverage to several groups of workers, and including Puerto Rico in the unemployment compensation program.

IV. General Discussion of the Old-Age, Survivors, and Disability Insurance Provisions

A. IMPROVING THE DISABILITY PROVISIONS OF THE PROGRAM

In providing cash benefit protection in 1956 to workers against the contingency of retirement because of severe disability, Congress designed a conservative program. At that time it was believed prudent to move cautiously because of the limited experience under the disability "freeze" provision (waiver of premium) which was passed in 1954 and the lack of definitive information on the costs of disability benefits. With more operating experience, Congress approved the payment of benefits to dependents of disabled workers in 1958, thus eliminating this distinction between the disability insurance program and the retirement and survivor insurance programs.

The committee's present proposals take into account the additional administrative experience gained since 1958 and the findings of the recent study of all aspects of the disability program by the Subcommittee on the Administration of the Social Security Laws of the House Committee on Ways and Means. As noted elsewhere in this report, the latest cost estimates show an actuarial surplus in the disability insurance trust fund. The changes recommended in the committee's bill can be made and the disability fund will still be in actuarial balance without a change in the tax rate.

1. Benefits for disabled workers under age 50 and their families

Under present law the disability freeze is applicable to disabled workers at any age but benefits are payable only to workers between the age of 50 and 65 and their qualified dependents. Although the age 50 restriction was appropriate as part of the conservative approach used when disability benefits were first provided, the committee be-

lieves that sufficient experience has now been gained with the administration of the program to warrant the elimination of the age 50 requirement as it is recommending.

An estimated 125,000 disabled workers and an equal number of their dependents would qualify for benefits immediately upon removal of the age 50 restriction.

The need of younger disabled workers and their families for disability protection is, in some respects, greater than that of older workers. They are more likely to have families dependent upon them than are workers aged 50 and over. Many who would be eligible for disability benefits except for the age limitation are now receiving payments under the public assistance programs. With insurance benefits available to them and their dependents, some of these individuals would no longer need assistance payments. As a result, the first-year saving in public assistance funds is estimated at $28 million and it is expected that more would be saved in later years. More important, as time goes on fewer people who become disabled before age 50 will need to have recourse to assistance. Benefits through the insurance program will be based on the person's work and earnings and paid without investigation of his financial situation.

2. Trial period of work for disability beneficiaries

Under present law disabled persons who return to work pursuant to a State-approved vocational rehabilitation plan may continue to draw benefits for as many as 12 months even though they are engaged in work activity which is such that, without this provision, they would have their benefits terminated. The committee bill would broaden this provision so that disability beneficiaries who work under other rehabilitation plans—such as programs conducted by the Veterans' Administration, State mental and tuberculosis hospitals, sheltered workshops, and insurance companies—or are rehabilitating themselves, would also be allowed a similar trial-work period during which their benefits would be continued. The bill would thus eliminate the distinction in existing law between persons who are undergoing rehabilitation under State-approved plans and those who are rehabilitating themselves or being rehabilitated under other programs.

The committee believes that the broadening of the trial-work period will be an incentive to greater rehabilitation efforts.

Under the trial-work provision of the committee bill, a disability beneficiary could perform services in each of 12 months, so long as he does not medically recover from his disability, before his benefits would be terminated as a result of such services. After 9 months of the trial period, however, any services he performed during the period would be considered in determining whether he has demonstrated an ability to engage in substantial gainful activity. If he demonstrates such ability, 3 months later his benefits would be terminated. It is intended that any month in which a disabled person works for gain, or does work of a nature generally performed for gain, be counted as a month of trial work. Thus the services rendered in a month need not constitute substantial gainful activity in order for the month to be counted as part of a trial-work effort. Work performed, for example, under sheltered workshop conditions would count, but only if it is work of a type for which the worker is usually paid—that is, if it is not performed merely as a therapeutic measure or purely as a matter of training. Work usually performed by a

person in daily routine around the home or in self-care would not be counted for purposes of this provision.

The bill also provides a continuation of benefits for 3 months for any person, irrespective of attempts to work, whose medical condition improves to the extent that he is no longer disabled within the meaning of the law. A person who recovers from his disability, especially if he has spent a long period in a hospital or sanitarium, may require benefits for a brief interval during which he is becoming self-supporting.

3. Modification of the requirement for a waiting period for benefits for persons whose disabilities recur

Under present law, a disabled worker cannot receive disability insurance benefits until after his disability has continued through a waiting period of 6 months. The bill provides that a person whose disability recurs relatively soon after the termination of a prior period of disability will not be required to undergo another waiting period before benefits can be paid. This will encourage disabled persons to return to work even though there may be question as to whether their work attempts will be successful.

Most disability insurance beneficiaries who return to work do so despite severe impairments. When a disabled person becomes employed without any improvement of his condition, a more or less slight change in his situation can result in the loss of his job and make him once again eligible for disability insurance benefits. Other disabled persons whose medical conditions may improve sufficiently to require termination of benefits, may subsequently grow worse again and become reentitled to benefits. A new 6-month qualifying period during which they receive neither earnings nor benefits imposes a hardship on them and their families, and may be a real bar to any further work attempts.

The bill provides that people who become disabled within 5 years after termination of a period of disability would not be required to serve another 6-month waiting period before they are again eligible to receive disability benefits. The 5-year period is intended to restrict the group aided to those for whom it is reasonable to assume that the second disability is the same as or related to the first disability.

4. Alternative work requirements for disability protection

Under present law, to qualify for disability benefits or the disability freeze a disabled worker must be fully insured and must have 20 quarters of coverage out of the 40 calendar quarters ending with the quarter in which he meets the definition of disability. These requirements are designed to limit disability protection to persons whose coverage has been long enough and recent enough to indicate that they have been dependent upon their earnings.

It has come to your committee's attention that some few people who have worked long periods in employment or self-employment that is now covered under the old-age, survivors, and disability insurance program and who have had covered work immediately preceding their disablement are not able to meet the work requirements for disability protection because a substantial part of their quarters of coverage occurred more than 10 years before the onset of their disability. To alleviate this problem your committee is recommending that a disabled worker who cannot meet the disability work requirements under present law should be deemed to have met those requirements if he had a total of at least 20 quarters of coverage and

if he had quarters of coverage in all calendar quarters elapsing after 1950 up to the quarter of disablement, provided that there were no fewer than 6 quarters so elapsing. Those who would benefit under this alternative work requirement would still have to meet the same requirements for duration of employment as under present law—20 quarters of coverage. The alternative requirement would have no effect for workers who became disabled after 1955.

B. RETIREMENT TEST (EARNINGS LIMITATION)

The committee bill increases the annual earnings limitation (applicable before age 72) under the retirement test from $1,200 to $1,800. This liberalization is necessary for a number of reasons. Since 1954, when the $1,200 figure was instituted, there has been a substantial increase in the cost of living and an even more marked rise in the level of wages. There has also been a growing realization on the part of many Americans that the present restriction on the amount of earnings allowed is creating economic hardship for many people receiving social security benefits. For others, this provision causes a forced, unnatural termination of work activity which is psychologically damaging. We are convinced that many of our older men and women are able to preserve their independence and self-respect through limited work activity. They find it hard to understand why the old-age and survivors insurance system penalizes them, in the form of deducted benefits, for such activity. Moreover it is anomalous, in the view of the committee, for the executive branch and the Congress to urge employers to hire older men and women, while at the same time, by Federal law there is retained a 1954 measure of allowable earnings. The $1,800 limitation seems a reasonable figure as to permissible work activity which will still preserve the basic function of the test and restrict benefits to those who are substantially retired.

The committee's bill, although liberalizing the annual earnings limitation, retains the other basic characteristics of the retirement test. Under the bill, as under present law, a beneficiary under age 72 will lose 1 month's benefit for every $80, or fraction thereof, by which his earnings exceed the annual exempt amount. Likewise, there would be no change in the present provision which guarantees that no benefits will be lost for any month in which a beneficiary earns wages of $100 or less and does not render substantial services in self-employment.

C. REDUCTION OF RETIREMENT AGE FOR MEN TO 62

Under present law, male workers cannot receive retirement benefits before age 65, but female workers may do so as early as age 62 by accepting permanently reduced benefits (by 20 percent for retirement at age 62; proportionately less for later ages at retirement). Similarly, men who are (or have been) dependents of female workers—such as husbands and widowers and fathers of a deceased worker—cannot now receive benefits before age 65, but women who are (or have been) dependents of male workers can receive benefits as early as age 62 (or even before that if they have an eligible child in their care). The benefit payable to a widow or to a mother of a deceased worker is not reduced if it is claimed at ages 62 to 64, but a wife's benefit is permanently reduced by 25 percent if taken at age 62 (proportionately less for later ages at claim).

The principle underlying the reduction in women's benefits on account of early retirement is that the additional amount payable before age 65 will be exactly counterbalanced by the reduced benefits payable after attainment of age 65 (i.e., the actuarial-reduction principle). The reduction in the wife's benefit is somewhat greater than that in the woman worker's benefit because the latter is applicable during the entire lifetime of the woman, whereas the former applies only while both the woman and her husband are alive (since full widow's benefits are payable even if the woman is aged 62 to 64 at time of widowhood).

In the case of a retired woman worker who is receiving reduced benefits because of retirement before age 65, present law provides that full benefits be paid to her eligible dependents (children under age 18 or permanently and totally disabled before age 18 and dependent husband aged 65 or over), namely, 50 percent of her full primary benefit (subject to the family maximum benefit provisions).

Present law also provides for equitable adjustment and correlation provisions in the case of a woman who is eligible for benefits both on her own work record and as a wife when she claims one or both benefits at ages 62 to 64. Also, suitable adjustment of reduced benefits is made at age 65 when a woman's reduced benefits have been withheld for 3 or more months at ages 62 to 64 because of the retirement test.

The earlier minimum retirement age for women under present law is also beneficial to women because it is this age that determines the "closing date" for determining fully insured status and average monthly wage. Thus, for example, a man born in January 1900 must have 28 quarters of coverage to be fully insured for retirement benefits, whereas a woman born in the same month need have only 22 quarters of coverage. Also, if a man has no earnings in the year he becomes age 62 and thereafter, his average wage is decreased by reason of the 3 "zero" years (at ages 62 to 64), whereas this would not be the case for a woman worker, who can base the calculation on the period before age 62 (even if she chooses to wait until age 65 and then receive the full benefit).

The Committee on Finance added an amendment which would reduce the minimum retirement age for men to 62 so that they can qualify for benefits in the same way that women can under existing law. Men workers and dependent husbands, under the amendment, could elect to receive an actuarially reduced benefit if they chose this early-retirement feature, in the same way that women workers and wives can now qualify. Similarly, dependent widowers and dependent fathers (of deceased workers) could qualify for full benefits at age 62, as widows and dependent mothers do under existing law. Full benefits (at the rate of 50 percent of the primary insurance amount, but subject to the maximum family benefit provisions) would be paid in respect to eligible children (under age 18 or permanently and totally disabled since before age 18) of a man who retires before age 65, and in such cases also to the wife regardless of her age. If both the husband and wife are aged 62 to 64 when he retires (and no eligible children are present), the wife can claim an actuarially reduced benefit based on her husband's reduced benefit (as will be described in detail later). Approximately 1.8 million men would be eligible to retire immediately under this amendment, which would be effective for the month of November 1960.

The committee recognizes, however, that not all men will wish to elect this early reduction since it represents a permanent reduction in the amount of the benefit they will receive for the rest of their lives, as well as a reduction in the benefits payable to their wives. We recognize as well that there is some question as to whether it is desirable policy for the Government to encourage early retirement at a time when medical science is lengthening the lifespan, but we recognize as well that many men in their early sixties are unable to find work or unable to work, even though they may not be so seriously disabled as to meet the strict conditions for disability benefits under the program.

For a male worker who elects retirement in the month he reaches age 62, benefits would be payable, under the provisions of the bill, amounting to 80 percent of the amount he would receive if he waits until his 65th birthday. He would have the option of receiving a proportionate increase for each month he delays retirement after age 62. Under the bill, the old-age benefit is reduced by five-ninths of 1 percent (the same factor that now applies for women workers) times the number of months beginning with the first month for which a man is entitled to an old-age insurance benefit and ending with the month before the month in which he would attain age 65. For example, a man entitled to a benefit of $100 a month at age 65 would receive $80 per month for life if he chose to retire at age 62.

The following table shows illustrative monthly benefit amounts for male workers without dependents—which correspond with existing benefits for women workers—for retirement between ages 62 and 65:

Average monthly wage	Primary insurance amount	Old-age insurance benefit for retirement at—			
		Age 65	Age 64	Age 63	Age 62
$50	[1] $33	$33	$30.80	$28.60	$26.40
85	50	50	46.70	43.40	40.00
110	65	65	60.70	56.40	52.00
180	80	80	74.70	69.40	64.00
275	100	100	93.40	86.70	80.00
370	120	120	112.00	104.00	96.00
400	[2] 127	127	118.60	110.10	101.60

[1] Minimum benefit.
[2] Maximum benefit.

Likewise, the wife aged 62 or over of a man who retires at age 62–64 would, under the provisions of the bill, be able to receive an actuarially reduced benefit based on her husband's reduced benefit (if she has an eligible child in her care, her benefit would not be actuarially reduced). For example, in the case of a man entitled to a benefit of $100 a month at age 65 who claims the reduced benefit of $80 at age 62, the wife would receive $40 (50 percent) if she were age 65 when he retired or if she waited until age 65 to claim the benefit, and she would receive $30 (75 percent of $40) if she were age 62.

The following table shows illustrative monthly benefit amounts for a married male worker with no eligible children, for retirement at

various ages between 62 and 65, based on a primary insurance amount of $100:

Age of wife	Family benefit for man retiring at—			
	Age 65 or over	Age 64	Age 63	Age 62
62	$137.50	$128.50	$119.30	$110.00
63	141.70	132.40	122.90	113.40
64	145.90	136.30	126.50	116.70
65 or over	150.00	140.10	130.10	120.00

The same actuarial reduction factors are used for men as for women. This is appropriate—despite the longer life expectancy of women—because what is of relevance is the relationship of the male expectation of life at age 65 to the male expectation at age 72 and the corresponding relationship for women. These two relationships are substantially the same, according to standard actuarial tables of mortality.

The bill would provide for men—just as present law does for women—equitable adjustment and correlation provisions where there is eligibility for benefits both on his own work record and as a spouse, adjustment of reduced benefits at age 65 when benefits have been withheld for 3 or more months before age 65, and more advantageous results in the determination of fully insured status and average monthly wage for benefit computation purposes.

D. IMPROVEMENTS IN THE BENEFIT PROTECTION FOR WIDOWS, CHILDREN, ETC.

The Committee on Finance believes there are several respects in which the protection available to dependents and survivors of insured workers should be improved, and the bill would make these improvements.

1. An increase in the benefits payable to certain children of deceased workers to three-fourths of worker's benefit

Under present law, the amount payable to a child of a deceased worker is equal to one-half of the benefit amount the worker would have been paid if he had lived, plus one-fourth of that benefit amount divided by the number of entitled children. For example, if there are two surviving children, each child is eligible for a benefit equal to one-half plus one-eighth—five-eighths—of the worker's benefit amount. And even though one child goes to work and gets no benefits, the other child is still not eligible for the full three-quarter benefit. All other survivor beneficiaries now receive benefits equal to three-fourths of the deceased worker's benefit amount. The bill would make the benefit for each child of a deceased worker three-fourths of the amount the worker would have been paid had he lived, subject, of course, to the maximum limitation on the amount of family benefits payable on the worker's earnings record. About 400,000 children would get some immediate increase in benefits as a result of this change.

2. Benefits for survivors of workers who died before 1940

The committee is recommending that benefits be paid to the survivors of a worker who acquired six quarters of coverage and died

before 1940. (Under the 1939 amendments, survivors' monthly benefits were payable only to the survivors of workers who died after 1939.) About 25,000 people—most of them widows aged 75 or over—would be made eligible for benefits by this change. Benefits would be payable only for months beginning with the month after the month of enactment.

3. Benefits in certain situations where a marriage is legally invalid

The bill provides that a valid marriage will be deemed to exist for purposes of eligibility for mother's, wife's, husband's, widow's, widower's, and child's benefits in certain situations where the marriage was not in fact valid under the law of the State where the insured person lived. The amendment would be effective for months after the month of enactment. Since the State laws governing marriage and divorce are sometimes complex and subject to differing interpretations, a person may believe that he is validly married when he is not. The bill provides that a person could qualify for benefits as the spouse of an insured individual, even though there was an impediment (as defined) that prevented a valid marriage from being contracted, if he had gone through a marriage ceremony in the belief that it would create a valid marriage and if the couple had been living together at the time of the worker's death (or, if the worker is still living, at the time the spouse applies for benefits). The bill defines the term "impediment" to include only an impediment that results from the dissolution or lack of dissolution of a prior marriage of the insured person or the person applying for benefits as his spouse or an impediment that results from a defect in the procedure followed in connection with the marriage ceremony. In addition, the bill would make eligible for benefits the child or stepchild of a couple who had gone through a marriage ceremony that because of such an impediment could not result in a valid marriage.

4. Benefits for a child based on his father's earnings record

Under present law, a child is deemed dependent on his father or adopting father, and therefore eligible for benefits on his father's earnings record, unless the father is not living with the child or contributing to the child's support and the child is living with and being supported by his stepfather (or has been adopted by someone else). The bill provides for paying benefits to a child on his father's earnings record even though the child is supported by his stepfather. In most States there is no obligation for a stepfather to support his stepchild. If a child has been denied benefits based on his father's earnings because of the support provided by his stepfather and the stepfather stops supporting him, the child cannot get benefits based on the earnings of either. This change would extend to the child living with his stepfather the protection now provided for other children, including children living with and being supported by other relatives. The change would be effective with the month of enactment.

E. INCREASED COVERAGE

The committee's bill would make several further extensions of coverage.

1. Facilitating coverage of additional employees of nonprofit organizations and validation of erroneous returns already filed

Present law requires that two-thirds of the employees of a nonprofit organization must consent to coverage before the organization can cover the employees who desire coverage and future employees of the organization. The committee's bill modifies this requirement so that a nonprofit organization could, if it so desired, file a certificate electing to provide coverage for all employees hired in the future and such current employees, if any, as consent to be covered. An organization could provide coverage for new employees even though none of its current employees desire coverage.

The present requirement is unfair to employees who want to be covered but are not eligible because some of their fellow employees do not desire old-age, survivors, and disability insurance protection. Under the committee's bill, a nonprofit employer would, in effect, be able to establish as a condition of employment a rule that new employees must be covered while offering its present employees an option.

There are about 100,000 employees of nonprofit organizations not now protected under old-age, survivors, and disability insurance for whom coverage would be facilitated by these changes. In the long run all employees of organizations that have elected to cover any of their employees would be covered since all new employees are mandatorily covered.

The bill would retain the requirement of present law that if some of a nonprofit organization's employees are in jobs covered by a public retirement system and some are not, the employer must divide his employees into two coverage groups for purposes of this provision. The employees who are in positions covered by the public retirement system would be in one coverage group; those who are not would be in the other. Under the bill, the employer may extend coverage to consenting and future employees in either or both groups, without the necessity for concurrence by two-thirds of the current employees.

The bill would also permit the validation of erroneous self-employment returns filed by certain lay missionaries in the belief that they were covered under present law as ministers, if requested by April 15, 1962.

The committee has been informed that a number of nonprofit organizations have been erroneously reporting and paying taxes on remuneration paid to their employees without first complying with requirements in the law for obtaining old-age, survivors, and disability insurance protection for their employees. For example, some organizations have reported their employees without realizing it was necessary to file waiver certificates. In some instances, the nonprofit organization later filed a certificate in accordance with the law, but by that time one or more of the employees whom the organization had previously reported had left its employ. There is no way under present law for such employees to have their services covered under the organization's certificate. In other instances, nonprofit organiza-

tions began to report their employees after the organizations filed certificates without realizing that it was also necessary to obtain the signatures of all of the employees whom they wished to cover on lists of concurring employees. The bill would, under specified circumstances, permit social security credit for remuneration for services performed before July 1, 1960, erroneously reported as wages, upon appropriate action by the nonprofit organizations and employees involved.

2. Provision of an additional opportunity for ministers to obtain coverage

Coverage was made available to ministers, under the Social Security Amendments of 1954, on an individual voluntary basis because of considerations relating to the separation of church and state. The 1954 legislation provided that ministers and Christian Science practitioners already in practice who desired coverage had to file waiver certificates by April 15, 1957. In 1957, when it appeared that many clergymen who desired coverage had, through lack of knowledge or misunderstanding of the provisions, failed to file timely certificates electing coverage, legislation was enacted to extend the time for electing coverage to April 15, 1959. Under present law, in general, only newly ordained ministers (and ministers who have not had net earnings from self-employment of $400 or more, some part of which was from the exercise of the ministry, for as many as 2 taxable years after 1954) may still file certificates electing coverage.

Of some 200,000 full-time ministers who could have elected coverage, about 140,000 have come under the program up to this time. There are many ministers who want coverage but are no longer eligible. In some cases, such ministers failed to file timely waiver certificates because they misunderstood the provision or were unaware of the deadline. Other ministers erroneously believe that they met the requirements for electing coverage by filing tax returns, while still others believe they met the requirements by filing waiver certificates although actually they did not because the certificates were defective in some respects.

The committee is mindful of the need to maintain reasonable restrictions on the time within which a choice must be made under the provision for individual voluntary coverage of ministers. However, the committee recommends that ministers and Christian Science practitioners who under present law are no longer eligible to elect coverage be given additional opportunity to obtain this protection. To this end, persons who have already entered the ministry would be given until April 15, 1962, to file waiver certificates. Certificates filed under this amendment (like those filed under present law by a newly ordained minister) would be effective with the year preceding the latest year for which the tax return due date has not passed.

In addition, the bill would permit the validation of coverage of certain clergymen who filed tax returns reporting self-employment earnings from the ministry for certain years after 1954 and before 1960 even though, through error, they had not filed waiver certificates effective for those years. These ministers or their representatives would be given the opportunity until April 15, 1962, to file waiver certificates or supplemental certificates effective with the first taxable year for which they had filed such a tax return and for all succeeding years. In order for the benefits of this amendment to be secured,

any taxes due by reason of the validation of the coverage would have to be paid by April 15, 1962.

Also a provision is added to the House bill which would give a further opportunity to certain ministers who previously filed certificates effective with their first taxable year ending after 1956—as required under the law in effect at the time when their certificates were filed—to amend their certificates to make them effective for the preceding taxable year. Under present law, such ministers generally had until April 15, 1959, to amend their certificates for this purpose and under the bill they would have until April 15, 1962, to do so.

3. Coverage of American citizens employed in the United States by foreign governments

Under present law, service performed in the employ of a foreign government or an instrumentality wholly owned by a foreign government, is generally excluded from old-age, survivors, and disability insurance coverage. The committee believes that such service, if performed by a citizen of the United States within the United States, should be covered. Coverage of their employment would enable these citizens to build the same basic protection under old-age, survivors, and disability insurance that other Americans possess and would prevent gaps in protection for those citizens who work for a limited period of time for a foreign government.

This employment has heretofore not been covered because the United States cannot levy the employer tax of the program upon foreign governments. The committee believes that the most feasible way to provide coverage for United States citizens working for these foreign employers would be to treat them as self-employed individuals. Although the committee believes it is generally undesirable to cover as self-employment the services of persons who are actually employees, such coverage offers a practical solution to the unique problem of covering American citizens employed by foreign governments. Under the bill, compulsory coverage would be provided for these employees on the same basis as that provided for self-employed persons.

4. Facilitating the coverage of employees of State and local governments

Both the House- and committee-approved bill would make several changes designed to facilitate the coverage of State and local government employees, as follows:

(*a*) *Retroactive coverage.*—The provision of the Social Security Act which permitted State and local governmental employee groups to obtain extended retroactive social security coverage beginning as early as January 1, 1956, expired at the end of 1959. Under existing law, coverage for employees of States and localities who are brought under the program after 1959 may be effective no earlier than the first day of the year in which it is obtained. The bill would permit coverage—on the regular contributory basis—for any employee group brought under the program after 1959 to begin as early as 5 years before the year in which coverage for the group is agreed to, but no earlier than January 1, 1956.

The provision of the present law that permitted employee groups to obtain an extended period of retroactive coverage recognized that in many instances the States would require considerable time to enter into coverage agreements with the Department and to make the necessary arrangements for providing coverage for the groups desiring

it. Although some 3½ million of these public employees have been brought under social security, there still remain about 2½ million, mostly persons covered under retirement systems of States or localities, who have not been covered, and it is to be expected that for some time into the future significant numbers of public employees will continue to come under the program. The committee's bill would enable public employee groups who come under coverage in the future to avoid being unduly handicapped because of their late entry into coverage.

The bill would also provide a measure of flexibility in determining the beginning date for coverage for different political subdivisions. Under present law, where a retirement system covering positions of more than one political entity is covered as a single retirement system coverage group (without being broken down into "deemed" retirement systems for the various entities), coverage must begin on the same date for all persons in the retirement system. If the retirement system is divided on a political subdivision basis for coverage purposes, coverage may begin on different dates for the different subdivision. A State may wish to provide coverage for a retirement system as a single-coverage group, in order to facilitate coordination of the State system with old-age, survivors, and disability insurance, or for some other reason. At the same time, some political subdivisions, for financial or other reasons, may wish coverage to start at an earlier date than do other political subdivisions. Under the bill, when a retirement system is covered as a single retirement sytem coverage group, the State may, if it wishes, provide different beginning dates for coverage for the employees of different political subdivisions.

(*b*) *Employees transferred from one retirement system to another.*—Under present law, in some cases a retirement system covering more than one political subdivision has been divided into retirement systems on a political subdivision basis and coverage has been extended only to those members of the various retirement systems who desire such coverage. An individual who is in a division of one of these retirement systems which is composed of positions of members of that system who do not desire coverage may later become a member of another one of these retirement systems which has also provided coverage for only those members who desire it. If so, he is covered compulsorily as a new member of the second group. The committee believes that the compulsory coverage of new members, where coverage has been extended under the divided retirement system provision, is essential as a means of protecting the trust funds, over the long run, against drains due to the election of coverage mainly by persons who may expect to receive substantially more in benefits than is contributed to the program.

Problems have arisen in a very limited area, however, where persons become members of a different retirement system through an action of a political subdivision (such as the annexation of one political subdivision by another) rather than an action by the individual (such as a change in jobs). The bill provides that in this type of situation an individual who has elected not to be covered would continue to be excluded from coverage but only if the "retirement system" to which he originally belonged and the new "retirement system" were in reality parts of the same retirement system which was divided on a political subdivision basis by the State prior to further division of the

two parts between those who desired and those who did not desire old-age, survivors, and disability insurance coverage. Individuals who were placed in another retirement system group by an action of a political subdivision taken before enactment of the bill would continue to be covered unless the State, before July 1, 1961, requests that they be excluded from coverage. Such a request would apply only to the wages that these individuals are paid on and after the date on which the request is filed.

(*c*) *Policemen and firemen under retirement systems in Virginia.*—The bill would make applicable to the State of Virginia the provision in present law which permits 16 specified States and all interstate instrumentalities to extend coverage (under their agreements with the Secretary of Health, Education, and Welfare) to services performed by employees of any such State (or of any political subdivision thereof) in any policeman's or fireman's position covered by a retirement system of a State or local government, provided the members of the system vote in favor of coverage. The 16 States in which policemen and firemen covered by a State or local retirement system are now permitted to come under the old-age, survivors, and disability insurance program are: Alabama, California, Florida, Georgia, Hawaii, Kansas, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Vermont, and Washington.

(*d*) *Delegation by Governor of certification functions.*—When coverage is extended to State or local retirement system groups under the referendum provisions of existing law, all persons in a retirement system group are covered upon a favorable vote by the majority of the members. Under present law, the Governor must personally certify that the referendum has been conducted in accordance with the requirements of the Social Security Act and that the result was favorable. Also, when a retirement system group is divided into two parts to extend coverage to only those members of the group who desire coverage and the procedure is used which permits coverage without a referendum provided specified procedures are followed, the Governor must personally certify that such procedures were followed. The committee recognizes that the requirement that the Governor personally make the certifications in question sometimes imposes an unnecessary burden on the Governor. The bill would permit the Governor of a State to designate an official of the State for the purpose of making these two types of certifications.

(*e*) *Validation of coverage for certain Mississippi school personnel.*—The committee's bill would validate, for the period from March 1, 1951, to October 1, 1959, the coverage of certain teachers and school administrative personnel in Mississippi who during this period were reported under old-age, survivors, and disability insurance as State employees. The employees in question had been included under the Mississippi coverage agreement with the Secretary of Health, Education, and Welfare as employees of the State rather than as employees of the various school districts in Mississippi. Since 1951, Mississippi has filed wage reports and paid contributions for these employees on the basis that they were State employees.

(*f*) *Exclusion of certain justices of the peace and constables in Nebraska.*—Under existing law a State has the option of including or excluding from its coverage agreement any position for which the

compensation is on a fee basis. Once such positions have been covered under the agreement, the decision cannot be changed under present law. The committee has been informed that the coverage of such justices of the peace and constables who are compensated on a fee basis was not intended by the State and the bill authorizes the State of Nebraska, at its option, to modify the agreement to exclude the services of these individuals. The modification shall specify the effective date of the exclusion, but it shall not be earlier than the enactment date of this bill.

(*g*) *Facilitating coverage of employees of municipal and county hospitals.*—The bill would permit municipal and county hospitals to be treated as separate retirement system coverage groups, on the same basis provided under present law for institutions of higher learning. Under this amendment, such hospitals could obtain coverage for their employees where the city or county does not wish to provide coverage for all employees of the city or county.

(*h*) *Limitation on States' liability for employer (and employee) contributions in certain cases.*—Where an individual performs services that are covered by a State's social security coverage agreement, the State is required to pay up to the maximum employer contribution with respect to the wages paid to him by each separate employing entity. Accordingly, where an individual works in a year as an employee of the State and one or more political subdivisions, or as the employee of two or more political subdivisions, the State's total liability for employer contributions may exceed the maximum employer tax which may be imposed on an employer who is subject to the social security taxing provisions of the Internal Revenue Code of 1954. Under the House bill a State could, beginning as early as 1961, limit its liability for employer contributions to the maximum employer tax liability of a single employer in these cases where the employer contributions are paid from the State's own funds, without the State being reimbursed by the employing localities. The committee believes, however, that it is only equitable to limit such liability for some years in the past and, therefore, provides that the limitation can apply to wages paid as early as January 1, 1957, or January 1 of the third year preceding the year of the agreement or modification. The limitation could be applied by a State only to the extent that the State complies with such regulations as the Secretary may prescribe relative to this subject.

This provision is intended to recognize the special financial obligation assumed by States that, in addition to being responsible under Federal law for the social security payments and reports of their political subdivisions, actually bear the cost of the employer contributions for political subdivisions. The committee believes that a State's liability for employer contributions which are paid out of the State's own funds should be computed as though individuals working for the State and its political subdivisions were working for only one employer.

(*i*) *Statute of limitations for State and local coverage. (1) Time limitation on the correction of contribution payments.*—Under existing law, there is no limitation on the period within which the Secretary of Health, Education, and Welfare may assess contributions which are due under a coverage agreement with a State, or on the period within which the Secretary must refund contributions which a State

has erroneously paid. Accordingly, it is necessary for the Secretary and a State to investigate the correctness of contribution payments made many years in the past whenever that correctness is questioned, and it is necessary for the States to maintain detailed records of the employment and wages of covered public employees for an indefinite period of time. The assessment and refunding of old-age, survivors, and disability insurance taxes based on nongovernmental employment are subject to the statute of limitations of the Internal Revenue Code of 1954. The bill would make a comparable statute of limitations applicable to the States beginning January 1, 1962.

Under the bill, the liability of a State for unpaid contributions would expire in the usual case at the end of the 3-year, 3-month, and 15-day period following the year for which the contributions are due unless the Secretary makes an assessment by notifying the State of the underpayment before the end of that period. Also, a State that pays more than the correct amount of contributions could not ordinarily claim a credit for the overpayment after the end of the 3-year, 3-month, and 15-day period following the year for which the overpayment was made. These time limitations could be extended by mutual agreement and in certain other cases.

(2) *Judicial review of Federal determinations affecting a State's contribution liability.*—The present law does not provide a specific procedure by which a State may seek review by the courts of determinations made by the Secretary of Health, Education, and Welfare which result in an assessment of contributions or in the disallowance of a claim for the refund of contributions. The bill would afford States a court review procedure which is comparable to the procedure available to nongovernmental employers subject to the social security taxing provisions of the Internal Revenue Code of 1954.

The bill provides a 90-day period within which a State could request the Secretary to review determinations which affect its contribution liability. If the State is not satisfied with the Secretary's decision upon review, it could file a civil action against the Secretary in a U.S. district court within the 2-year period following the mailing of the Secretary's decision. The committee believes this provision for judicial review will afford the States an orderly and equitable procedure for the expeditious settlement of the relatively few coverage questions and other issues which cannot be settled through negotiations between the States and the Secretary.

F. INVESTMENT OF THE TRUST FUNDS

The bill would provide for putting into effect certain recommendations made by the Advisory Council on Social Security Financing. This Council was established by the 1956 amendments to the Social Security Act to study and report on the status of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds in relation to the long-term commitments of the funds. The Advisory Council, a distinguished group of representatives of employers, employees, the self-employed, and the general public, made a year-long study of the financing of the program. As a result of its deliberations the Council made a number of recommendations for changes in the law to make the provisions relating to the method of financing the old-age,

survivors, and disability insurance program more equitable. Some of the Council's recommendations are embodied in the committee's bill.

Under present law, the interest on special obligations issued for purchase by the trust funds is related to the average coupon rates on outstanding marketable obligations of the United States that are neither due nor callable until after the expiration of 5 years from the date of original issue. Thus the interest rate on new special obligations is related to the coupon rate that prevailed at some time in the past rather than to the market yield prevailing at the time the special obligation is issued. As a result of the formula in the law, the average interest rate on special obligations issued to the trust funds is now about 2⅝ percent, while the average yield on outstanding marketable obligations is about 4 percent.

The Advisory Council thought that the rate of return on trust fund investments in special issues should be more nearly equivalent to what the Treasury has to pay for the long-term money it borrows from other investors. This, the Council believed, would avoid both special advantages and special disadvantages to the trust funds. To bring about this result the Council recommended that two changes be made in the law: The interest rate on special obligations should be made equal to the average market yield rather than to the average coupon rate on outstanding long-term marketable obligations, and this interest rate should be based on the average rate of return on outstanding bonds that will mature more than 5 years after the date of the special issue rather than on all bonds that are neither due nor callable until after 5 years from original issue.

In making its proposal that the interest rate on special obligations should be equal to the average market yield on outstanding long-term marketable Federal obligations that will mature more than 5 years after the date the special obligation is issued, the Council recognized that there might be a need for a different interest rate to meet current and near future benefit obligations on a minor part of the funds being held in short-term obligations. This proposal was studied by the trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, who agreed that the interest-rate formula should be changed. The trustees thought, however, that the need to determine what part of the funds should be invested in short-term securities would create an unnecessary burden and that much the same result could be obtained by adopting an interest-rate formula that would be based on the yield of outstanding marketable Federal obligations that would mature more than 3 years after the date of the special issue.

The committee recognizes the need to give the investments of the old-age, survivors, and disability insurance program more equitable treatment by relating the interest earnings of the funds to the average yield on outstanding long-term obligations. The committee believes that at the present time, however, an equitable return can be provided for the trust funds with a single formula and interest rate. Accordingly, the bill would relate the interest received on future obligations issued exclusively to the trust funds to the average market yield of all marketable obligations of the United States that are not due or callable for 4 or more years from the time at which the special obligations are issued. Current actuarial cost estimates indicate that this change would, over the long range, provide additional income to the

trust funds equivalent to 0.02 percent of payroll on a level-premium basis.

The bill substitutes for the present requirement that the managing trustee purchase marketable obligations unless it is not in the public interest to do so a requirement that he purchase obligations issued exclusively to the trust funds unless it is in the public interest to purchase obligations in the open market.

The bill also provides that the board of trustees as a whole shall have responsibility for reviewing the general policies followed in managing the trust funds and that in keeping with its responsibilities the trustees shall meet at least every 6 months.

G. MISCELLANEOUS PROVISIONS

1. Improving the method of computing benefits

Under the present law a person's average monthly wage, on which his benefit is based, is computed over a span of time that may vary with the time when he files an application for benefits or for a benefit recomputation (and may vary also depending on whether he was in covered work before the year in which he attained age 22). A person who does not understand the rather complicated provisions of the law, or does not know what his earnings will be in future years, may find that he has not applied for benefits at the most advantageous time.

Under present law, for any person who is over "retirement age" (65 for men, 62 for women) when he applies for benefits, the period over which the average monthly wage is computed may end with any one of three "closing dates": (1) The first day of the year in which the insured person was first eligible for old-age insurance benefits (generally the year when he attained retirement age), or (2) the first day of the year in which he filed his application for benefits, or (3) the first day of the following year. If he applies for a recomputation to take account of earnings after entitlement to benefits, the computation period will end, generally, with the first day of the year in which he applies for the recomputation. The present law specifies the use of whichever of these dates yields the largest benefit amount. It is possible, however, that where a worker continued in covered work for some years after he first became eligible for old-age insurance benefits, the use of a "closing date" (not available under the present law) between the beginning of the year in which the worker was first eligible for benefits and any of the other applicable dates would have yielded a higher average monthly wage and a higher benefit amount.

The amendment proposed by the committee would substitute for the present complicated provision, with its sometimes capricious results, a provision for computing the average monthly wage, in retirement cases, on the basis of a constant number of years regardless of when, before age 22, the person started to work or when, after age 65 (age 62 in the case of a woman), he files application for benefits. (The amendment would apply also in death and disability cases.) The number of years, in the retirement case, would be equal to five less than the number of years elapsing after 1950 or after the year in which the individual attained age 21, whichever is later (these are the starting points for computation of the average monthly wage that are generally applicable under the present law), and up to the year in

which the person was first eligible for old-age insurance benefits (generally the year in which he attained age 65 (or age 62 in the case of a woman)). In death and disability cases the number of years would be determined by the date of death or disability. In those cases where a larger benefit would result (because the individual's best earnings were in years before 1951), the number of years would be those elapsing after 1936, rather than after 1950; this alternative is similar to the 1936 alternative "starting date" that is available under present law in such cases. The subtraction of five from the number of elapsed years is the equivalent of the present dropout of the 5 years during which the individual's earnings were the lowest. For persons in the future who will have been under the program for their full working life, the benefit computation in retirement cases will generally be over the highest 38 years for men and the highest 35 years for women (the number of years that would be applicable in the mature program under the present law for people who come on the benefit rolls when they reach retirement age).

The earnings used in the computation would be the earnings in the highest years. Earnings in years prior to attainment of age 22 or after attainment of retirement age could be used if they were higher than earnings in intervening years. The change would thus eliminate, for future cases, the problem that can arise at present when a person does not apply for benefits at the most advantageous time. Moreover, people who continued to work beyond age 65 (age 62 for women) could, by using earnings in later years, get benefits that would be more closely related to their earnings just before actual retirement than are benefits under the present law. The amendment would also make the computation simpler and easier to understand than it is now.

The amendment would, in general, take effect on January 1, 1961. Generally, the span of years to be used for the benefit computation in retirement cases could not be less than five—the number of years that would have to be used under the present law by people who attain retirement age in 1961. (In death and disability cases the number of years could not be less than two.) In those relatively few cases—all of them cases of people eligible for old-age insurance benefits before 1961—where the present type of computation using the year of first eligibility for old-age insurance benefits as a closing date would increase the benefit amount, the present provisions would still be used.

The bill would also make two other technical changes in the computation provisions. The first of these is a change in the method of recomputing benefits. Under the present law a worker's benefit amount may be recomputed, on application, to include earnings in the year in which he filed application for benefits or died (whichever is applicable). This recomputation is restricted to the methods for figuring average earnings and benefit amounts for which the worker qualified at the time of the original determination of his benefit amount, even though the individual, at the time he applies for the recomputation, may meet the basic requirements for the use of a different method that would yield a considerably higher benefit amount. The committee is recommending a change to permit the use of the most favorable method of figuring average earnings and benefit amounts for which the individual is eligible at the time he applies for the recomputation.

The second of these technical changes would eliminate an unnecessary waiting period now required by law. Under the present law a

beneficiary can have his benefit recomputed if he has earnings of more than $1,200 in a year after the year in which he became entitled to benefits or in which he filed his last previous application for a work recomputation. The application for the work recomputation may not be filed earlier than 6 months after the close of the year in which the qualifying earnings were received. The 6-month limitation was enacted in 1954 in order to decrease the number of applications to be processed during the first half of the year, when a number of other workloads are at seasonal peaks.

Under the present provisions, beneficiaries who come to district offices of the Social Security Administration during the first half of the year to inquire about work recomputations must come in again at a later time to file the application for the recomputation. It would, of course, be easier for them to file when they first come in. Experience has shown that making such a person come in a second time does not result in an overall saving of work sufficient to overcome the disadvantages to some beneficiaries. Accordingly, the committee's bill would remove the requirement that a beneficiary wait at least 6 months to file an application for the recomputation.

2. Changing the provisions governing payment of the lump-sum death benefit

Under present law, if there is a surviving spouse who was living in the same household with the insured person at the time of the latter's death, the lump-sum death payment is made to that spouse. About two-thirds of all lump-sum cases are settled in this manner.

If there is no such spouse, the lump-sum death payment is paid as reimbursement to the person (or persons) "equitably entitled thereto to the extent and in the proportions that he or they" paid the total burial expenses. Many families do not have sufficient funds to pay the burial costs; in order to claim the lump sum they must borrow the money to pay the burial expenses.

The bill would make the lump sum available for meeting the expenses incurred through the funeral home—the major part of the burial expenses—without requiring that the expenses first have been paid. On application of the person who assumed responsibility for the expenses, payment would be made to the funeral home for any part of the funeral home expenses that have not been paid, within the limits of the lump-sum benefits. In the few cases where no one assumes responsibility for the burial expenses within 90 days after the date of the insured person's death, payment would be made on application by the funeral home. If, in addition, part of the funeral home expenses were paid by some person associated with the deceased insured worker, any part of the lump sum that remained (after payment directly to the funeral home for the expenses not otherwise paid) would be paid as reimbursement to the person or persons who paid the funeral home for part of the expenses.

In most cases the total amount of the lump sum will be used up in meeting the funeral home expenses (the maximum on the lump sum is $255, and the average payment is somewhat less). In the case where the expenses incurred through the funeral home were less than the amount of the lump sum, the remainder of the lump sum would be paid to any person, to the extent and in the proportion that he paid any other expenses of the burial not incurred through the funeral home, as reimbursement for his payment of those expenses, in accord-

ance with the following order of priority: The expense of opening and closing the grave, the expense of the cemetery lot, and other expenses.

The new provisions would eliminate the delays in paying the lump sum that arise under present law from the facts that all of the burial expenses must be known before any of the lump-sum payment can be made, and that only as much of the lump sum can be paid at any time as is equivalent to the portion of the burial expenses that has been paid at that time.

3. Elimination of certain obsolete recomputations

The bill would simplify the provisions for recomputation of benefits by limiting the use of a number of recomputations that have virtually served their purpose and are now seldom if ever applicable. Under the bill any of these recomputation provisions could be used only if the insured person filed application for it, or died, before 1961. Recomputations that would be affected are:

(*a*) The recomputation to include self-employment income in a taxable year beginning or ending in 1952 for a person who retired or died in 1952.

(*b*) The "work" recomputation provided for in 1950 to allow a beneficiary to have included, in the computation of his benefit, earnings he had after he became entitled to benefits. This recomputation has been superseded by the work recomputation in the 1954 amendments; the 1950 provision can apply only where an aged worker was eligible for the work recomputation before 1955.

(*c*) The recomputation provided for in 1950 to include in the benefit computation the earnings the worker had in the 6 months immediately prior to his death or entitlement to benefits. Such earnings were not available in the record at the time of the worker's initial computation because of the lag in reporting and recording earnings. This "lag" recomputation can apply only to people who came on the benefit rolls or died before September 1, 1954, and have not yet had their earnings in the 6 months prior to entitlement to benefits considered in the benefit computation.

(*d*) The recomputation to include wage credits for post-World-War-II military service (provided for by the 1952 amendments) where such credits could not have been used at the time of the original computation. It applies only to people (insured workers and survivors) who were on the benefit rolls before September 1952.

4. Modifying the provisions relating to advisory councils on social security financing

Under the present law, an Advisory Council on Social Security Financing is required to study and report on the status of the trust funds prior to each increase in the tax rates. When the law providing for advisory councils on financing was enacted in 1956, the tax increases were scheduled at 5-year intervals. The 1958 amendments accelerated the schedule of tax increases so that the tax rate is to be increased at 3-year intervals, with the next increase scheduled for 1963. This means that under present law an advisory council would have to be appointed this year and issue its report by January 1962.

The first advisory council on financing, which made its report in January 1959, considered the present tax schedule and concluded that the 1963 tax increase should go into effect. Since the council issued its report there has been no significant change in the condition of the

trust funds nor is there any other reason to reexamine the need for the 1963 increase to go into effect. It would therefore be desirable to eliminate the requirement for a review of the status of the trust funds by the end of next year. On the other hand, it does seem desirable that the need for the increases scheduled for 1966 and 1969 be reviewed, and under the bill the provision for an advisory council to be appointed in 1963 and another in 1966 would be retained. Moreover, the committee believes that when the ultimate tax rate is reached there should continue to be periodic reviews of the financing of the program, and the bill therefore provides for additional councils to be appointed every 5 years after 1966.

5. Continuing court actions when a new Secretary is appointed

Whenever a new Secretary of Health, Education, and Welfare is appointed, it is necessary, within 6 months of his appointment, to substitute his name on pending court actions in which his predecessor was a party if such actions are to be continued. The requirement for substituting the name of a new Secretary on pending court actions within the time requirement causes inconvenience to claimants, and failure by claimants to take the required action has resulted in the abatement of court actions without consideration by the court of the merits of the case. The bill would allow pending court actions to continue even though there is a successor to a Secretary or a vacancy in that office. The bill would thus remove a source of irritation to claimants and would remove the harsh effect of abatement of court actions solely because of the failure to substitute on pending actions the name of a successor to a Secretary.

6. Extending a deadline where the ending date for an action falls on a nonwork day

The law provides that certain actions, such as applying for a lump-sum death payment, filing proof of support, or requesting a review in the U.S. district court of a decision of the Secretary, must be taken within a specified period of time in order to be valid. People sometimes try to meet a deadline of this sort by taking the appropriate action on the last day of the period in which it can be done, and if the deadline date falls on a nonwork day, the claimant then finds that he cannot meet the deadline because the offices are closed. The bill would eliminate this problem by extending any deadline date that falls on a day that is not officially a full workday to the first official full workday immediately following the deadline date.

7. Crediting quarters of coverage for years before 1951

The bill would change the rule for crediting quarters of coverage on the basis of maximum creditable wages paid in years before 1951 to conform to the rule applied in the case of maximum creditable earnings in years after 1950. Generally, under present law, a person who was paid the maximum amount of creditable wages in a calendar year before 1951 is deemed to have a quarter of coverage in each quarter following his first quarter of coverage in such year. Under the bill, a person who was paid the maximum amount of creditable wages in a calendar year before 1951 would be deemed to have a quarter of coverage in each quarter of such year without regard to when he received his first quarter of coverage. As a result of this change, a small number of people who do not have enough quarters of coverage

to be fully insured under the present provisions of law would be credited with additional quarters of coverage. In some of these cases they would become insured for benefits on the basis of these additional quarters of coverage. In addition, the law would be simplified because the same rules for crediting quarters of coverage would apply to all years in which a person had maximum creditable earnings, whether those years occurred before 1951 or after 1950.

8. Correcting technical flaws in the law

(*a*) Because of a technical defect in the law, benefits cannot now be paid in cases where a child of a disabled person is born or adopted after the worker becomes disabled, or where a child becomes a stepchild through a marriage occurring after the worker becomes disabled. The bill would correct this defect by providing for the payment of child's benefits to a child who is born, or who becomes a worker's stepchild, after the worker becomes entitled to disability insurance benefits, and to a child who is adopted by a worker within 2 years after the worker becomes entitled to disability insurance benefits, or the child was living with the parent before the onset of his disability. Such proceedings for the adoption of the child are not intended to be limited merely to court proceedings, but also include proceedings and arrangements with licensed adopting agencies or other qualified persons.

(*b*) Because of a technical flaw in the law, families of disabled workers at certain levels of average monthly wage where the disabled worker had a period of disability that started before 1959 can get as much as $7.50 a month more in benefits than survivors of a worker who died before 1959 and who was at the same average monthly earnings levels. The bill would amend the provisions relating to maximum family benefits to eliminate this unintended advantage for those families coming on the benefit rolls after enactment. Since some of the families on the rolls have been getting benefits in the larger amounts for well over a year and have come to depend on the amounts they are getting, it seems desirable not to have the corrective amendment apply to families on the rolls prior to enactment but to let the present provisions continue to apply to them.

(*c*) Under the foreign work test, a month's benefit must be withheld from an old-age insurance beneficiary (and his dependents) for any month in which he works in noncovered work outside the United States on more than 6 days. If the old-age insurance beneficiary fails to report such employment within a specified time, he may be penalized by the loss of an additional month's benefit. As a general rule, when an old-age insurance beneficiary has such a penalty imposed upon him, his dependents are not also penalized. Because of an oversight, however, a person entitled to a childhood disability benefit or to a mother's insurance benefit who is married to an old-age insurance beneficiary does have a penalty imposed if the old-age insurance beneficiary's work outside the United States is not reported. The bill would eliminate this additional penalty.

(*d*) The 1956 amendments made a number of changes in section 201 of the Social Security Act (relating to the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds). As part of these changes, references to "special obligations" were deleted and the words "public debt obligations" were inserted in their place. Inadvertently this change was not made in subsection (e). The bill would correct this oversight.

V. Actuarial Cost Estimates for the Old-Age, Survivors, and Disability Insurance Program

(1) *Financing policy*

The Congress has always carefully considered the cost aspects of the old-age, survivors, and disability insurance system when amendments to the program have been made. In connection with the 1950 amendments, the Congress was of the belief that the program should be completely self-supporting from the contributions of covered individuals and employers. Accordingly, in that legislation, the provision permitting appropriations to the system from general revenues of the Treasury was repealed. This policy has been continued in subsequent amendments. Thus, the Congress has always very strongly believed that the tax schedule in the law should make the system self-supporting as nearly as can be foreseen and, therefore, actuarially sound.

The concept of actuarial soundness as it applies to the old-age, survivors, and disability insurance system differs considerably from this concept as it applies to private insurance although there are certain points of similarity—especially as concerns private pension plans. In a private insurance program, the insurance company or other administering institution must have sufficient funds on hand so that, if operations are terminated, the plan will be in a position to pay off all the accrued liabilities. This, however, is not a necessary basis for a national compulsory social insurance system. It can reasonably be presumed that under Government auspices such a system will continue indefinitely into the future. The test of financial soundness, then, is not a question of there being sufficient funds on hand to pay off all accrued liabilities. Rather, the test is whether the expected future income from tax contributions and from interest on invested assets will be sufficient to meet anticipated expenditures for benefits and administrative costs. Thus, the concept of "unfunded accrued liability" does not by any means have the same significance for a social insurance system as it does for a plan established under private insurance principles, and it is quite proper to count both on receiving contributions from new entrants to the system in the future and on paying benefits to this group. These additional assets and liabilities must be considered in order to determine whether the system is in actuarial balance.

Accordingly, it may be said that the old-age, survivors, and disability insurance program is actuarially sound if it is in actuarial balance taking into account the fact that the estimated future income from contributions and from interest earnings on the accumulated trust funds will, over the long run, support the estimated disbursements for benefits and administrative expenses. Obviously, future experience may be expected to vary from the actuarial cost estimates made now. Nonetheless, the intent that the system be self-supporting (or actuarially sound) can be expressed in law by utilizing a contribution schedule that, according to the intermediate-cost estimate, results in the system being in balance or substantially close thereto.

(2) *Actuarial balance of program in past years*

The actuarial balance under the 1952 act was estimated, at the time of enactment, to be virtually the same as in the estimates made at the time the 1950 act was enacted, as shown in table 1. This was

the case because the estimates for the 1952 act took into consideration the rise in earnings levels in the 3 years preceding the enactment of that act. This factor virtually offset the increased cost due to the benefit liberalizations made. New cost estimates made 2 years after the enactment of the 1952 act indicated that the level-premium cost (i.e., the average long-range cost, based on discounting at interest, relative to taxable payroll) of the benefit disbursements and administrative expenses was somewhat more than 0.5 percent of payroll higher than the level-premium equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

Under the 1954 act, the increase in the contribution schedule met all the additional cost of the benefit changes proposed and at the same time reduced substantially the actuarial insufficiency that the then-current estimates had indicated in regard to the financing of the 1952 act.

TABLE 1.—*Actuarial balance of old-age, survivors, and disability insurance program under various acts for various estimates on an intermediate-cost basis*

[Percent]

Legislation	Date of estimate	Level-premium equivalent [1]		
		Benefit costs [2]	Contributions	Actuarial balance [3]
		Old-age, survivors, and disability insurance [4]		
1950 act	1950	6.05	5.95	−0.10
1952 act	1952	5.85	5.75	−.10
1952 act	1954	6.62	6.05	−.57
1954 act	1954	7.50	7.12	−.38
1954 act	1956	7.45	7.29	−.16
1956 act	1956	7.85	7.72	−.13
1956 act	1958	8.25	7.83	−.42
1958 act	1958	8.76	8.52	−.24
1958 act	1960	8.73	8.68	−.05
1960 bill (House)	1960	8.97	8.68	−.29
1960 bill (Senate committee)	1960	9.18	8.68	−.50
		Old-age and survivors insurance [4]		
1956 act	1956	7.43	7.23	−0.20
1956 act	1958	7.90	7.33	−.57
1958 act	1958	8.27	8.02	−.25
1958 act	1960	8.38	8.18	−.20
1960 bill (House)	1960	8.41	8.18	−.23
1960 bill (Senate committee)	1960	8.62	8.18	−.44
		Disability insurance [4]		
1956 act	1956	0.42	0.49	+0.07
1956 act	1958	.35	.50	+.15
1958 act	1958	.49	.50	+.01
1958 act	1960	.35	.50	+.15
1960 bill (House)	1960	.56	.50	−.06
1960 bill (Senate committee)	1960	.56	.50	−.06

[1] Expressed as a percentage of taxable payroll.

[2] Including adjustments (*a*) to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate, (*b*) for the interest earnings on the existing trust fund, and (*c*) for administrative expense costs.

[3] A negative figure indicates the extent of lack of actuarial balance. A positive figure indicates more than sufficient financing, according to the particular estimate.

[4] The disability insurance program was inaugurated in the 1956 act so that all figures for previous legislation are for the old-age and survivors insurance program only.

The estimates for the 1954 act were revised in 1956 to take into account the rise in the earnings level that had occurred since 1951–52, the period that had been used as the basis of the earnings assumptions for the estimates made in 1954. Taking this factor into account reduced the lack of actuarial balance under the 1954 act to the point where, for all practical purposes, it was nonexistent. The benefit changes made by the 1956 amendments were fully financed by the increased contribution income provided. Accordingly, the actuarial balance of the system was unaffected.

Following the enactment of the 1956 legislation, new cost estimates were made to take into account the developing experience; also, certain modified assumptions were made as to anticipated future trends. In 1956–57, there were very considerable numbers of retirements from among the groups newly covered by the 1954 and 1956 amendments, so that benefit expenditures ran considerably higher than had previously been estimated. Moreover, the analyzed experience for the recent years of operation indicated that retirement rates had risen or, in other words, that the average retirement age had dropped significantly. This may have been due, in large part, to the liberalizations of the retirement test that had been made in recent years—so that aged persons are better able to effectuate a smoother transition from full employment to full retirement. The cost estimates made in early 1958 indicated that the program was out of actuarial balance by somewhat more than 0.4 percent of payroll.

The 1958 amendments recognized this situation and provided additional financing for the program—both to reduce the lack of actuarial balance and also to finance certain benefit liberalizations made. In fact, one of the stated purposes of the legislation was "to improve the actuarial status of the trust funds." This was accomplished by introducing an immediate increase (in 1959) in the combined employer-employee contribution rate, amounting to 0.5 percent, and by advancing the subsequently scheduled increases so that they would occur at 3-year intervals (beginning in 1960) instead of at 5-year intervals.

The revised cost estimates made in 1958 for the disability-insurance program contained certain modified assumptions that recognized the emerging experience under the new program. As a result, the moderate actuarial surplus originally estimated was increased somewhat, and most of this was used in the 1958 amendments to finance certain benefit liberalizations, such as inclusion of supplementary benefits for certain dependents and modification of the insured status requirements.

At the beginning of 1960, the cost estimates for the old-age, survivors, and disability insurance system were reexamined and were modified in certain respects. The earnings assumption had previously been based on the 1956 level, and this was changed to reflect the 1959 level. Also, data first became available on the detailed operations of the disability provisions for 1956, which was the first full year of operation that did not involve picking up "backlog" cases. It was found that the number of persons who meet the insured-status conditions to be eligible for these benefits had been significantly overestimated. It was also found that the disability experience in respect to eligible women was considerably lower than had been originally

estimated, although the experience for men was very close to the intermediate estimate. Accordingly, revised assumptions were made in regard to the disability-insurance portion of the program.

The committee believes that it is a matter for concern if either portion of the old-age, survivors, and disability insurance system shows a significant actuarial insufficiency. However, the committee believes that future cost estimates—particularly if earnings continue to rise—may indicate lower costs than those in the current estimates. Also, if the long-range average interest earnings of the trust funds significantly exceed 3 percent—as would be the case under the amended financing and investment provisions incorporated in the bill if interest rates continue at their present level—the actuarial insufficiency shown in the following cost estimates would be significantly reduced, or possibly even eliminated. Thus, the committee believes that there is no necessity now to attempt to cover fully, or even partially, the deficiency which the cost estimates indicate in regard to the financing of the program as it would be amended by the committee-approved bill.

(3) *Basic assumptions for cost estimates*

Benefit disbursements may be expected to increase continuously for at least the next 50 to 70 years because of factors, such as the aging of the population of the country and the slow but steady growth of the benefit roll, that are inherent in any retirement program, public or private, which has been in operation for a relatively short period. Estimates of the future cost of the old-age, survivors, and disability insurance program, however, are affected by many other factors that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable.

The long-range cost estimates (shown for 1970 and thereafter) are presented here 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- 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 1959. In addition to the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low- and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions.

In general, the costs are shown as a percentage of covered payroll. This is the best measure of the financial cost of the program. Dollar figures taken alone are misleading. For example, a higher earnings level will increase not only the outgo but also, and to a greater extent, the income of the system. The result is that the cost relative to payroll will decrease.

The short-range cost estimates (shown for the individual years 1960–65) are not presented on a range basis since—assuming a continuation of present economic conditions—it is believed that the demographic factors involved can be reasonably closely forecast, so that only a single estimate is necessary. In connection with these short-range cost estimates, it should be noted that the assumption is made of a gradual rise in the earnings level in the future, paralleling that which has occurred in the past few years. As a result of this assumption, contribution income is somewhat higher than if level earnings were assumed, while benefit outgo is only slightly affected.

The cost estimates have been prepared on the basis of the same assumptions and methodology as those contained in the "Twentieth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" (H. Doc. No. 352, 86th Cong.).

The previous long-range cost estimates for the disability insurance program were based on the same general assumptions that were used in the estimates prepared at the time of the 1956 amendments. Now there are sufficient data available from the actual operation of the program to suggest that some changes should be made in these assumptions.

The 1956 experience on disability incidence rates for men fell practically midway between the low- and high-cost assumptions. For women, however, the actual experience was about 25 percent lower than for men instead of 50 to 100 percent higher, as had been assumed. Accordingly, the incidence rates for men used previously are continued, and those for women are lowered to the same values as the male rates (a small margin of safety or conservatism). It is, of course, recognized that in many disability benefit programs the experience of the early years is much lower than in later years. In adopting these assumptions for the long-range estimates, however, account is taken of the fact that it is not within the jurisdiction of the Department of Health, Education, and Welfare to liberalize the definition of disability by administrative action. Furthermore, it is assumed that there will be no court decisions that will have the general effect of liberalizing the definition of disability. Moreover, as indicated earlier, the estimates presuppose a continued high level of employment.

In the high-cost estimates, disability incidence rates for men are based on the so-called 165 percent modification of class 3 rates (which includes increasingly higher percentages for ages above 45). This 165 percent modification corresponds roughly to life insurance company experience during the early 1930's. Incidence rates assumed for women are the same as those for men (instead of 100 percent higher, as previously). Termination rates are class 3 rates (relatively high, to be consistent with the high incidence rates assumed).

For the low-cost estimates, disability incidence rates for men are based on 25 percent of those used in the high-cost estimates, or, in other words, on the average, about 45 to 50 percent of the class 3 rates, considering the larger adjustments above age 45. Incidence rates assumed for women are the same as those for men (instead of 50 percent higher, as previously). Termination rates are based on German social security experience for 1924–27, which is the best available experience as to relatively low disability termination rates to be anticipated in conjunction with low incidence rates.

The incidence rates actually used for both estimates are 10 percent below the above rates because, unlike the general definition in insurance company policies, disability is not presumed to be total and of expected long-continued duration after 6 months' duration, but rather long-continued duration must be proved at that time.

It will be noted that the low-cost estimate includes low incidence rates (which, taken by themselves, produce low costs) and also low termination rates (which taken by themselves produce higher costs, but which are considered necessary since with low incidence rates there would tend to be few recoveries). On the other hand, the high-

cost estimate contains high incidence rates that are somewhat offset by high termination rates.

The cost estimates are extended beyond the year 2000, since the aged population itself cannot mature by then. The reason for this is that the number of births in the 1930's was very low as compared with subsequent experience. As a result, there will be a dip in the relative proportion of the aged from 1995 to about 2010, which would tend to show low benefit costs for that period. Accordingly, the year 2000 is by no means a typical ultimate year.

An important measure of long-range cost is the level-premium contribution rate required to support the system into perpetuity, based on discounting at interest. It is assumed that benefit payments and taxable payrolls remain level after the year 2050. If such a level rate were adopted, relatively large accumulations in the old-age and survivors insurance trust fund would result, and in consequence there would be sizable eventual income from interest. Even though such a method of financing is not followed, this concept may nevertheless be used as a convenient measure of long-range costs. This is a valuable cost concept, especially in comparing various possible alternative plans and provisions, since it takes into account the heavy deferred benefit costs.

The long-range estimates are based on level-earnings assumptions. This, however, does not mean that covered payrolls are assumed to be the same each year; rather, they are assumed to rise steadily as the population at the working ages is estimated to increase. If in the future the earnings level should be considerably above that which now prevails, and if the benefits are adjusted upward so that the annual costs relative to payroll will remain the same as now estimated for the present system, 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 long-range cost estimates have not taken into account the possibility of a rise in earnings levels, although such a rise has characterized the past history of this country. If such an assumption were used in the cost estimates, along with the unlikely assumption that the benefits, nevertheless, would not be changed, the cost relative to payroll would, of course, be lower. If benefits are adjusted to keep pace with rising earnings trends, the year-by-year costs as a percentage of payroll would be unaffected. In such case, however, this would not be true as to the level-premium cost—which would be higher, since, under such circumstances, the relative importance of the interest receipts of the trust funds would gradually diminish with the passage of time. If earnings do consistently rise, thorough consideration will need to be given to the financing basis of the system because then the interest receipts of the trust funds will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

An important element affecting old-age, survivors, and disability insurance costs arose through amendments made to the Railroad Retirement Act in 1951. These provide for a combination of railroad retirement compensation and social security covered earnings in determining benefits for those with less than 10 years of railroad service (and also for all survivor cases).

Financial interchange provisions are established so that the old-age and survivors insurance trust fund and the disability insurance trust fund are to be placed in the same financial position in which they would have been if railroad employment had always been covered under the program. It is estimated that, over the long range, the net effect of these provisions will be a relatively small loss to the old-age, survivors, and disability insurance system since the reimbursements from the railroad retirement system will be somewhat smaller than the net additional benefits paid on the basis of railroad earnings.

Another important element affecting the financing of the program arose through legislation in 1956 that provided for reimbursement from general revenues for past and future expenditures in respect to the noncontributory credits that had been granted for persons in military service before 1957. The cost estimates contained here reflect the effect of these reimbursements (which are included as contributions), based on the assumption that the required appropriations will be made in 1961 and thereafter.

(*4*) *Results of intermediate-cost estimates*

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

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

The contribution schedules contained in the present law and in the bill are the same, as is also the annual maximum earnings base to which these tax rates are applied, namely, $4,800. These schedules are as follows:

Calendar year	Employee rate (same for employer)	Self-employed rate
	Percent	*Percent*
1960 to 1962	3	4½
1963 to 1965	3½	5¼
1966 to 1968	4	6
1969 and after	4½	6¾

A change made by the bill that has the effect of increasing the income to the system is the revised basis for determining the interest rate on public-debt obligations issued for purchase by the trust funds (special issues), which constitute a major portion of the investments of the trust funds. This basis has previously been discussed in detail. It would have the immediate effect of gradually increasing the interest income of the trust funds as compared with the present basis. The ultimate effect of the new basis would probably be only a slight increase in the interest income of the system since, over the long run, the market rates and the coupon rates on long-term Government obligations tend to be about the same.

The gain over the immediate-future years and the small possible long-run advantage of the new interest basis are reflected in the cost estimates for the bill by using a level interest rate of 3.02 percent for the level-premium calculations. This rate is the overall equivalent of the varying interest rates, developed on a year-by-year basis, used in the development of the progress of the trust funds. These varying interest rates have been estimated from the existing maturity schedule of special issues and from assumed average market rates on long-term Government obligations, running from their present level of about 4 percent down to about 3 percent ultimately. The interest rate used in the cost estimates for the 1958 act was 3 percent (except that in developing the progress of the trust funds, a slightly lower rate was used for the first few years).

Table 1 has shown that the bill would increase the lack of actuarial balance of the old-age and survivors insurance system, from 0.20 percent of payroll to 0.44 percent of payroll. The disability insurance system would have a lack of actuarial balance of 0.06 percent of payroll under the bill, as compared with the 0.15 percent actuarial surplus under the provisions of the 1958 act. The effect of the bill on the combined old-age, survivors, and disability insurance system would be an actuarial deficit of 0.50 percent of payroll. If the cost estimates had been based on a higher interest rate than 3.02 percent (which is somewhat above the current level being earned by the trust funds although considerably below the prevailing market rate of interest on long-term Government obligations), the lack of actuarial balance would have been considerably less than 0.50 percent of payroll. In fact, if an interest rate of 3½ percent had been hypothesized, the cost estimates would show an actuarial deficit of 0.28 percent of payroll).

Table 2 traces through the change in the actuarial balance of the system from its situation under the 1958 act, according to the latest estimate, to that under the bill, by type of the major changes proposed.

TABLE 2.—*Changes in estimated level-premium cost of benefit payments as percentage of taxable payroll, by type of change, intermediate-cost estimate, 1958 act and 1960 committee-approved bill*

[Percent]

Item	Old-age and survivors insurance	Disability insurance
Lack of balance (−) or surplus (+) under 1958 act	−0.20	+0.15
Elimination of age 50 requirement for disability benefits		−.20
Other disability benefit changes [1]		−.01
Increase in child survivor benefits	−.02	
Increase in exempt amount in retirement test to $1,800	−.19	
Reduction in retirement age for men (to 62) [2]	−.05	
Improved yield of trust fund investments	+.02	
Lack of balance (−) under bill	−.44	−.06

[1] Elimination of 2d waiting period for recurrence of disability and liberalization of trial-work period.
[2] The increase in cost arises from the fact that, regardless of age at retirement, insured status and average monthly wage are determined at age 62, instead of at age 65.

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

The level-premium cost of the old-age and survivors insurance benefits (without considering administrative expenses and the effect of interest earnings on the existing trust fund) under the 1958 act, according to the latest intermediate-cost estimate, is about 8.5 percent of payroll, and the corresponding figure for the bill is about 8.7 percent of payroll. Similarly, the corresponding figures for the disability benefits are 0.35 percent for the 1958 act and 0.56 percent for the bill.

Table 3 presents the benefit costs under the bill separately for each of the various types of benefits.

TABLE 3.—*Estimated level-premium cost of benefit payments, administrative expenses, and interest earnings on existing trust fund under committee-approved bill as percentage of taxable payroll,*[1] *by type of benefit, intermediate-cost estimate at 3.02 percent interest*

[Percent]

Item	Old-age and survivors insurance	Disability insurance
Primary benefits	6.15	0.44
Wife's benefits	.61	.05
Widow's benefits	1.25	(2)
Parent's benefits	.02	(2)
Child's benefits	.45	.07
Mother's benefits	.11	(2)
Lump-sum death payments	.12	(2)
Total benefits	8.71	.56
Administrative expenses	.10	.02
Interest on existing trust fund [3]	−.19	−.02
Net total level-percentage cost	8.62	.56

[1] Including adjustment to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate.
[2] This type of benefit not payable under this program.
[3] This item is taken as an offset to the benefit and administrative expense costs.

The level-premium contribution rates equivalent to the graded schedules in the 1958 act and in the bill may be computed in the same manner as level-premium benefit costs. These are shown in table 1 for income and disbursements after 1959. Figures for the net actuarial balances are also shown in table 1.

If the bill were to become law, old-age and survivors insurance benefit disbursements for the calendar year 1960 would not be increased significantly (by about $20 to $40 million) since the effective date for the increased child survivor benefits is the third month after the month of enactment, that for the reduction in the retirement age for men is November 1960 (with first benefit payments being made in December), and that for the liberalization of the retirement test is January 1961 (other than in certain unusual cases). There would, of course, be virtually no additional income during 1960 since the coverage extensions are generally effective on January 1, 1961.

In calendar year 1961, old-age and survivors insurance benefit disbursements under the committee-approved bill would total about $12.4 billion, or an increase of about $1.0 billion over present law and of about $700 million over the House-approved bill. At the same time, contribution income for old-age and survivors insurance for 1961 would amount to about $11.5 billion under the committee-approved bill, the same as under present law. Thus, the excess of benefit outgo over contribution income would be about $900 million under the committee-approved bill, as compared with a corresponding figure of $100 million under the House-approved bill and an excess of contribution income over benefit outgo of about $50 million under present law. The old-age and survivors insurance trust fund, on the basis of this estimate, would change by about this amount since the interest receipts would approximately equal the outgo for administrative expenses and for transfers to the railroad retirement account.

In 1962, old-age and survivors insurance benefit disbursements under the committee-approved bill would, according to the intermediate-cost estimate, be $13.1 billion, or an increase of $1.1 billion over the present law. At the same time, contribution income for old-age and survivors insurance for 1962 would be $11.8 billion under

the bill. Accordingly, in 1962, there would be an excess of benefit outgo over contribution income of about $1.3 billion under the bill, whereas under present law there would be a corresponding figure of $200 million. Under the bill, the situation would reverse in 1963 (as a result of the scheduled increase in the tax rate), and there would be an excess of contributions over benefit outgo of $150 million in 1963 and about $400 million in 1964.

Under the committee-approved bill, the old-age and survivors insurance trust fund will thus decrease in 1961–62 from its size of $20.1 billion at the end of 1960, declining to $19.3 billion at the end of 1961 and to $17.9 billion at the end of 1962. At the end of 1963, however, it is estimated to rise to $18.1 billion.

Estimates of the increased benefit expenditures under the committee-approved bill, in connection with lowering the minimum retirement age for men from 65 to 62 and the corresponding actuarial reduction in benefits, are very difficult to make because of the uncertainty as to how many men will make use of this option. The long-range cost effects are, however, relatively negligible because of the actuarial-reduction factors. Accordingly, even though benefit disbursements would be increased in the early years of operation, there would be corresponding offsetting reductions in later years. (The provision for earlier retirement for men does, however, have a small cost effect since, as a result, the determination of fully insured status and the computation of average monthly wage for benefit purposes are based on a period that is 3 years shorter—namely, only up to age 62 instead of to age 65 as under present law.)

The cost estimates discussed previously include a rather conservative assumption in regard to the number of men who may elect the early retirement provision. Accordingly, it is possible that the benefit outgo in 1961 and the next few succeeding years may not be as high as previously stated. In other words, it is possible that these estimates of benefit disbursements are $200 to $400 million on the high side. If this is the case, then the decreases in the trust fund would be somewhat smaller than as indicated previously so that the fund at the end of 1962 might be as much as $18.5 billion, but still less than the $20.1 billion at the end of 1960.

As to the disability insurance system, benefit disbursements for the calendar year 1960 would be increased under both the House-approved and the committee-approved bills by about $20 million since the elimination of the age-50 limitation would be effective for benefits for the second month after the month of enactment. There would be virtually no additional contribution income to the trust fund during the year. In calendar year 1961, such benefit disbursements under the bill would total about $800 million, or an increase of about $200 million over present law. Nonetheless, in 1961 there would be an excess of contribution income over benefit outgo of about $240 million. Similarly, in 1962 and the years immediately following, contribution income would be well in excess of benefit outgo.

Table 4 gives the estimated operation of the old-age and survivors insurance trust fund under the committee-approved bill for the long-range future, based on the intermediate-cost estimate. It will, of course, be recognized that the figures for the next two or three decades are the most reliable (under the assumption of level-earnings trends in the future) since the populations concerned—both covered workers and beneficiaries—are already born. As the estimates proceed fur-

ther into the future, there is, of course, much more uncertainty—if for no reason other than the relative difficulty in predicting future birth trends—but it is desirable and necessary nonetheless to consider these long-range possibilities under a social-insurance program that is intended to operate in perpetuity.

TABLE 4.—*Progress of old-age and survivors insurance trust fund under committee-approved bill, high-employment assumptions, intermediate cost estimate at 3.02 percent interest* [1]

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [2]	Interest on fund [1]	Balance in fund [3]
Actual data:						
1951	$3,367	$1,885	$81		$417	$15,540
1952	3,819	2,194	88		365	17,442
1953	3,945	3,006	88		414	18,707
1954	5,163	3,670	92		468	20,576
1955	5,713	4,968	119		461	21,663
1956	6,172	5,715	132		531	22,519
1957	6,825	7,347	[4] 162		557	22,393
1958	7,566	8,327	[4] 194	−$121	549	21,864
1959	8,052	9,842	184	−275	525	20,141
Estimated data (short-range estimate):						
1960	10,747	10,756	202	−308	503	20,125
1961	11,486	12,363	230	−270	506	19,254
1962	11,790	13,144	221	−250	487	17,916
1963	13,882	13,726	223	−270	481	18,060
1964	14,609	14,217	225	−265	512	18,474
1965	14,925	14,601	229	−250	555	18,874
Estimated data (long-range estimate):						
1970	20,006	16,608	245	−160	1,132	36,214
1975	21,673	19,555	260	−91	1,598	54,699
1980	23,327	22,618	270	1	2,010	68,702
2000	31,477	31,467	356	86	2,922	99,562
2020	38,291	43,073	456	86	4,947	166,163

[1] An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

[2] A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse. Interest payment adjustments between the 2 systems are included in the "Interest" column.

[3] Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to $377 for 1953, $284 for 1954, $163 for 1955, $60 for 1956, and nothing for 1957 and thereafter.

[4] These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

In every year after 1962 for the next 20 years, contribution income is estimated to exceed old-age and survivors insurance benefit disbursements. Even after the benefit-outgo curve rises ahead of the contribution-income curve, the trust fund will nonetheless continue to increase because of the effect of interest earnings (which more than meet the administrative expense disbursements and any financial interchanges with the railroad retirement program). As a result, this trust fund is estimated to grow steadily, reaching $36 billion in 1970, $69 billion in 1980, and $100 billion at the end of this century. In the very far distant future, namely, in about the year 2020, the trust fund is estimated to reach a maximum of about $165 billion, and then decrease. The old-age and survivors insurance trust fund would, according to this estimate, not become exhausted until about a century hence.

The disability insurance trust fund grows steadily for about the next 10 years and then decreases slowly, according to the inter-

mediate-cost estimate, as shown by table 5. In 1970, it is shown as being $3.4 billion, while in 1980, the corresponding figure is $2.4 billion, respectively. There is an excess of contribution income over benefit disbursements for every year up to about 1966, and even thereafter the trust fund continues to grow because of its interest earnings. This trust fund is shown to decline after 1970, which is to be expected since the level-premium cost of the disability benefits according to the intermediate-cost estimate is slightly higher than the level-premium income, 0.50 percent of payroll. As the experience develops, it will be necessary to study it very carefully to determine whether the actuarial cost factors used are appropriate or if the financing basis needs to be modified. The use of slightly less conservative cost factors would result in the cost estimates for the disability insurance system probably showing it to be completely in actuarial balance, with a trust fund that would grow steadily and level off rather than declining.

TABLE 5.—*Progress of disability insurance trust fund under committee-approved bill, high-employment assumptions, intermediate-cost estimate at 3.02 percent interest* [1]

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund [1]	Balance in fund
	Actual data				
1957	$702	$57	[2] $3	$7	$649
1958	966	249	[2] 12	25	1,379
1959	891	457	50	41	1,825
	Estimated data (short-range estimate)				
1960	$1,012	$570	$44	$53	$2,276
1961	1,040	802	52	65	2,527
1962	1,066	864	51	76	2,754
1963	1,092	924	53	88	2,957
1964	1,126	978	55	98	3,148
1965	1,154	1,029	57	107	3,323
	Estimated data (long-range estimate)				
1970	$1,177	$1,229	$53	$111	$3,354
1975	1,275	1,401	58	95	3,108
1980	1,372	1,550	62	75	2,438
2000	1,852	2,048	80	(3)	(3)
2020	2,252	2,701	103	(3)	(3)

[1] An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

[2] These figures are artificially low because of the method of reimbursements between this trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

[3] Fund exhausted in 1993.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service and transfers to or from the railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

(5) *Results of cost estimates on range basis*

Table 6 shows the estimated operations of the old-age and survivors insurance trust fund for the low- and high-cost estimates, while table 7 gives corresponding figures for the disability insurance trust fund. Under the low-cost estimate, the old-age and survivors insurance trust fund builds up quite rapidly and in the year 2000 is shown as being about $220 billion and is then growing at a rate of about $11

billion a year. Likewise, the disability insurance trust fund grows steadily under the low-cost estimate, reaching about $10 billion in 1980 and $26 billion in the year 2000, at which time its annual rate of growth is about $1 billion. For both trust funds, under these estimates, after 1962, benefit disbursements do not exceed contribution income in any year in the foreseeable future.

TABLE 6.—*Estimated progress of old-age and survivors insurance trust fund under committee-approved bill, high-employment assumptions, low- and high-cost estimates*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [1]	Interest on fund	Balance in fund
	Low-cost estimate					
1970	$20,061	$16,268	$230	−$100	$1,262	$49,451
1975	21,873	19,075	240	−41	1,836	63,092
1980	23,821	21,706	259	126	2,466	85,115
2000	34,065	28,633	332	126	6,313	217,955
	High-cost estimate					
1970	$19,951	$16,951	$260	−$220	$1,003	$32,037
1975	21,474	20,100	289	−141	1,357	46,166
1980	22,833	23,527	290	−39	1,552	52,446
2000	28,888	34,302	379	46	(2)	(2)

[1] A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.
[2] Fund exhausted in 1997.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

TABLE 7.—*Estimated progress of disability insurance trust fund under committee-approved bill, high-employment assumptions, low- and high-cost estimates*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund
	Low-cost estimate				
1970	$1,180	$934	$51	$180	$5,622
1975	1,287	1,049	55	223	7,599
1980	1,401	1,160	58	285	9,805
2000	2,004	1,573	78	743	25,537
	High-cost estimate				
1970	$1,174	$1,525	$55	$10	$1,028
1975	1,263	1,752	62	(1)	(1)
1980	1,343	1,943	66	(1)	(1)
2000	1,699	2,522	82	(1)	(1)

[1] Fund exhausted in 1973.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service and transfers to or from the railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

On the other hand, under the high-cost estimate, the old-age and survivors insurance trust fund builds up to a maximum of about $55 billion in about 20 to 25 years, but decreases thereafter until it is exhausted in 1997. Under this estimate, benefit disbursements from the old-age and survivors insurance trust fund are less than contribution income during all years after 1962 and before about 1978.

As to the disability insurance trust fund, under the high-cost estimate, in the early years of operation the contribution income is about the same as the benefit outgo. Accordingly, the disability insurance trust fund, as shown by this estimate, would be about $2.5 billion during 1961–64 and would then slowly decrease until being exhausted in 1973.

The foregoing results are consistent and reasonable, since the system on an intermediate-cost-estimate basis is intended to be approximately self-supporting, as indicated previously. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice, under the philosophy in the 1950 and subsequent acts, as set forth in the committee reports therefor, the tax schedule would be adjusted in future years so that none of the developments of the trust funds shown in tables 6 and 7 would ever eventuate. Thus, if experience followed the low-cost estimate, and if the benefit provisions were not changed, 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 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.

Table 8 shows the estimated costs of the old-age and survivors insurance benefits and of the disability insurance benefits under the bill as a percentage of payroll through the year 2050 and also the level-premium cost of the two programs for the low-, high-, and intermediate-cost estimates (as was previously shown in tables 1 and 3 for the intermediate-cost estimate).

TABLE 8.—*Estimated cost of benefits of old-age, survivors, and disability insurance system as percent of payroll,*[1] *under committee-approved bill*

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate [2]
	Old-age and survivors insurance benefits		
1970	6.89	7.22	7.06
1980	7.75	8.76	8.24
1990	7.94	9.99	8.91
2000	7.14	10.09	8.50
2025	8.02	13.22	10.18
2050	10.11	15.06	12.02
Level-premium cost [3]	7.61	9.85	8.62
	Disability insurance benefits		
1970	0.40	0.65	0.52
1980	.41	.72	.56
1990	.39	.71	.54
2000	.39	.74	.55
2025	.45	.82	.60
2050	.49	.85	.63
Level-premium cost [3]	.42	.73	.56

[1] Taking into account lower contribution rate for the self-employed, as compared with combined employer-employee rate.
[2] Based on the average of the dollar costs under the low-cost and high-cost estimates.
[3] Level-premium contribution rate, at 3.02 percent interest rate, for benefits after 1959, taking into account interest on the Dec. 31, 1959, trust fund, future administrative expenses, and the lower contribution rates payable by the self-employed.

VI. AID TO THE BLIND PROGRAM OF PUBLIC ASSISTANCE

1. Exemption of earned income

The committee was impressed with the evidence presented during its hearings that people receiving assistance through aid-to-the-blind programs desire an increase in the present earnings exemption so that they will have a greater opportunity to work toward self-support. Accordingly, the committee added to the House bill a provision which liberalizes this provision of present law by providing that the first $1,000 of earnings in a year would be disregarded, and then half of all subsequent earnings in the year would also be disregarded. This exemption would be optional with the States beginning with the calendar quarter that starts after the date of enactment and would be compulsory beginning July 1, 1961.

2. Extension of time with respect to Missouri and Pennsylvania

Special legislation providing for the approval of certain State plans under title X that do not meet the requirements of section 1002(a)(8) of the Social Security Act would expire June 30, 1961. Your committee has concluded that this temporary provision should be extended. It has incorporated in the bill an extension to June 30, 1964.

VII. Maternal and Child Health and Welfare Provisions

The committee's bill would—

1. Increase the amounts authorized to be appropriated for maternal and child health services, crippled children's services, and child welfare services under title V of the Social Security Act;
2. Improve the maternal and child health and crippled children's provisions of the present law by providing that grants may be made to public or other nonprofit institutions of higher learning for special projects of regional or national significance; and
3. Encourage experimentation and research directed toward new or improved methods in child welfare, through providing that grants may be made for research and demonstration projects in the field of child welfare.

The committee has reviewed developments in the three programs under title V of the Social Security Act, namely, maternal and child health services, crippled children's services, and child welfare services. The continued high birth rate and the increase in the child population, the rising costs of providing services, and the inequality of distribution of the basic child health and child welfare services indicate, in the judgment of your committee, the desirability of further expansion of all three of these programs.

The committee is recommending an increase in the amounts authorized for annual appropriation for each of these programs as follows:

	Current authorization	Recommended authorization
Maternal and child health services	$21,500,000	$25,000,000
Crippled children's services	20,000,000	25,000,000
Child welfare services	17,000,000	25,000,000

The House bill provided an increase in the authorization for child welfare services to $20 million. But the committee believes that the $25 million figure is fully justified.

The committee's attention has been called to large areas of unmet needs in child welfare services. Half of the Nation's counties do not have any services from a public child welfare worker. While the number of children served has risen steadily, the rise has not kept pace with the growth in the child population. In fact the trend in the rate of children served by public welfare service agencies has been downward in recent years.

Many serious problems are being referred to public welfare agencies today such as increasing numbers of children neglected or abused by their parents, children of unmarried mothers and mentally retarded children. Legislation in previous years made more funds available for health services for mentally retarded children. These have been used mainly for diagnostic and evaluative services. The need is now apparent for followup or other child welfare services to meet the special needs of these mentally retarded children. The increase of the Federal funds from $20 to $25 million would assure services to more counties by providing for more child welfare workers and equipping these

workers through special training to provide better services for these mentally retarded children.

Not to exceed 25 percent of the amounts appropriated under section 502(b) and section 512(b) are currently reserved each year for special project grants to State agencies administering grants for maternal and child health and crippled children's services. While the present statute does not permit making grants directly to institutions of higher learning, State agencies are in some instances contracting with them for special projects. In order to simplify and improve the present procedures the committee's bill authorizes making such grants directly to public and nonprofit institutions of higher learning as well as to the State agencies, on such conditions as the Secretary finds necessary for carrying out the purposes of the grants.

The committee has considered the report of the Advisory Council on Child Welfare Services, submitted pursuant to the Social Security Amendments of 1958. One of the recommendations made by the Council was that—

> Federal legislation provide for grants to research organizations, institutions of higher learning, and public and voluntary social agencies for demonstration and research projects in child welfare.

The committee believes that grants for these projects would encourage discovery of the fundamental factors that contribute to the incidence of family disruption, neglect, and emotional instability of children. These grants would also stimulate experimentation and research focused on new and improved methods for child welfare programs, and give direction to the effective use of public and voluntary agency resources. Effective demonstration of improved program methods will help States to strengthen their child welfare programs in ways most suited to the changing needs of today's society.

Accordingly, the bill reported provides for a new section under the child welfare provisions of the act which would permit implementation of the recommendation of the Advisory Council on Child Welfare Services through authorizing grants for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare.

VIII. The Unemployment Compensation Program

A. PURPOSE AND SUMMARY

The House bill contained a number of amendments affecting the Federal-State program of employment security. These included: (1) a raise in the Federal unemployment tax rate from 3.0 percent to 3.1 percent; (2) provisions governing financing of the administrative expenses of the Federal-State employment security program; (3) improvements in the operation of the Federal unemployment account (George-Reed loan fund) by tightening the conditions pertaining to eligibility for and repayment of advances to States with depleted reserve accounts; (4) extension of coverage of the unemployment compensation program to several groups of workers; and (5) treating

Puerto Rico as a State for the purposes of the unemployment compensation program.

The committee's bill adopts only one of these changes—the one relating to eligibility for and repayment of advances. In addition, the committee's bill provides for a larger "George-Reed" loan fund by increasing the amount authorized to be built up in the Federal unemployment account from $200 million to $500 million.

The committee does not believe that the unemployment tax needs to be increased at the present time. It is anticipated that a continually rising level of covered employment will provide sufficient revenue to pay for administrative expenses and to build up the loan fund to the amount authorized by the committee's bill. Moreover, if a rise in the level of covered payroll sufficient to accomplish these purposes fails to materialize, the Congress will reconvene in a few months and will have an opportunity to conduct a more thorough examination concerning the adequacy of unemployment tax revenues and take any steps thought necessary at that time.

The committee did not approve of the remaining provisions of the House bill because during the limited time afforded the committee to consider the bill as a whole we did not feel we had sufficient time, nor was any testimony received, concerning the amendments relating to administrative financing, extending coverage to new groups of workers, and incorporating Puerto Rico into the unemployment compensation system. These changes raise many complicated problems which should be studied more thoroughly than the committee was able to in considering the present bill.

B. GENERAL EXPLANATION

1. Increase in the loan fund

Under present law, any excess of Federal unemployment tax receipts over administrative expenses is allocated to the Federal unemployment account to bring it up to $200 million in cash, but repayments of advances by the States can increase the account to an amount over $200 million. After the Federal unemployment account is built up to its statutory limit any remaining excess Federal unemployment tax receipts are distributed to the State accounts in proportion to their respective covered payrolls.

The committee's bill would raise the statutory limit of the Federal unemployment account from $200 to $500 million. The bill also provides that if at the time a distribution of excess Federal unemployment taxes is made to the State accounts a State has outstanding advances under title XII, that State's share of the excess funds will first be used to reduce these outstanding advances.

2. Eligibility for and repayment of advances

The bill amends title XII of the Social Security Act, the title that provides for advances to State unemployment funds. Under present law a State may apply for an advance if its reserve at the end of a calendar quarter is less than the total compensation paid out during the preceding four quarters. The committee found that this was not a sufficient test of a State's need for additional funds. Two States were eligible for and received advances under the present law which they have never used.

The bill, therefore, permits a State's eligibility for advances to be determined at any time. Advances will be made in amounts which the Secretary of Labor estimates will be required to pay compensation during the current or following month, after taking into account available reserves and income to be received during the month in the State unemployment fund. In making such estimates, the Secretary may include an additional amount to cover unexpected contingencies such as decreases in tax receipts due to delinquencies, increases in benefit payments due to unusual weather conditions or an unannounced layoff by a large firm, or other factors. The aggregate amount that the Secretary of Labor may certify in any month may not exceed the amount in the Federal unemployment account.

Advances made to a State before enactment of your committee's bill will, in general, be repaid under the present provisions of law. Also, any State that has not received the full amount certified by the Secretary of Labor to the Secretary of the Treasury before enactment of the committee's bill may, through its Governor, request the Secretary of the Treasury to transfer to the State's account all or part of the remainder of such amount. Upon receipt of such a request the Secretary of the Treasury shall transfer the amount requested or so much of such amount as is available at the time of the transfer. No such amount will be transferred, however, after the 1-year period beginning on the date of the enactment of your committee's bill. The present provisions for repayment will apply to any amount so transferred to a State.

Advances made to a State after the enactment of your committee's bill, if not repaid by the State within the specified period of time, will be repaid under newly added provisions to the section providing for repayment of an advance through reduction in employers' credits against the Federal unemployment tax. Reductions in credit to repay an advance after the enactment of your committee's bill will be made with respect to the taxable year beginning with the second January 1 after the advance is made (rather than as now the fourth January 1). The reduction in credit will also be at a rate double that now provided. Thus, for the taxable year beginning with the second January after an advance is made, the credit will be reduced by 10 percent. For the following taxable year the credit will be reduced by 20 percent, and so on. The committee believes that these changes are desirable. Economic indexes since World War II show that recessions have not lasted more than about 1½ years. Thus, earlier repayment is economically feasible. Such indexes also show that recessions have recurred at approximately 4-year intervals. Thus, under the present law, the repayment of advances through reduction in tax credits might commence during the recession following that in which an advance is made. The increased rate of repayment proposed will result generally in the repayment of an advance before another recession occurs. It will also replenish the Federal unemployment account so that subsequent requests for advances can be financed without the necessity of securing advances from general funds for this purpose.

In the case of the third and fourth consecutive taxable year for which there has been an outstanding balance of advances as of January 1, if the State has (for the calendar year preceding such taxable year) collected as contributions from employers on remuneration subject to the State law less than an amount equal to 2.7 percent of the total remuneration subject to contributions under the State law (as determined by the State by April 30 of the taxable year, using a

March 31 cutoff date), the tax credit against the Federal tax due on wages paid in such taxable year will be further reduced by the amount (rounded to the nearest 0.1 percent) by which the average employer contribution rate is less than 2.7 percent.

In the case of the fifth and succeeding consecutive taxable years for which there has been an outstanding balance of advances as of January 1, if the State has collected (for the calendar year immediately preceding the taxable year) in employer taxes less than an amount equal to one-fifth of the aggregate benefits paid in the first 5 of the last 6 years preceding the taxable year (as determined by the State by the following April 30, using a March 31 cutoff date) or an amount equal to 2.7 percent of the State taxable remuneration (for the calendar year immediately preceding the taxable year), whichever is higher, then the tax credit against the Federal tax will be further reduced. The reduction will be a rate, rounded to the nearest 0.1 percent, which, when applied to the State's taxable wages for such immediately preceding calendar year, would have produced the revenue necessary to make up the difference between the contributions actually paid and the average benefit cost rate (or 2.7 percent if higher). In determining the amount collected by the State, employee contributions may be included, if employer contributions average 2.7 percent or more.

The committee believes that these provisions will encourage a State that has an outstanding balance of advances to so increase its contribution rates that these further tax credit reductions will not become applicable. Such increased rates should strengthen the State's benefit financing so that its need for further advances would be minimized.

IX. Section-by-Section Analysis

The first section of the bill contains a short title (the "Social Security Amendments of 1960") and a table of contents. The remainder of the bill is divided into seven titles as follows:

Title I—Coverage.
Title II—Eligibility for benefits.
Title III—Benefit amounts.
Title IV—Disability insurance benefits and the disability freeze.
Title V—Employment security.
Title VI—Medical services for the aged.
Title VII—Miscellaneous.

TITLE I—COVERAGE

SECTION 101. EXTENSION OF TIME FOR MINISTERS TO ELECT COVERAGE

Additional period for filing certificate.

Section 101(a) of the bill amends clause (B) of section 1402(e)(2) of the Internal Revenue Code of 1954 to provide an additional period (somewhat less than 2 years from the date of enactment of the bill) within which certain ministers, members of religious orders (other than persons who have taken a vow of poverty as members of such an order), and Christian Science practitioners may file a certificate electing to be covered under title II of the Social Security Act. Under present law, any member of one of these professions who has had net earnings from self-employment of $400 or more, any part of which was derived from services in such profession, in two or more taxable years

beginning after 1954, but who failed to file a certificate within the time prescribed by the present section 1402(e)(2), no longer has an opportunity to elect the coverage. Under the bill, every such individual is afforded a further opportunity to make the election. Such election may be made by filing a certificate on or before the due date of the return (including any extension thereof) for the individual's second taxable year ending after 1959 (generally April 15, 1962).

Effective date of certificate

Section 101(b) of the bill amends section 1402(e)(3) of the Internal Revenue Code of 1954 to eliminate those portions of it which have ceased to have any effect and by redesignating paragraph (3) to (3)(A) and adding a new subparagraph (B). As amended by section 101(b) of the bill, section 1402(e)(3)(A) continues to provide, to the same effect as at present, that a certificate filed under section 1402(e) of the code shall be effective for the taxable year immediately preceding the earliest taxable year for which, at the time the certificate is filed, the period for filing a return (including any extension thereof) has not expired, and for all succeeding taxable years. Thus, under present section 1402(e)(3) and under section 1402(e)(3)(A) as amended by section 101(b) of the bill, where the taxable year is a calendar year and there is no extension of time for the filing of the tax return, a certificate filed on or before April 15 of the year following such taxable year is effective for the 2 taxable years preceding the year in which the certificate is filed, and for all years following such 2 taxable years. If the certificate in such case is filed after April 15, it is effective only for the immediately preceding taxable year and for all years thereafter. However, under the conditions prescribed in section 1402(e)(5) of the code, as added by section 101(c) of the bill (discussed below), a certificate filed under section 1402(e) of the code by April 15, 1962, may be made effective for years earlier than those for which the certificate would be effective under the general rule stated in section 1402(e)(3)(A).

The new subparagraph (B) would modify the general rule stated in subparagraph (A) with respect to certain ministers who filed certificates before enactment of the amendment which were effective only for taxable years ending after 1956. Under subparagraph (B) such certificates will be effective for taxable years ending after 1955 if such individual files a supplemental certificate before April 15, 1962, if any tax in respect of self-employment income for his first taxable year after 1955 is paid on or before April 15, 1962, and any refund made of any such tax which, but for the new subparagraph (B) would be an overpayment, is repaid on or before April 15, 1962. Any such tax which is paid or repaid for a year with respect to which the period of limitation on assessment or collection has expired will not be regarded as an overpayment solely because such period has expired.

Optional provision for certain certificates filed on or before April 15, 1962

Section 101(c) of the bill amends section 1402(e) of the Internal Revenue Code of 1954 by adding a new paragraph (5). Pursuant to the new paragraph (5), any individual who has filed a timely return reporting earnings derived by him in any taxable year ending after 1954 and before 1960 from the performance of service as a minister, a member of a religious order (other than one who has taken a vow of poverty as a member of such order), or a Christian Science practitioner but who does not have self-employment coverage for

the first year for which such a return was filed because a certificate under section 1402(e) is not in effect with respect to such year, may, if he wishes, elect to have his self-employment coverage as a minister, member of a religious order, or Christian Science practitioner begin with such first year. The election (which may be made by the individual, by a fiduciary acting for him or his estate, or by any survivor who is or may become entitled to monthly benefits under title II of the Social Security Act on his earnings record) may be made in one of two ways:

(1) If the individual has not filed a valid certificate on or before the date of the enactment of the bill, he (or such fiduciary or survivor) may file such a certificate and indicate thereon an election to have the certificate made effective for the first taxable year ending after 1954 and before 1960 for which such individual filed such a return, and for all succeeding taxable years.

(2) If the individual has filed a valid certificate on or before the date of the enactment of the bill, he (or such fiduciary or survivor) may file a supplemental certificate and indicate thereon an election to have the certificate previously filed by such individual made effective for the first taxable year ending after 1954 and before 1959 for which he filed such a return, and for all succeeding taxable years.

In either case, if the election is to be valid, it must be made on or before April 15, 1962, and all self-employment tax (whether or not attributable to earnings as a minister, member of a religious order, or Christian Science practitioner) due for each taxable year for which the certificate is effective under the new paragraph (5) (but would be ineffective under par. (3)) must be paid on or before April 15, 1962. Moreover, any such tax previously refunded as an overpayment because no valid certificate was then in effect with respect to the year for which paid must be repaid to the United States, together with the interest allowed on the refund, on or before such date. However, any underpayment of the tax which is attributable to an error made in good faith will not invalidate an election which is otherwise valid. Any such tax which is paid or repaid for a year with respect to which the period of limitation on assessment or collection has expired will not be regarded as an overpayment solely because such period has expired. It should be noted that April 15, 1962, falls on a Sunday, and section 7503 of the code provides that an act required to be performed on a Saturday, Sunday, or legal holiday is timely if performed on the next day which is not a Saturday, Sunday, or legal holiday.

Administrative provisions

Pursuant to section 101(d) of the bill, no interest or penalty will be imposed in respect of self-employment tax paid on or before April 15, 1962, on earnings derived from the performance of service as a minister, member of a religious order, or Christian Science practitioner for taxable years as to which a certificate is effective under the new paragraph (5), or under the new subparagraph (B) of paragraph 3, (but would not be effective under the existing par. (3)) of section 1402(e). If such tax is not fully paid (except for underpayments due to errors made in good faith) on or before April 15, 1962, the question of interest does not arise since the certificate in such cases is effective only for the taxable years prescribed in the existing paragraph (3) and not for the earlier years prescribed in such paragraph (5)

or such subparagraph (B). However, in the case of an underpayment attributable to an error made in good faith, the additional tax due for any such earlier year must be paid with interest accruing from April 15, 1962, to the date of payment. Moreover, the statutory period for assessing any such underpayment will expire not earlier than 3 years from April 15, 1962.

Sections 101(c) and 101(d) of the bill are relief measures for the benefit of ministers, members of religious orders, and Christian Science practitioners who filed returns of self-employment tax on their earnings as such for years with respect to which they have no self-employment coverage because no certificate under section 1402(e) of the code is in effect for such years or whose certificates were not made effective as early as was permitted under the law in effect at the time of filing. However, your committee does not intend that the amendments made by such section 101(c) should be regarded as invalidating the effect of Revenue Ruling 57–139 (Cumulative Bulletin 1957–1, p. 284) and Revenue Ruling 57–401 (Cumulative Bulletin 1957–2, p. 604) on any certificate under section 1402(e) which is filed on or before the date of the enactment of the bill.

Inclusion of earnings in social security records

Section 101(e) of the bill provides that the time limitation relating to the inclusion of self-employment income in social security records (sec. 205(c)(5)(F) of the Social Security Act) shall not be applicable to earnings derived in any taxable year ending before 1960 which constitute self-employment income solely by reason of the filing of a certificate which is effective under section 1402(c)(3)(B) or (5).

Effective dates

Section 101(f) of the bill provides that the amendments made by section 101 of the bill shall be applicable only with respect to certificates (and supplemental certificates) filed after the date of the enactment of the bill. However, no monthly benefits under title II of the Social Security Act will be increased or payable by reason of such amendments for any month earlier than the month after the month of enactment of the bill and no lump-sum death payments under that title in the case of deaths prior to the date of the enactment of the bill will be payable or increased by reason of such amendments.

SECTION 102. STATE AND LOCAL GOVERNMENTAL EMPLOYEES

Delegation by governor of certification functions

Under section 218(d) of the Social Security Act, the effectiveness of certain actions by a State in seeking to secure coverage under the old-age, survivors, and disability insurance program for employees in positions covered by a State or local retirement system is contingent upon certification by the Governor to the Secretary of Health, Education, and Welfare as to the use of specified procedures relating to voting by the members of that system.

Paragraph (1) of section 102(a) of the bill amends section 218(d)(3) of the Social Security Act to provide that these certifications (that the referendum procedure has been conducted in accordance with the requirements of that section) may be made by a person designated by the Governor, as well as by the Governor himself.

Paragraph (2) of section 102(a) amends section 218(d)(7) of the act to provide that the certifications that the specified procedures

required by that section have been followed (when coverage is extended without an additional referendum under the provisions of the act permitting a retirement system to be divided, after a vote on the division, into two divisions or parts for old-age, survivors, and disability insurance purposes) may be made by a person designated by the Governor as well as by the Governor himself.

Employees transferred from one retirement system to another

Paragraph (1) of section 102(b) of the bill amends the provisions of the Social Security Act permitting retirement systems in specified States to be divided into two divisions or parts for coverage purposes, one division or part consisting of those desiring coverage and the other consisting of those who do not (sec. 218(d)(6)(C) of the act). This amendment deals with situations where individuals who are members of one retirement system group and (under the divided retirement system provision) have chosen not to be covered become members of a different retirement system group by reason of action taken by a political subdivision. It applies only where action under the divided retirement system provision has also been taken to divide the second retirement system group. The bill provides that such individuals will continue to be excluded from coverage, as members of the division or part of the second retirement system group composed of positions of members who do not desire such coverage, if (1) on the day before they become members of such retirement system group they were in the division or part of a retirement system group composed of the positions of members who do not desire coverage and if (2) the positions covered by both retirement system groups are in reality part of a single retirement system which has, under the provisions of section 218(d)(6)(A) of the act, been treated as separate systems; under existing law they would be compulsorily covered as "new" employees of the second group. (The provisions of sec. 218(d)(6)(A) permit positions of employees of a political subdivision or subdivisions or of the State which are covered by a single retirement system to be split off and regarded as a separate system (referred to in this discussion as a "retirement system group") for coverage purposes.)

Paragraph (2) provides that this amendment shall be effective for transfers into a different retirement system group which occur on or after the date of enactment. Also, upon a request of the Governor (or other official designated by him for the purpose) filed with the Secretary of Health, Education, and Welfare before July 1, 1961, the amendment would apply to transfers which occur before the date of enactment, but only with respect to wages paid on and after the date on which the request is filed.

Retroactive coverage

Paragraph (1) of section 102(c) of the bill amends section 218(f)(1) of the Social Security Act to permit State and local coverage provided under an agreement or modification which is agreed to after 1959 to become effective with respect to services performed on and after the first day of the fifth calendar year preceding the year in which the agreement or modification is approved, or on and after any later date specified in the agreement or modification. (Par. (3) of this section of the bill provides, however, that such an agreement or modification may not be effective earlier than January 1, 1956.) Under

present law, State and local coverage (if agreed to after December 31, 1959) may be retroactive only to the first day of the year in which an agreement or modification is agreed to.

Paragraph (2) provides that where a retirement system is covered as a single retirement system, without having been divided or treated as several retirement systems pursuant to section 218(d)(6)(A), the State may, if it desires, divide the system into separate retirement systems with respect to the employees of any one or more of the political subdivisions, or the employees of the State (or of the State and one or more political subdivisions), for purposes of selecting the beginning dates for coverage, so that a different beginning date (within the limits discussed under par. (1)) could be selected for the employees in each of the groups into which the system is so divided. Under present law, all persons in a retirement system which is not separated for other reasons must be covered on the same date.

Paragraph (3) provides that the amendment made by paragraph (1) shall apply in the case of any agreement or modification of an agreement which is agreed to on or after January 1, 1960, except that an agreement or modification which is agreed to before 1961 may not be effective with respect to services performed before January 1, 1956. Paragraph (3) also provides that the amendment made by paragraph (2) shall apply in the case of any agreement or modification which is agreed to on or after the date of enactment.

Policemen and firemen

Section 102(d) of the bill amends section 218(p) of the Social Security Act to add the State of Virginia to the list of States in which coverage under the old-age, survivors, and disability insurance program is available (at the request of the State and subject to the referendum requirements of sec. 218(d)(3)) to policemen and firemen in positions covered under retirement systems.

Limitation on States' liability for employer (and employee) contributions in certain cases

Paragraph (1) of section 102(e) of the bill adds to section 218(e) of the Social Security Act a new paragraph (2), permitting a social security coverage agreement between the Secretary and a State to provide for treating the wages of an individual who is an employee both of the State and a political subdivision or subdivisions, or of more than one subdivision, as though paid to him by a single employer. This provision is significant for purposes of determining whether employer contributions are due on such an individual's wages during a year in excess of the maximum amount otherwise counted for old-age, survivors, and disability insurance purposes. The amendment provides this treatment where the State bears the entire cost of the employer share of the contributions (that is, the amount referred to in sec. 218(e) of the act which is equivalent to the tax imposed by sec. 3111 of the Internal Revenue Code of 1954) and is not reimbursed by any political subdivision. The provisions of the new paragraph would be applicable only to the extent that the State complies with such regulations as the Secretary may prescribe to carry out its purposes.

The provisions of this new paragraph could be made applicable with respect to wages paid after an effective date specified in the agreement or modification but not before the first day of the third

year before the year in which the agreement or modification is mailed or by other means delivered to the Secretary; in no event could the provisions of the new paragraph be made applicable to wages paid prior to January 1, 1957.

Paragraph (2) of section 102(e) of the bill amends section 218(f) of the act to make the general rules governing the retroactivity of coverage agreement modifications inapplicable to modifications under the new section 218(e)(2) described above.

Statute of limitations for State and local coverage

Section 102(f)(1) of the bill adds four new subsections ((q), (r), (s), and (t)) to section 218 of the Social Security Act. The new subsection (q) provides a time limitation on the period within which a State may be held liable by the Secretary of Health, Education, and Welfare for amounts due under its social security coverage agreement. The new subsection (r) provides a time limitation on the period within which a State may be allowed a credit (or refund) for amounts which it has erroneously paid. The new subsections (s) and (t) provide a specific procedure under which the States can seek review by the Secretary of determinations made by him, and judicial review of such determinations when they result in the assessment of contributions or the denial of a State's claim for credit (or refund).

Time limitation on assessments.—Paragraph (1) of the new subsection (q) of section 218 provides that a State shall be liable for contributions (and interest thereon) due under its coverage agreement until the Secretary is satisfied that the amount due has been paid to the Secretary of the Treasury.

Paragraph (2) of the new subsection (q) provides that, notwithstanding paragraph (1) of the new subsection, a State shall not be liable for contributions (or interest thereon) after the expiration of the time limitation established by the paragraph unless an "assessment" of the amount due is made by the Secretary before the expiration of that time limitation. This time limitation would end with whichever of the following periods expires the latest: 3 years, 3 months, and 15 days after the year in which the wages were paid or after the year following the year in which this new subsection is enacted, or 3 years after the date on which the contributions became due.

Paragraph (3) of the new subsection (q) provides that for purposes of the subsection an "assessment" is made when a State is sent a notice stating the amount of the contributions (or interest) due and the basis for the determination.

Paragraph (4) of the new subsection (q) provides that an assessment of an amount due shall be deemed to have been timely made even though it is not made until after the expiration of the time limitation (referred to in the new subsec. (q)(2)), in certain situations which are described in subparagraphs (A), (B), and (C) of the paragraph. Under subparagraph (A) the time limitation would be extended if, before the expiration of the time limitation (or the time limitation as extended), the Secretary and the State agree in writing to extend the time limitation and if, subject to the conditions specified in the agreement, the Secretary makes an assessment within the extended period. Subparagraph (B) provides that where within the 365-day period ending with the expiration of the time limitation (or the time

limitation as extended), a State pays an amount which is less than the correct amount of contributions due with respect to the wages paid to individuals in any calendar quarters as members of a coverage group, the time limitation relating to the individuals, calendar quarters, and coverage group for which the contributions were paid will not expire before the 365th day following the day on which such contributions are paid. Under subparagraph (C), the time limitation would be extended for an assessment with respect to wages which are credited to the Secretary's records under subparagraphs (A) and (B) of section 205(c)(5) of the act, but only if the assessment is made within the period during which such entry may be made pursuant to those subparagraphs of existing law. (Subpars. (A) and (B) of sec. 205(c)(5) of the act permit crediting of wages to an earnings record after the expiration of the period for making earnings record corrections, in situations where final action has not been taken on a benefit application or earnings record discrepancy action which involves such earnings record and the application or request for such action is filed before the expiration of the correction period.)

Paragraph (5) of the new subsection (q) provides that a State will be liable, after the expiration of the time limitation, for contributions that become due as a result of an allowance of a claim for credit, if an assessment of such contributions is made at the time (or before) the claim for credit is allowed. No interest would be charged in these cases. This provision applies to situations where an allowance of a claim for credit would reduce an individual's wage credits for a year to less than the maximum (presently $4,800 per year), thereby opening the way to crediting other wages which were not previously reported because of such maximum.

Paragraph (6) of the new subsection (q) authorizes the Secretary to accept wage reports which are filed after the time limitation has expired where the State pays the amount of contributions due with respect to the wages so reported and agrees to be liable, until notified by the Secretary of the acceptance of the report, for any additional contributions which are due with respect to the coverage group and calendar quarters for which the report is filed. No interest would be charged in these cases.

Paragraph (7) of the new subsection (q) provides that a State will be liable for contributions (and interest thereon) without regard to the time limitation where there has been a fraudulent attempt by an officer of the State or of a political subdivision to defeat or evade payment of the contributions.

Time limitation on credits and refunds.—Paragraph (1) of the new subsection (r) of section 218 provides that no credit (or refund) for an overpayment of contributions (or interest thereon) made by a State with respect to any wages paid an individual as a member of a coverage group in a calendar quarter, may be allowed after the expiration of the time limitation established by the paragraph unless a claim for credit or refund is filed by the State before the time limitation expires. The time limitation provided by the new subsection (r) would end with whichever of the following periods expires the latest: (A) 3 years, 3 months, and 15 days after the year in which the wages were paid or after the year following the year in which this new subsection is enacted, (B) 3 years after the due date for the payment

which included the overpayment with respect to the wages paid the individual as a member of the coverage group in the calendar quarter involved, or (C) 2 years after the overpayment was made.

Paragraph (2) of the new subsection (r) provides that a claim for credit (or refund) which is filed after the expiration of the time limitation (referred to in the new subsection (r)(1)) shall, nevertheless, be deemed to have been filed before such expiration in the situations described in subparagraphs (A) and (B) of the paragraph. Subparagraph (A) provides that a State and the Secretary could agree in writing before such expiration to extend (or to further extend) the time limitation for an agreed upon period, and that a claim for credit or refund which is filed before the end of the extended period would, subject to the conditions specified in the agreement, be deemed to have been filed before the expiration of the time limitation. Under subparagraph (B), claims for credit or refund which relate to wages which are deleted from the Secretary's records under subparagraph (A), (B), or (E) of section 205(c)(5) of the Social Security Act would be deemed to have been filed before the expiration of the time limitation. (Subpars. (A) and (B) of sec. 205(c)(5) of the act permit the deletion of wage entries from an earnings record after the expiration of the period for making earnings record corrections, in situations where final action has not been taken on a benefit application or request for an earnings record discrepancy action involving such earnings record, if such application or request was filed before the expiration of that correction period. Sec. 205(c)(5)(E) permits the deletion of wage entries after the expiration of the correction period where the entry is erroneous as the result of fraud.)

Review by the Secretary.—The new subsection (s) of section 218 provides that the Secretary shall review (and affirm, modify, or reverse) an assessment, the disallowance of a claim for credit (or refund), or the allowance of a credit (or refund), if a written request for such a review is filed with him by a State within 90 days (or within such further time as he may allow) after the day on which notification is sent to such State of the assessment, disallowance, or allowance. The State would be notified of the decision arising out of the Secretary's review and the basis for the decision.

Review by court.—Paragraph (1) of the new subsection (t) of section 218 provides that a State may file a civil action against the Secretary, without regard to the amount in controversy, for a redetermination of the correctness of an assessment, disallowance, or allowance with respect to which the Secretary has rendered a decision pursuant to the new subsection (s) if the civil action is filed within 2 years (or such further time as the Secretary may allow) after the notification of the decision was mailed to the State. These civil actions would be brought in the United States district court for the judicial district in which the State capital is located. Where the action is brought by an interstate instrumentality, however, it would be commenced in the judicial district where the instrumentality's principal office is located. Actions under this new paragraph would survive notwithstanding any change in the person occupying the office of the Secretary or any vacancy in that office. The judgment of the court would be final except that it would be subject to review in the same manner as judgments of district courts in other civil actions.

Paragraph (2) of the new subsection (t) provides that no interest shall accrue, after final judgment with respect to a State's overpayment, pursuant to section 2411 of title 28 of the United States Code. This section of title 28 provides, in part, for the payment of interest at the rate of 4 percent per annum from the date of a final judgment rendered against the United States.

Paragraph (3) of the new subsection (t) provides that the payment of amounts due to a State pursuant to a final judgment rendered by a district court in an action brought under the new subsection shall be adjusted in accordance with the provisions of section 218 of the Social Security Act and regulations thereunder rather than section 2414 of title 28 of the United States Code. This section of title 28 provides for the payment by the General Accounting Office of final judgments rendered against the United States.

Earnings record corrections.—Section 102(f)(2) of the bill amends subparagraph (F) of section 205(c)(5) of the act to authorize the Secretary to add, change, or delete any entry of wages in his records of an individual's covered earnings after the expiration of the time limitation which (under that section) is applicable to such addition, change, or deletion, in order to conform his records to an assessment or the allowance of a credit or refund pursuant to the new provisions of section 218 of the act described above.

Effective date.—Subparagraph (A) of section 102(f)(3) of the bill provides that the effective date of the new subsections (q), (r), (s), and (t) of section 218 of the act shall be the first day of the second calendar year after the year of enactment.

Subparagraph (B) of section 102(f)(3) of the bill provides that where the Secretary has notified the State of an underpayment, disallowed a State's claim for credit (or refund), or allowed a State a credit (or refund) before this effective date, then the Secretary will be deemed to have made an assessment, or to have notified the State of the disallowance or allowance on that date. The State could request the Secretary to review these deemed assessments, disallowances, and allowances without regard to the 90-day time limitation for requesting a review under the new subsection (s). However, these special transitional provisions would not apply if the Secretary actually makes the assessment, or sends the State a followup notification of the disallowance or allowance, within the appropriate time limitation provided under the new subsections (q) and (r). In these cases, the 90-day period for requesting a review would begin with the day following the day on which the assessment or followup notification is sent to the State.

Municipal and county hospitals

Section 102(g) of the bill amends subparagraph (B) of section 218(d)(6) of the Social Security Act to provide that, where a hospital is an integral part of a political subdivision of a State, positions of employees of such hospital which are covered under a retirement system together with the positions of other State or local employees may be treated by the State as being under a separate retirement system for purposes of coverage under old-age, survivors, and disability insurance. Subparagraph (B) of section 218(d)(6) now provides for the similar treatment of the positions of employees of institutions of higher learning.

Validation of coverage for certain Mississippi teachers

Section 102(h) of the bill provides that, for purposes of section 218 of the Social Security Act, services performed by certain teachers and other school employees in the State of Mississippi after February 28, 1951, and before October 1, 1959, shall be deemed to have been performed by them as employees of the State. This provision has the effect of validating old-age, survivors, and disability wage credits of such teachers and other school employees for the period during which they were reported as State employees although (as was subsequently found) they were employees of political subdivisions of the State.

Justices of the peace and constables in the State of Nebraska

Section 102 (i) of the bill provides that the State of Nebraska may modify its agreement made under section 218 of the Social Security Act so as to exclude services performed by justices of the peace or constables, if they are compensated on a fee basis. Such a modification could be made effective for services performed after an effective date specified in the modification, but not before the date of enactment of the bill.

Teachers in the State of Maine

Section 102(j) of the bill amends section 316 of the Social Security Amendments of 1958 so as to extend from July 1, 1960 to July 1, 1961 the time during which the State of Maine may modify its existing agreement under section 218 of the Social Security Act to provide that a retirement system covering positions of teachers and positions of other employees will be a "separate retirement system" for purposes of section 218 of the Social Security Act.

SECTION 103. EMPLOYEES OF NONPROFIT ORGANIZATIONS

Elimination of requirement that religious, charitable, etc., organization may file waiver certificate only if two-thirds of its employees concur

Section 103(a) of the bill amends section 3121(k)(1)(A) of the Internal Revenue Code of 1954, relating to waivers of tax exemption which may be filed by certain religious, charitable, etc., organizations. Pursuant to present law, such an organization may file a certificate electing to have old-age, survivors, and disability insurance coverage extended to services performed in its employ only if two-thirds or more of its employees concur in the filing of such certificate, and such certificate is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs. Section 103(a) of the bill eliminates the requirement that two-thirds or more of such employees must concur before the certificate can be filed. This amendment has the effect of permitting the organization to elect coverage in respect of all employees of the organization hired after the quarter in which a certificate is filed by the organization even though less than two-thirds, or none, of the employees in its employ in such quarter concur in the filing of the certificate. As under present law, a list showing the names, addresses, and social security account numbers of all concurring employees must accompany the certificate, and, in general, only the services of those employees (if any) whose names appear on such list will be covered when the

certificate takes effect. However, the 24-month period prescribed in present law for signing a supplemental list of concurring employees is continued, and employees who decline the coverage at the time the certificate is filed but later desire to have it may acquire such coverage prospectively by signing a supplemental list within the prescribed period.

Section 103(a) of the bill also amends section 3121(k)(1)(E) of the code, relating to the filing of waiver certificates by organizations some of whose employees are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or political subdivision thereof and some of whose employees are not in such positions. Under present law such organization must divide its employees who are in such positions and its employees who are not in such positions into separate coverage groups, and a waiver certificate in respect of either group may be filed only if two-thirds of the employees in the group concur in the filing of the certificate. Section 103(a) of the bill eliminates the requirement that two-thirds or more of the employees in such group must concur before a certificate can be filed in respect of such group. Under the amendment made by section 103(a), a certificate may be filed in respect of either group, or separate certificates may be filed in respect of each group, even though less than two-thirds, or none, of the employees in the group concur in the filing of the certificate.

Validation of remuneration erroneously reported as wages by nonprofit organizations

Section 103(b) of the bill relates to service performed after 1950 which is excepted from covered "employment" solely because the service is performed for an organization, described in section 501(c)(3) of the Internal Revenue Code of 1954 (or sec. 101(6) of the Internal Revenue Code of 1939) and exempt from income tax, which does not have a waiver certificate under section 3121(k) of the Internal Revenue Code of 1954 (or sec. 1426(1) of the Internal Revenue Code of 1939) in effect with respect to such service. The service may be excepted from employment because no such certificate was filed by the organization or, if a certificate was filed, because the person performing the service could acquire coverage only by signing the list of employees concurring in the filing of the certificate and he failed to do so.

Section 103(b) of the bill makes provision whereby the remuneration paid by an organization to an individual before July 1, 1960, for such service may be deemed to constitute remuneration for employment for purposes of title II of the Social Security Act, to the extent that an amount has been paid before August 11, 1960, as taxes under the Federal Insurance Contributions Act with respect to such remuneration. Such remuneration will be deemed to constitute remuneration for employment for purposes of such title II if the following conditions are met:

(1) The person who performed the service (or a fiduciary acting for him or his estate, or a survivor of such individual who is or may become entitled to monthly benefits under title II of the Social Security Act on his earnings record) makes a request (in such form and manner, and with such official as the Secretary of Health, Education, and Welfare may by regulations prescribe) that such remuneration

be deemed to constitute remuneration for employment for purposes of title II of the Social Security Act.

(2) If any part of the amount paid as taxes before August 11, 1960, with respect to such remuneration paid to an individual is credited or refunded, the amount credited or refunded, plus any interest allowed, is repaid before January 1, 1963.

(3) A certificate under section 3121(k) of the Internal Revenue Code of 1954 is filed by the organization not later than the date on which the request is made, unless the organization has previously filed a certificate under that section or section 1426(1) of the Internal Revenue Code of 1939, or the organization no longer has any individual in its employ for remuneration at the time the request is made.

(4) In the case of an organization which has filed a certificate on or before the date on which the individual's request is made, amounts are paid as taxes with respect to some portion of the remuneration paid by the organization to the individual during the 24-month period following the calendar quarter in which the certificate is filed, if the individual is in the employ of the organization at any time during such 24-month period.

Pursuant to section 103(b)(5) of the bill, an organization's certificate is made applicable in the future to an individual if remuneration paid by such organization to the individual before July 1, 1960, is deemed, pursuant to a request made under section 103(b), to constitute remuneration for employment, and if the individual performs service in the employ of the organization on or after the date on which the request is made. If the certificate is not effective with respect to service performed by such individual before the first day of the calendar quarter following the quarter in which the request is made, the effect of paragraph (5) is to make the certificate applicable to service performed by the individual on and after such first day.

After the date of enactment of the bill, section 103(b) will supersede provisions of section 403(a) of the Social Security Amendments of 1954 which permit certain remuneration paid for service performed before 1957 to be deemed remuneration for employment. Section 403(a) will continue to apply to requests made pursuant to such section on or before the enactment of this bill, but not to requests made after the date of enactment.

Remuneration erroneously reported as self-employment income by certain employees of charitable, religious, etc., organizations

Section 103(c)(1) of the bill amends section 1402 of the Internal Revenue Code of 1954 by adding a new subsection (g). Pursuant to the new subsection (g), any individual who, for any taxable year ending after 1954 and before 1962, erroneously reported as self-employment income (and paid self-employment tax on) remuneration received by him for services performed in the employ of an organization which is exempt from income tax as an organization described in section 501(c)(3) may request (or a fiduciary acting for such individual or for his estate, or a survivor of such individual who is or may become entitled to monthly benefits under title II of the Social Security Act on his wage record may request) that such remuneration reported for such taxable year (other than remuneration for services performed by the individual as a duly ordained, commissioned, or licensed minister of a church or as a member of a religious order)

be deemed to constitute net earnings from self-employment. The request will be effective if—

(1) it is made after the date of enactment of the new section 1402(g) of the code and on or before April 15, 1962;

(2) the return on which the remuneration was reported was timely filed;

(3) a certificate under section 3121(k) of the code is filed by the organization on or before the date the request is made; and

(4) no credit or refund of any part of the amount erroneously paid for such taxable year as self-employment tax on such remuneration is obtained before the date on which the request is filed, or, if obtained, is repaid on or before the date of the request;

but only to the extent that such remuneration was paid to the individual before the calendar quarter in which the request was filed (or, in some cases, before the next calendar quarter), and no employment tax under chapter 21 has been paid on such remuneration.

In any case where remuneration paid to an individual by a religious, charitable, etc., organization is deemed to be net earnings from self-employment by reason of a request filed pursuant to the new section 1402(g), the certificate filed by the organization, if it is not effective with respect to services performed by the individual on or before the first day of the calendar quarter in which the request is filed, shall be effective with respect to services (if any) performed by the individual for the organization on and after the first day of the next calendar quarter.

Section 103(c)(2) of the bill contains complementary provisions for purposes of title II of the Social Security Act.

Effective dates

Section 103(d) of the bill provides effective dates for the amendments relating to employees of nonprofit organizations.

Paragraph (1) provides that the amendments made by subsection (a) shall be effective with respect to certificates filed under section 3121(k)(1) of the Internal Revenue Code of 1954 after the date of the enactment of the bill.

Paragraph (2) provides that no monthly benefits shall be payable or increased for the month of enactment or prior months by reason of the provisions of or amendments made by subsections (b) and (c), relating to validation of remuneration erroneously reported as wages by nonprofit organizations and as net earnings from self-employment by certain employees of nonprofit organizations. No lump-sum death payment under such title II would be payable or increased by reason of such provisions or amendments in the case of any individual who died prior to the date of enactment of the bill.

SECTION 104. AMERICAN CITIZEN EMPLOYEES OF FOREIGN GOVERNMENTS

Self-employment coverage for benefit purposes

Section 211(c)(2) of the Social Security Act now provides three exceptions to the general rule that services performed as an employee are excluded from the definition of "trade or business," and thus from self-employment coverage. The effect of these exceptions is to include the services excepted in the definition of "trade or business," and thus to extend self-employment coverage to such services. These services

are (1) services performed by certain news vendors, (2) certain services performed by an individual under share-farming arrangements, and (3) services performed by an individual in the exercise of his ministry or as a member of a religious order. Section 104(a) of the bill amends section 211(c)(2) so as to include a fourth category of employee services in the term "trade or business." The services thus included under the amendment are those performed in the United States (including the Virgin Islands and Puerto Rico) by a citizen of the United States in the employ of a foreign government or in the employ of an instrumentality wholly owned by a foreign government to the extent that such services are excluded from "employment" by section 210(a)(11) or 210(a)(12) of the Social Security Act. In effect, this change extends self-employment coverage under title II of the Act to such services.

Coverage for self-employment tax purposes

Section 104(b) of the bill makes corresponding amendments to section 1402(c)(2) of the Internal Revenue Code of 1954. The effect of these amendments is to require that income derived by a United States citizen from service performed in the United States (including the Virgin Islands and Puerto Rico) as an employee of a foreign government or an instrumentality wholly owned by a foreign government, must be taken into account in determining liability for the self-employment tax, to the extent that such service is excepted from the definition of "employment" by section 3121(b)(11) or 3121(b)(12) of the code.

Effective dates

Section 104(c) of the bill provides that the amendments made by section 104 with respect to services in the employ of foreign governments or instrumentalities wholly owned by foreign governments shall be effective for taxable years ending on or after December 31, 1960. For purposes of section 203(b) the Social Security Act, relating to the "retirement test" under the old-age, survivors, and disability insurance program, earnings derived by an individual which are covered as net earnings from self-employment pursuant to the amendments made by section 104 of the bill will be treated as "wages" for taxable years beginning on or before the date of enactment of the bill, but as "net earnings from self-employment" for taxable years beginning after the date of enactment.

SECTION 105. DOMESTIC SERVICE AND CASUAL LABOR

Exclusion of service performed by individual under 16

Section 105(a) of the bill amends section 210(a) of the Social Security Act by adding a new paragraph (18) to provide for the exclusion from employment for purposes of old-age, survivors, and disability insurance of service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual under the age of 16. Under present law such service is not excluded from employment and the definition of wages determines whether remuneration for the employment is covered by old-age, survivors, and disability insurance.

Conforming amendments in Internal Revenue Code of 1954

Section 105(b) (relating to the definition of employment) of the bill makes conforming amendments in the Internal Revenue Code of 1954.

Effective dates

Section 105(c) of the bill provides that the amendments made by subsections (a) and (b), relating to the definition of employment, are effective with respect to service performed after 1960.

TITLE II—ELIGIBILITY FOR BENEFITS

SECTION 201. CHILDREN BORN OR ADOPTED AFTER ONSET OF PARENT'S DISABILITY

Section 201(a) of the bill amends section 202(d) of the Social Security Act to provide for the payment of child's insurance benefits to a child who is adopted by or born to an individual, or a stepchild of an individual by a marriage which is contracted, after the individual becomes entitled to disability insurance benefits. Under present law such a child cannot become entitled to child's insurance benefits because the law provides that such benefits may be paid only to a child who is dependent on the insured individual at one of a number of times specified in the law, and those times do not include a time for establishing the dependency of a child who is born to, or who becomes the adopted child or stepchild of, a person after that person becomes entitled to disability insurance benefits. This amendment provides that these children could establish their dependency as of the time at which an application for child's insurance benefits is filed. The provision, except as specified in subsection (b), is similar to the provision in present law that applies to the child of an old-age insurance beneficiary.

Section 201(b) of the bill provides an exception to the amendment included in subsection (a). Under this exception, a child who is adopted after the individual becomes disabled cannot become entitled to child's benefits unless he is the natural child or stepchild of the individual, or he is adopted within 2 years after the month in which the individual becomes entitled to disability insurance benefits and either the adoption proceedings are instituted in or prior to the month in which the parent's period of disability began or the child was living with the parent in such month.

Section 201(c) of the bill makes these amendments effective as though they had been enacted on August 28, 1958 (the date when the Social Security Amendments of 1958 were enacted), and with respect to monthly benefits for months after August 1958 based on applications filed on or after August 28, 1958.

SECTION 202. CONTINUED DEPENDENCY OF STEPCHILD ON NATURAL FATHER

Section 202(a) of the bill amends section 202(d) of the Social Security Act to provide for the payment of child's insurance benefits based on the earnings of the child's father even though the child was living with and receiving more than one-half of his support from his stepfather.

Section 202(b) of the bill makes section 202(a) effective for monthly benefits for months beginning with the month in which the bill is enacted based on applications filed in or after the month of enactment.

SECTION 203. PAYMENT OF BURIAL EXPENSES

Section 203(a) of the bill amends section 202(i) of the Social Security Act to change the provisions governing the payment of the lump-sum death payment in cases where the insured individual is not survived by a spouse who was living in the same household with him at the time of his death (or where such a spouse dies before receiving the payment). In such a case the amended provisions provide for the lump-sum death payment to be made as follows:

(1) The lump sum would first be applied to all or any part of the unpaid burial expenses of the insured individual that were incurred by or through a funeral home. The payment would be made directly to the funeral home if an application, requesting payment to the home, is filed within 2 years after the date of death of the insured individual by a person who assumes responsibility for the payment of all or a part of the burial expenses, or if no one assumes that responsibility within 90 days after the date of the insured individual's death.

(2) If all of the expenses incurred through the funeral home have been paid (including payments made as provided above), any of the lump sum that remains would be paid to any person or persons equitably entitled thereto to the extent and in the proportion that he or they shall have paid the funeral-home expenses.

(3) After all payments provided by (1) and (2) above have been made, any of the lump sum that remains would be paid to anyone equitably entitled thereto, to the extent and in the proportion that he has paid any burial expenses not incurred through the funeral home, in the following order of priority: The expenses of opening and closing of the grave, the expense of the burial plot, and any remaining expenses.

The amendment also continues the provision in present law that no payment will be made to any person unless an application for the payment is filed by or on behalf of such person within 2 years after the date of the death of the insured individual unless such person was entitled to wife's or husband's benefits on the earnings record of the insured individual for the month preceding the month in which such individual died.

Section 203(b) of the bill provides that the amendment made by subsection (a) shall be applicable in the case of deaths on or after the date of enactment of the bill, and in the case of deaths prior to enactment but only if no application for the lump-sum death payment (on the basis of the earnings record involved) is filed before the third month after the month of enactment.

SECTION 204. TECHNICAL AMENDMENTS WITH RESPECT TO FULLY INSURED STATUS

Section 204(a) of the bill amends section 214(a) of the Social Security Act to effect several changes of a primarily technical nature. The amended section 214(a) would provide that to be fully insured a person will need one quarter of coverage (no matter when acquired) for every two calendar quarters elapsing after 1950, or after the *calendar year* in which he attained the age of 21 if that was later, and up to the beginning of the *calendar year* in which he attained retirement age (65 for men, 62 for women) or died, whichever occurred first. To be fully insured under present law, a person must have one quarter of coverage for every two quarters elapsing after 1950, or after the *calendar quarter* in which he attained the age of 21, if that was later, and up to the beginning of the *calendar quarter* in which he attained retirement age or died, whichever first occurred. Under the amendment, as under present law, the minimum requirement for a person to be fully insured would be 6 quarters of coverage and the maximum requirement would be 40 quarters of coverage.

As under present law, any calendar quarter any part of which was included in a period of disability would not count as an elapsed quarter unless it was a quarter of coverage. Also retained without change is the provision that where (after subtraction of quarters occurring in a period of disability) the number of elapsed quarters is not a multiple of 2, the number would be reduced to the next lower multiple of 2 for the purpose of determining whether the individual met the requirement for fully insured status.

Under the amendment, any person who died or attained retirement age before 1951 and had at least six quarters of coverage would be fully insured. Under the present law, people who died before September 1950 could not be fully insured unless at least one-half of the quarters elapsing after 1936 were quarters of coverage. People who did not meet this requirement and who died after 1939 and before September 1950 but had at least six quarters of coverage were given a limited "deemed" fully insured status by the Social Security Amendments of 1954. The deemed fully insured status was limited in that it did not permit payments to a former wife divorced; in such cases the worker must have been fully insured under the regular provisions. The amendment would make that deemed insured status provision unnecessary, and it would be made inoperative, as indicated below.

Section 204(b) of the bill provides that the average monthly wage of an individual who died after 1939 and before 1951 shall be computed in the same general manner as is provided in present law for people whose benefits are computed on the basis of earnings after 1936. Where a primary insurance benefit had already been computed for a deceased individual who was currently insured but not fully insured at the time of his death (a lump-sum death payment, monthly benefits for his children under age 18, and monthly benefits for his widow with children in her care would have been payable if he had been only currently insured) that amount would be converted, through the benefit table in the law, to the appropriate primary insurance amount being paid at the present time.

Section 204(c) of the bill amends section 109(b) of the Social Security Amendments of 1954, which provides a "deemed" fully in-

sured status for certain individuals who died before September 1950, to make the section inapplicable in the case of applications filed after the month of enactment of the bill (except for purposes of benefits for the month of enactment and earlier months—see description of sec. 204(d)(2) of the bill, below). The provisions of section 109(b) will no longer be needed, since people who now are deemed to be fully insured under that section will be fully insured under the amendment made by 204(a) of the bill. Section 109(b) of the 1954 amendments specifically excludes former wives divorced from entitlement to benefits in cases involving the "deemed" fully insured status provided by that section. Thus, under present law, monthly benefits are provided for the other survivors of an individual who died before September 1950 if he had at least six quarters of coverage even if he had not been insured at the time he died, but the former wife divorced can qualify only if the deceased individual was insured under the regular provisions of the law when he died. The amendment to section 109, together with the other changes made by this section of the bill, will provide benefits for the former wife divorced of an individual who died after 1939 and before September 1950, who was not insured at the time he died, but who had at least six quarters of coverage.

Section 204(d)(1) of the bill provides that the amendments made by subsections (a) and (b) shall be effective for (1) monthly benefits for months after the month in which the bill is enacted on the basis of applications filed in or after the month of enactment; (2) lump-sum death payments in the case of deaths occurring after the month of enactment; and (3) disability determinations with respect to periods of disability based on applications filed after the month of enactment.

Section 204(d)(2) of the bill provides that the requirements for fully insured status, as contained in section 214(a) of the present law and section 109 of the Social Security Amendments of 1954, will govern in determining whether an individual was entitled, on the basis of an application filed in or after the month in which the bill was enacted, to retroactive payment of benefits for the month of enactment and for prior months. He could not get benefits for any prior month unless he met the requirements for receipt of a benefit for that month under existing provisions of law. The present provisions would also govern the determination of the individual's "first eligibility closing date" (one of the points as of which the average monthly wage is computed under the present law) in years before 1960. This closing date would be the first day of the first year in which he both was fully insured under the present provisions of the law and had attained retirement age.

Where an application is filed in or after the month of enactment by a surviving dependent of an individual who died before September 1, 1950, and who was given a "deemed" insured status under section 109 of the Social Security Amendments of 1954 (as in effect prior to enactment of the bill) and an actual insured status by subsection (a)(3) of section 214 of the Social Security Act as amended by the bill, the entitlement of such surviving dependent to monthly benefits for the month of enactment and prior months would be determined under the provisions of section 109 of the Social Security Amendments of 1954 as in effect prior to enactment of the bill.

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SECTION 205. SURVIVORS OF INDIVIDUALS WHO DIED PRIOR TO 1940 AND CERTAIN OTHER INDIVIDUALS

Section 205(a) of the bill amends subsections (d)(1), (e)(1), (g)(1), and (h)(1) of section 202 of the Social Security Act to provide for the payment of child's widow's, mother's, and parent's insurance benefits to survivors of workers who died prior to 1940. Under present law monthly benefits are provided only for the survivors of workers who died after 1939.

Section 205(b) of the bill amends section 202(f)(1) of the act to provide for the payment of benefits to the widower of a fully and currently insured worker who died before September 1950. Under present law monthly benefits are provided only for the widowers of working women who died after August 1950.

Section 205(c) of the bill provides a method of computing the primary insurance amount of individuals who died before January 1940 and who had not less than six quarters of coverage. Benefits for survivors of these people would be computed under the provisions of the law in effect before 1950 and converted to current amounts through the benefit table contained in the present law.

Section 205(d) of the bill provides that the amendments made by this section will be effective with respect to monthly benefits for months after the month in which the bill is enacted if an application for benefits is filed in or after such month.

SECTION 206. CREDITING OF QUARTERS OF COVERAGE FOR YEARS BEFORE 1951

Section 206(a) of the bill amends section 213(a)(2) of the Social Security Act so that in any case where an individual had wages of $3,000 or more in a year before 1951, he will be credited with four quarters of coverage for that year (subject to exceptions already in the law) regardless of when in the year he earned his first quarter of coverage.

Under present law, where a person had the maximum amount of creditable wages in any year before 1951, each quarter of the year following his first quarter of coverage is credited as a quarter of coverage. For example, a person who had wages of $3,000 in 1949, all paid in the fourth calendar quarter, is credited with only one quarter of coverage for that year. For years after 1950, on the other hand, a person whose earnings are at the maximum creditable amount is credited with four quarters of coverage for the year regardless of when he received his first quarter of coverage for that year. The bill would put the provisions for crediting quarters of coverage in the case of maximum creditable earnings before 1951 on the same basis as those for crediting quarters of coverage in such cases after 1950.

Section 206(b)(1) of the bill provides that the changes made by subsection (a) shall be effective generally in cases where people qualify, in or after the month of enactment, for benefits, for specified benefit recomputations, and for disability determinations. Specifically, the changes would be effective with respect to old-age, survivors, and disability insurance benefits and lump-sum death payments based on the wages and self-employment income of an individual who—

(1) becomes entitled to old-age or disability insurance benefits on the basis of an application filed in or after the month in which the bill is enacted; or

(2) becomes entitled to a work recomputation under section 215(f)(2)(A) of the Act based on an application filed in or after the month of enactment (or would be entitled to such a recomputation but for the provision in section 215(f)(6) that a higher primary insurance amount must result therefrom); or

(3) dies without becoming entitled to old-age or disability insurance benefits and, unless the person dies currently insured but not fully insured (in the absence of this exception people who happened to be currently insured at death could not become fully insured as a result of the change, but people who are uninsured could become fully insured), there is no one entitled to survivors' benefits or a lump-sum death payment based on an application filed prior to the month of enactment; or

(4) dies in or after the month of enactment, and whose survivors are (or, but for the provisions of section 215(f)(6), would be) entitled to a survivor's work recomputation under section 215(f)(4)(A); or

(5) dies before the month of enactment, and whose survivors are (or, but for the provisions of section 215(f)(6), would be) entitled to a survivor's work recomputation under section 215(f)(4)(A) and did not become entitled to monthly benefits or a lump-sum death payment on the basis of an application filed prior to the month of enactment; or

(6) becomes entitled (or would be entitled if it resulted in a higher primary insurance amount) to a "dropout" recomputation under section 102(f)(2)(B) of the 1954 amendments to the Social Security Act on the basis of an application filed in or after the month of enactment; or

(7) dies, and whose survivors are entitled (or would be entitled if it resulted in a higher primary insurance amount) to a "dropout" recomputation under section 102(f)(2)(B) of the 1954 amendments on the basis of an application filed in or after the month of enactment.

Section 205(b)(2) of the bill provides that the change made by subsection (a) shall also apply in the case of disability determinations under section 216(i) of the Social Security Act where the application for disability determination was filed in or after the month of enactment.

Section 206(b)(3) of the bill provides that where a person would not be fully insured except for the enactment of this section of the bill, benefits will not be payable on his earnings record for any month before the month of enactment.

SECTION 207. MARRIAGES SUBJECT TO LEGAL IMPEDIMENT

Section 207(a) of the bill amends section 216(h) of the Social Security Act (relating to family status) by adding a new subparagraph (B) to paragraph (1). The new subparagraph provides that an applicant who went through a marriage ceremony with an insured individual shall be deemed to be the wife, husband, widow, or widower

of that individual, even though there was a legal impediment to the marriage, if it is established to the satisfaction of the Secretary that the applicant went through the marriage ceremony with the insured individual in good faith, if the existence of the legal impediment was unknown to the applicant at the time of the ceremony, and if (where the insured individual is alive) he and the applicant are living in the same household at the time an application is made for spouse's benefits or (where the insured individual is dead) they were living in the same household at the time the insured individual died. An applicant who went through a marriage ceremony with an insured individual will not be deemed to be the wife, husband, widow, or widower of that individual if another person is or has been entitled to wife's, husband's, mother's, widow's, or widower's benefits based on the insured individual's earnings and the other person has the status of wife, husband, widow or widower of the insured individual at the time the application for benefits is filed; or if the Secretary determines on the basis of information brought to his attention, that the applicant entered into the marriage knowing that it was not valid. The benefits of a person who has been deemed to be a wife, husband, widow, or widower under the provisions of the new subparagraph will end if (and with the payment for the month before the month in which) the Secretary certifies that benefits are payable to a person who was validly married to the insured individual. Benefits to a person who has been deemed to be a wife or husband under the new subparagraph will also end in the month before the month in which such person enters into a valid marriage with some other person. The subparagraph defines a legal impediment to the validity of a ceremonial marriage to include only an impediment that results from the lack of dissolution of a previous marriage or that otherwise arises out of a previous marriage or its dissolution, or results from a defect in the procedure followed in connection with the ceremonial marriage such as failure to comply in one or more respects with any provision of State law relating to the performance of a marriage ceremony or to the kind of ceremony required.

Section 207(b) of the bill amends section 216(h)(2) of the Social Security Act to include in the definition of "child" the child of an individual (so that the child will qualify for benefits on the latter's earnings record) if the child is that individual's son or daughter and the child's parents entered into a ceremonial marriage which, but for a legal impediment of the type described above, would have been valid.

Section 207(c) of the bill amends section 216(e) of the Social Security Act to include as the stepchild of an individual, for benefit purposes, a child whose parent entered into a ceremonial marriage with that individual which, but for a legal impediment of the type described above, would have been valid.

Section 207(d) of the bill amends section 202(d)(3) of the Social Security Act (relating to the payment of child's insurance benefits) to provide that a child deemed pursuant to section 216(h)(2) of the act (as amended by section 207(b) of the bill) to be the insured individual's child shall be deemed to be his legitimate child. Under the law as amended by section 202(a) of the bill, a legitimate or adopted

child would be deemed dependent on his father unless the father was not living with nor contributing to the support of the child and the child had been adopted by some other person. By providing that the child will be deemed to be the legitimate child of the insured individual, the section has the result of treating the child as dependent on the insured individual unless the child had been adopted by some other person and the insured individual was neither living with nor contributing to the support of the child.

Section 207(e) of the bill is a saving clause providing that the benefits of any person on the old-age, survivors, and disability insurance benefit rolls for the month before the bill is enacted will not be reduced because of the benefits paid to a person who, under the amendments made by this section of the bill, is deemed to be the wife, husband, widow, widower, child, or stepchild of an insured individual. If there were no saving clause, because of the limitation on the total of the benefits that may be paid to a family on the basis of the earnings of one individual, the benefits payable to a person on the rolls when the bill is enacted might be reduced because of the payments made to some other person who would get benefits as a result of enactment of this section of the bill.

Section 207(f) of the bill provides that the amendments made by section 207 of the bill shall be effective with respect to monthly benefits for months beginning with the month in which the bill is enacted, on the basis of an application filed in or after that month. In the case of a lump-sum death payment the amendments would be effective based on the application of any person filed in or after the month in which the bill is enacted but only if no other person has filed an application for a lump-sum death payment before the date of enactment.

SECTION 208. PENALTY DEDUCTIONS UNDER FOREIGN WORK TEST

Section 208(a) of the bill amends section 203(f) of the Social Security Act to eliminate the imposition of a penalty in certain cases. Under present law, a month's benefit must be withheld from an old-age insurance beneficiary and from each of his dependents for any month in which he works in noncovered work outside the United States on more than 6 days. If the old-age insurance beneficiary fails to report such employment within a specified time, he may be penalized by the loss of an additional month's benefit, but in general his dependents will not be subject to the loss of an additional benefit. The only dependent beneficiary so penalized is the person who is the spouse of an old-age insurance beneficiary and who is getting childhood disability benefits or mother's insurance benefits. The imposition of the penalty in this sort of case is an unintended result of the Social Security Amendments of 1958. Section 208(a) of the bill amends section 203(f) of the Social Security Act to remove this additional penalty.

Section 208(b) of the bill provides that the amendment made by section 208(a) shall be effective on enactment and for penalties imposed under section 203(f) of the Social Security Act but not collected prior to enactment.

SECTION 209. EXTENSION OF FILING PERIOD FOR HUSBAND'S, WIDOWER'S, AND PARENT'S BENEFITS IN CERTAIN CASES

Section 209 of the bill extends for 2 years after the month of enactment the period in which proof of support (required under the existing law) may be filed by persons who become entitled to husband's, widower's, or parent's insurance benefits as a result of the enactment of the bill.

SECTION 210. LOWER ELIGIBILITY AGE FOR MEN, WITH BENEFIT AMOUNTS ADJUSTED IN ACCORDANCE WITH AGE OF BENEFICIARY

Definition of retirement age

Section 210(a) of the bill amends section 216(a) of the Social Security Act to provide that the term "retirement age" means age 62 in all cases. Under present law, "retirement age" is defined to mean age 65 for men and age 62 for women. The effect of the change is to make men, as well as women, eligible for benefits at age 62, if they are otherwise qualified.

Adjustment of benefit amounts

Section 210(b) of the bill amends subsections (q), (r), and (s) of section 202 of the act to provide for adjustments in old-age insurance benefits for men and in husband's insurance benefits in accordance with the age of the beneficiary, in the same manner as the adjustments that are provided under present law for old-age insurance benefits for women and for wife's insurance benefits.

Paragraph (1) of section 202(q) of the act is amended to provide for reducing the old-age insurance benefits of anyone (man or woman) who elects to take such benefits before age 65 by five-ninths of 1 percent for each month starting with the month of entitlement and ending with the month before the person attains age 65. This amounts to a 20-percent reduction if benefits are taken beginning at age 62. The effect of the change is to apply to the benefit of a man who elects to take his old-age insurance benefit before age 65 the same reduction that is applied under present law to the benefit of a woman who does so.

The wife's insurance benefit for a wife aged 65 or over of a husband under age 65 will be one-half of the amount of the old-age insurance benefit of her husband after his benefit has been reduced; if the wife is also under age 65 and elects to receive her wife's insurance benefit before age 65, her benefit will be based on his reduced benefit and will be further reduced under section 202(q).

Paragraph (2) is amended to provide for reducing the husband's insurance benefits of a man who elects to take such benefits before age 65 by 25/36 of 1 percent for each month starting with the month of entitlement and ending with the month before he attains age 65. This amounts to a 25-percent reduction if benefits are taken beginning at age 62. The effect of the change is to apply to the benefits of a husband who elects to take his husband's insurance benefits before age 65 the same reduction that is applied under present law to the benefits of a wife of a man taking his benefit at or after age 65 who takes her wife's insurance benefits before age 65. In the case of a husband who elects to take his husband's insurance benefit before age 65 and whose wife has also elected to take her old-age insurance benefit before age

65, his benefit is based on the full old-age benefit of the wife, reduced only because of his age being below 65 (as under present law). The husband aged 65 or over of a woman who elects to take her old-age insurance benefit before age 65, at a reduced amount, receives one-half of her full, or unreduced, benefit.

Paragraph (3) is amended to make equally applicable to a man the present provision for determining the reduction where a woman entitled to a reduced old-age insurance benefit later (or in the same month as she became entitled to such old-age insurance benefit) becomes entitled before attaining age 65 to a wife's insurance benefit. The wife's or husband's insurance benefit will be reduced by the same amount as that by which the old-age insurance benefit is reduced; further if the unreduced wife's or husband's insurance benefit exceeds the unreduced old-age insurance benefit, the reduction factor for the wife's or husband's insurance benefit will be applied to such excess.

Paragraph (4) is amended to make equally applicable to a man the present provision for determining the reduction where a woman entitled to a reduced wife's insurance benefit later becomes entitled, before attaining age 65, to an old-age insurance benefit. The old-age insurance benefit will be reduced by the same amount as that by which the wife's or husband's insurance benefit is reduced; further, if the unreduced old-age insurance benefit exceeds the unreduced wife's or husband's insurance benefit, the reduction factor for the old-age insurance benefit will be applied to such excess.

Paragraph (5) is amended to apply to men the present provision, applicable now only to women, for recomputing old-age insurance benefits at age 65 to take account of periods between initial entitlement and attainment of age 65 during which:

(1) benefits were withheld under the retirement test provisions; or,

(2) where the person also was entitled to wife's (or, under the amended provision, husband's) insurance benefits, and the person's spouse was entitled to disability insurance benefits, benefits were withheld on account of the spouse's refusal to accept rehabilitation services; or,

(3) where the person also was entitled to wife's (or, under the amended provision, husband's) insurance benefits, benefits were not payable because the person's spouse ceased to be under a disability.

In such cases the reduction factor will be redetermined at age 65 so as not to include a reduction for any such months, provided that there were at least 3 such months.

Paragraph (6) is amended to apply to men who are getting reduced husband's insurance benefits, the present provision, applicable now only to women getting reduced wife's insurance benefits, for recomputing such benefits at age 65 to take account of those periods, between initial entitlement and attainment of age 65, when benefits were affected by the various provisions of the law described in the analysis of paragraph (5), above. In such cases the reduction factor will be redetermined as under paragraph (5).

Paragraph (7) is amended to apply to men entitled at or after age 65, but not before age 65, to husband's insurance benefits, in the special case where he is entitled to an old-age insurance benefit that began before age 65, the present provision for computing the reduc-

tion that is now applicable only to women in similar circumstances. In such a case, the wife's or husband's insurance benefit will be reduced by the same amount as that by which the old-age insurance benefit is reduced.

Paragraph (8) is amended to apply to men entitled at or after age 65, but not before age 65, to old-age insurance benefits, in the special case where he is entitled to a husband's insurance benefit that began before age 65, the present provision for computing the reduction that is now applicable only to women in similar circumstances. In such case, the old-age insurance benefit will be reduced by the amount by which the wife's or husband's insurance benefit was reduced. If the person is no longer entitled to wife's or husband's insurance benefits, the amount of the reduction will be the smaller of (1) the amount by which such benefit had been reduced in the last month for which the person was entitled to such benefit, or (2) the amount by which such benefit payable for the month in which the person attained age 65 would have been reduced after the reduction factor was redetermined under paragraph (6) to take account of the fact that he did not get benefits for all months after entitlement and prior to age 65.

Paragraph (9) is amended to apply to men the provision, now applicable only to women, for applying the reduction factors, computed under paragraphs (1) to (8), to the amount determined after benefits have been reduced in accordance with the maximum limitation on family benefits and have been rounded to the next higher multiple of 10 cents. The final amount of the benefit, as so derived, will be rounded to the next higher multiple of 10 cents, as under present law.

Presumed filing of application by person eligible for old-age insurance benefits and for wife's or husband's insurance benefits

Section 202(r) of the act is amended to apply to men the provision, now applicable only to women, under which a person is considered to be entitled to both old-age insurance benefits and wife's (or, under the amended provision, husband's) insurance benefits where he is eligible for both in the same month before age 65 and where he applies for only one. The exception in present law for a wife with a child beneficiary in her care in the month of entitlement is continued.

Relationship of reduced benefits for lower eligibility age with disability insurance benefits

Paragraph (1) of section 202(s) of the act is amended to apply to men the provision, now applicable only to women, under which entitlement before age 65 to widow's or parent's (or, under the amended provision, widower's) insurance benefits, or to reduced old-age or wife's (or, under the amended provision, husband's) insurance benefits, bars later entitlement to disability insurance benefits.

Paragraph (2) of section 202(s) is amended to apply to men the provision, now applicable only to women, that in the case of simultaneous entitlement to a wife's (or, under the amended provision, husband's) insurance benefit and to a disability insurance benefit, the reduction factor is applied only to that part of the wife's (or husband's) insurance benefit that exceeds the amount of the disability insurance benefit.

Paragraph (3) of section 202(s) is amended to apply to men the provision, now applicable only to women, for the termination of disability insurance benefits with the month before the month of a person's entitlement to old-age insurance benefits. The effect of the provision is to prevent entitlement to both old-age insurance and disability insurance benefits for months before age 65 (present law as it applies to men does not provide for terminating a disability insurance benefit on entitlement to old-age insurance benefits but rather on attainment of age 65).

Section 210(c) of the bill amends clause (C) of section 201(b)(1) of the act by eliminating as a cause of termination of wife's insurance benefits the event of her becoming entitled to an old-age or disability insurance benefit based on a primary insurance amount equal to or larger than one-half of her husband's old-age or disability insurance benefit. This does not have the effect of paying overlapping benefits in such cases (which is prevented by section 202(k) of the act), but rather eliminates the necessity for a wife to become reentitled to a wife's insurance benefit in certain cases where such benefit is subsequently recomputed in accordance with paragraph (6).

Paragraph (1) of section 210(d) of the bill amends clause (D) of section 202(c)(1) of the act, relating to terminating events for husband's insurance benefits, in the same manner as subsection (c) did in regard to wife's insurance benefits.

Paragraph (2) of subsection (d) amends section 202(c)(3) of the act, which establishes the amount of a husband's insurance benefit as one-half of the primary insurance amount of his wife, to take account of the new provisions for reduction of the husband's insurance benefit where entitlement begins before age 65.

Subsection (e) amends section 202(j)(3) of the act to extend to men the right, given only to women under present law, to waive entitlement to an old-age or wife's (or, under the amended provision, husband's) insurance benefit for months between the ages of 62 and 65 and before the month in which the person applies for benefits, in order to avoid forcing him to take benefits (and the resulting extra reductions in benefits) for months in the period for which his application would be effective retroactively.

Subsection (f) amends section 3121(a)(9) of the Internal Revenue Code which governs the treatment, for old-age, survivors, and disability insurance tax purposes, of payments (other than vacation or sick pay) made to an employee who did not work for the employer in the period for which the payment is made. Under present law such payments are excluded from such taxation if they are made to a woman who has attained age 62 or a man who has attained age 65. Under the amended provision they would be excluded if made to anyone (man or woman) who has attained age 62. (The change in the definition of "retirement age" in the Social Security Act accomplishes the same result so far as the treatment of such payments for benefit credit is concerned.)

Effective dates

Paragraph (1) of section 210(g) of the bill provides that the amendment made by subsection (a) shall apply, for lump-sum death payments, only to deaths occurring after October 1960, and, for monthly benefits, only for months after October 1960, and only on the basis of applications filed after the date of enactment.

Paragraph (2) contains provisions that will govern the computation of the average monthly wage (on which benefits are based) for cases of men who attained age 62 before November 1960. These provisions are required by reason of the fact that the change in retirement age for men from age 65 to age 62 also changes the length of the period over which the average monthly wage is computed, since under present law the period for men is governed by attainment of age 65 rather than age 62.

Clause (A) of paragraph (2) provides that a man who attained age 62 before November 1960 and who was not eligible for benefits before then (either because he was not yet age 65 or because he was not fully insured) shall be deemed to have attained age 62 in 1960 (or, if earlier, the year in which he died). Clause (B) provides that the amendment made by subsection (a) will not result in making a person fully insured before November 1960 (or, if earlier, the month in which he died). Clause (C) provides that the amendment made by subsection (a) will not be applicable to a person who was eligible for old-age insurance benefits before November 1960.

The effect of these three clauses is that the average monthly wage of a person alive in 1960 and first eligible for benefits in that year by reason of the amendment cannot be computed over a shorter period than the period applicable in the case of any other person who first became eligible for benefits in 1960. More specifically, the average monthly earnings could not be computed over a period of less than 4 years, the shortest possible period (except where a period of disability is involved) over which the average monthly wage can be computed for workers first becoming eligible for benefits in 1960 under present law.

Paragraph (3) of subsection (g) provides that, for purposes of excluding from benefit credit certain payments made to people over retirement age (described in the analysis of subsection (f), above), the amendment made by subsection (a) shall apply only to payments made after October 1960.

Paragraph (1) of subsection (h) provides that the changes made by subsections (b) to (e) shall take effect November 1, 1960, and shall be applicable for monthly benefits for months after October 1960.

Paragraph (2) provides that subsection (f) shall be effective for remuneration paid after October 1960.

SECTION 211. INCREASE IN EARNED INCOME LIMITATION

Section 211 of the bill amends section 203 (e) and (g) of the Social Security Act so as to increase from $1,200 to $1,800 per full year the amount that an individual under age 72 entitled to benefits under the program (other than a disability insurance beneficiary) may earn without loss of any of his benefits (a beneficiary aged 72 or over has no limitation on his earnings). A similar change would be made with respect to the amount that a beneficiary may earn for any year of less than 12 months' duration.

The amendments made by this section of the bill would be effective for any individual with respect to his taxable years ending after 1960.

TITLE III—BENEFIT AMOUNTS

SECTION 301. INCREASE IN INSURANCE BENEFITS OF CHILDREN OF DECEASED WORKERS

Section 301(a) of the bill amends section 202(d) of the Social Security Act to make the benefit payable to each child of a deceased insured individual equal to three-fourths of the latter's primary insurance amount. The present law provides that the benefit payable to each child of a deceased insured individual shall be one-half of such individual's primary insurance amount plus one-fourth of his primary insurance amount divided by the number of children.

Section 301(b) provides that the amendments made by section 301(a) shall apply to monthly benefits for months after the second month following the month of enactment.

Section 301(c) provides a saving clause, in cases where the family maximum applies, for beneficiaries on the old-age, survivors, and disability insurance benefit rolls for the second month after the month of enactment (which is the month before the amendment in the bill becomes effective). It provides that the benefits of a widow, widower, or parent (except for persons who become entitled to benefits because of the amendment (sec. 208 of the bill) relating to marriages subject to a legal impediment) who is entitled to benefits when the amendment is effective will not be decreased, under the family maximum provisions of section 203(a) of the act, because of the increased benefits payable under the amendment to the children in the family. When the family maximum applies, a child's benefits will be increased under the amendment only to the extent possible within the limits of that maximum and without reducing the benefits of the widow, widower, or parent. If, in or after the month in which the amendment becomes effective, another person in the family (other than a person who becomes entitled to benefits because of the amendment (sec. 208 of the bill) relating to marriages subject to a legal impediment) becomes entitled to benefits based on the earnings record of the same individual, the saving clause will cease to operate. This latter provision is included so that the saving clause will "wash out," and the amounts of benefits based on the earnings record of the same individual will be redetermined at any time when the family benefits would under present law be redetermined in any event.

SECTION 302. MAXIMUM FAMILY BENEFITS IN CERTAIN CASES

Section 302 of the bill corrects a technical flaw in section 203(a)(3) of the Social Security Act, which is a "saving clause" that is intended to put the family of an insured individual who has a period of disability that started before 1959 in the same general position, with respect to figuring the maximum family benefits payable on the earnings record of one individual, as the family of an insured individual who died before 1959. Because of the technical flaw, families of the disabled individuals whose average monthly wage is at certain levels get amounts different from (and in most cases larger than) those that are payable on the same average monthly wage to survivor families.

Section 303(a)(1) of the bill corrects the provisions relating to the maximum amount of benefits payable to families of disabled individ-

uals where the primary insurance amount is $66, $67, or $68 so that the maxium limitations on family benefits for such disabled individuals will be the same as those applicable to survivor families on the basis of the same primary insurance amounts.

Section 302(a)(2) of the bill corrects the provisions relating to the maximum amount of benefits payable to families of disabled individuals based on primary insurance amounts above $96 so that the maximum limitations on family benefits will be generally comparable to those applicable to survivor families on the basis of the same primary insurance amounts.

Section 302(b) of this bill makes these amendments applicable with respect to monthly benefits beginning with the second month after the month in which the bill is enacted, but only if the family came on the benefit rolls no earlier than such second month. The benefits of families who are already on the benefit rolls prior to such second month would not be reduced by reason of enactment of the bill; such benefits would continue to be determined under the present provisions of section 203(a)(3) of the act.

SECTION 303. COMPUTATIONS AND RECOMPUTATIONS OF PRIMARY INSURANCE AMOUNTS

Section 303(a) of the bill amends section 215(b) of the Social Security Act to provide a new method of determining an individual's average monthly wage, on which his primary insurance amount is based. Under the amendment, the period on the basis of which an individual's average monthly wage will be computed will be a constant number of calendar years. For retirement cases, and for cases of death after attaining retirement age, such constant number of calendar years will (in the absence of a period of disability) depend solely on the year of attaining retirement age if the individual is then fully insured (or if not so insured, then on the first year in which he is fully insured) regardless of whether the individual started to work before age 22 and regardless of when, after first becoming eligible for old-age insurance benefits, he filed his application for them. Likewise, for survivor benefits in the case of a person dying before retirement age, the constant number of years will (in the absence of a period of disability) depend solely on his age in the year of death or on the year in which he died if he was over age 22 in 1950, regardless of whether he started to work before age 22. Also, for disability insurance benefits, the constant number of years will (in the absence of a previous period of disability) depend solely on the insured individual's age in the year of becoming so disabled or on the year in which he became disabled if he was over age 22 in 1950.

The new provisions will be applicable, in general, to people who qualify for benefits, or for specified kinds of benefit recomputations, after 1960.

Paragraph (1) of the amended section 215(b) defines an individual's "average monthly wage" as the quotient obtained by dividing the total of his wages paid in, and self-employment income credited to, his "benefit computation years", by the number of months in those years.

Paragraph (2)(A) of the amended section 215(b) defines the number of an individual's "benefit computation years" as five less than the

number of his "elapsed years" (as defined in par. (3) of the subsection), but with a minimum of 2 years. (Reducing the "elapsed years" by five is equivalent to the dropout of the 5 years of lowest earnings under existing law.)

Subparagraph (B) provides that an individual's "benefit computation years" shall be the appropriate number of calendar years (determined under subpar. (A)), selected from his "computation base years", for which the total of his wages and self-employment income is largest.

Subparagraph (C) defines an individual's "computation base years" as calendar years occurring after December 31, 1950 (except that, as provided in section 215(d) of the law, as amended by the bill, 1936 would be used instead of 1950 for a person whose most favorable benefit computation would be that determined over the period from 1937 on), and prior to the calendar year in which he became entitled to old-age insurance benefits or died, whichever first occurred (except that the year of death or entitlement may be used as a computation base year if evidence of earnings in that year available when the benefit is computed indicates that use of the year would raise the primary insurance amount). No calendar year all of which is included in a period of disability may be a computation base year. However, where only a part of a year is included in a period of disability, such year may be a computation base year. (Under the provisions of sec. 220 of the act, though, periods of disability may be disregarded in the benefit computation if a higher primary insurance amount will result.)

Paragraph (3) defines the number of an individual's elapsed years as the number of calendar years in the period (a) after December 31, 1950 (this would be December 31, 1936, for those people whose most favorable benefit computation is that determined over the period from 1937 on) or, if later, after December 31 of the year in which he attained the age of 21, and (b) prior to the year in which he died, or if earlier the first year after 1960 in which he both was fully insured and had attained retirement age. Because of the use of the 1960 date, the minimum number of elapsed years in determining an individual's average monthly wage in any case will be 10 (in the absence of periods of disability). Since the number of benefit computation years is five less than the number of elapsed years, no benefit will be computed on earnings of less than 5 years (in the absence of periods of disability). Even though an individual was fully insured and had attained retirement age before 1961, his average monthly wage will be determined over his best 5 years, since the "elapsed years" will be the 10 years after 1950 and before 1961. (It should be noted that under existing law people who first qualify for retirement benefits in 1961, or who die in such year before qualifying for retirement benefits, would have to include 5 years in the benefit computation.) Any year any part of which was included in a period of disability will not be included in determining the number of elapsed years.

Paragraph (4) provides an effective date for the changes made by the amended section 215(b). These changes will be effective in the case of individuals with respect to whom not less than six quarters elapsing after 1950 are quarters of coverage and who become entitled to benefits after December 1960, or who die after that month without having been entitled to benefits, or who qualify for work recomputations under section 215(f)(2) of the act on the basis of

applications filed after December 1960, or who die after 1960 and whose survivors are entitled to work recomputations (including recalculations involving railroad compensation) under section 215(f)(4) of the act.

Paragraph (5) preserves the present method of computing the average monthly wage for people who do not qualify for the new method because they became entitled to old-age insurance benefits, or died, or filed applications for work recomputations, before 1961, or who qualify, either before 1961 or after 1960, for dropout recomputations under section 102(f)(2)(B) of the 1954 amendments. The provisions of paragraph (5) will not apply, though, if such people become entitled to work recomputations under section 215(f)(2) of the act on the basis of applications filed after 1960, or to survivors' work recomputations (including railroad compensation recalculations) under section 215(f)(4) of the act on the basis of deaths after 1960; subparagraphs (C) and (D) of paragraph (4) of the amended section 215(b) specifically make the amended section 215(b) applicable to such cases.

Section 303(b) of the bill amends section 215(c)(2) of the Social Security Act (relating to the computation of the primary insurance amount under the provisions of the law as in effect prior to the Social Security Amendments of 1958) to limit its effect specifically to people who became entitled to benefits, or died, before 1959 and who do not meet the requirements of paragraph (4) or (5) of section 215(b) as amended by the bill, so that neither the benefit computation provisions in existing law that are generally applicable after 1958, nor the provisions of the bill that will generally be applicable after 1960, can apply to them.

Section 303(c) of the bill amends section 215(d) of the Social Security Act to conform the provisions for computing the average monthly wage of people who become entitled, after 1960, to a benefit based on an average monthly wage computed over the period from 1937 on, to the amendments made by the bill in section 215(b). As in existing law, to the average monthly wage thus obtained will be applied the benefit formula in effect prior to the Social Security Amendments of 1950, and the resulting "primary insurance benefit" will be converted to the appropriate "primary insurance amount" by use of the benefit table in section 215(a).

Paragraph (1) of section 303(c) amends subparagraph (A) of section 215(d)(1) of the act to provide that, for purposes of the average monthly wage computation in the cases to which section 215(d) applies, an individual's "computation base years" shall include calendar years after 1936 and that his "elapsed years" shall be the calendar years after December 31, 1936 (or attainment of age 21, if later), rather than the calendar years after December 31, 1950 (or attainment of age 21, if later), and up to the year in which the individual died or, if earlier, the first year after December 31, 1960, in which he both was fully insured and had attained retirement age. Thus, in any case involving a computation based on earnings after 1936 which does not involve periods of disability, the elapsed period will be a minimum of 24 years and the benefit computation years will be a minimum of 19 years (i.e., the elapsed years reduced by five).

Paragraph (2) of section 303(c) of the bill amends subparagraph (C) of section 215(d)(1) of the act (relating to the crediting of "in-

crements" for years prior to 1951 in which an insured individual was paid wages of $200 or more), to make it clear that an increment will not be credited for any year all of which is included in a period of disability. If an individual had wages of $200 or more in a year only a part of which is included in a period of disability, such year will provide an increment even though it may not be a benefit computation year.

Paragraph (3) of section 303(c) of the bill amends subparagraph (B) of section 215(d)(2) of the act to make the amended provisions relating to average monthly wage computations using earnings after 1936 applicable to people who meet the conditions of any of the subparagraphs of subsection (b)(4) of the amended section 215. The amended section 215(d) (like the amended provisions of section 215(b) which provide the new method of computation on the basis of earnings after 1950 only) will be applicable only to people who become entitled to old-age or disability insurance benefits or to specified benefit recomputations after 1960, or who die after 1960 without becoming entitled to benefits.

Paragraph (4) of section 303(c) of the bill adds a new paragraph (3) to section 215(d) of the act. The new paragraph (3) makes the provisions of subsection 215(b)(5) of the act as amended by the bill (but without regard to the provision that makes par. (5) applicable only to people who have six quarters of coverage after 1950) applicable to section 215(d), to preserve the present method of computing the average monthly wage under section 215(d) for people who do not qualify for the new method because, before 1961, they became entitled to old-age insurance benefits, or died, or filed applications for work recomputations; or who qualified for dropout recomputations, under the 1954 amendments, to which only the present method of computing the average monthly wage is applicable. Only the amended provisions, though, will apply in any case where such an individual becomes entitled to a work recomputation based on an application filed after 1960 or based on a death occurring after 1960; the amended section 215(d)(2)(B) specifically makes the new method applicable in such cases.

Section 303(d)(1) of the bill amends subsection 215(e)(3) of the act (relating to the automatic recomputation of an individual's benefit amount to include self-employment income in a taxable year that begins prior to the year in which the individual becomes entitled to benefits and ends in or after the month of entitlement) to conform this provision to the change made in the method of computing the average monthly wage. This amendment will apply to people who become entitled to old-age insurance benefits after 1960; the taxable years involved will be those ending in or after 1961.

Section 303(d)(2) of the bill strikes out paragraph (4) of section 215(e) (relating to the use in the computation of the average monthly wage of years any part of which were included in periods of disability). The amendment will apply only to cases in which the new method of computing the average monthly wage will apply. For these people the provisions in paragraph (4) are not needed because equivalent language is included in the amended section 215(b)(2)(C) setting forth the revised method of computing the average monthly wage.

Section 303(e)(1) of the bill amends clause (iii) of section 215(f)(2)(A) of the act by removing the requirement that a beneficiary must wait at least 6 months, after the close of the year in which he had the earnings that qualified him for a work recomputation, to file an application for the recomputation. Consequently, an application for a work recomputation can be filed at any time after the close of the year in which he had the qualifying earnings. The amendment will be effective with respect to applications filed after 1960 for work recomputations.

Section 303(e)(2) of the bill amends subparagraph (B) of section 215(f)(2) of the act (relating to recomputations of benefit amounts to take account of earnings after entitlement to benefits) to conform the provisions to the changes made by the bill in the method of computing the average monthly wage. Under the provision as amended, if the last previous computation or recomputation of the individual's primary insurance amount was made under the provisions of section 215(b) of the law as amended by this bill, the "elapsed years" and "computation base years" will include only years after 1950 and before the year in which the application for the recomputation is filed. This parallels the present provision relating to people whose last previous computation or recomputation was made under the latest provisions of the law.

If the last previous computation or recomputation of the individual's benefit amount was made under the law in effect prior to the enactment of the bill, the individual's benefit will be computed as though he were applying for benefits for the first time; that is, with consideration given to elapsed periods starting with January 1937 and with January 1951. This provision parallels that in the present section 215(f)(2)(B) which permits consideration of all applicable starting dates and benefit formulas when an individual applies for a work recomputation for the first time after the enactment of the Social Security Amendments of 1954.

Section 303(e)(3) of the bill amends section 215(f)(3) of the act, relating to recomputations to include earnings in the year in which the individual became entitled to benefits or died, to conform the provisions to the amendments made by the bill in the method of computing the average monthly wage. The amended provisions will be applicable only to people who first become entitled to old-age insurance benefits or to a work recomputation on the basis of an application filed after December 1960 or who die after December 1960.

Section 303(e)(4) of the bill amends section 215(f)(4) of the act, relating to the recomputation of benefits of deceased individuals who were eligible, at the time of death, for a recomputation to take account of earnings after entitlement to benefits or to include railroad compensation as "wages" for old-age and survivors insurance purposes, so that, where the death occurs after 1960, such recomputations will always be made under the amended provisions for determining the average monthly wage. Where the purpose of the recomputation is to take account of earnings after entitlement, it will be made as though the worker had filed application for a work recomputation in the month in which he died.

Where the sole purpose of the recomputation is to include railroad compensation in the computation of the average monthly wage, limita-

tions are placed on the years which may be used as computation base years. (Comparable limitations are contained in the present law.) If the last previous computation of the individual's benefit amount was made under the provisions of section 215 as amended by the bill, only those years will be considered as computation base years that were so considered in the last previous computation. If the last previous computation was made under the provisions of the act as in effect prior to the enactment of the bill, only those years which occurred prior to the latest closing date considered in such previous computation may be considered as computation base years. Section 303(e)(4) also deletes a reference in section 215(f)(4) to the requirement, in section 215(f)(2)(A)(iii), relating to the time of filing an application for a work recomputation, which is repealed by section 303(e)(1) of the bill.

Section 303(f) of the bill amends section 223(a)(2) of the act (relating to the computation of disability insurance benefits) as amended by section 402(b) of the bill, to conform its provisions to the change made by the bill, in section 215(b), in the method of computing the average monthly wage. Under section 223(a)(2) as amended, the primary insurance amount of an individual who becomes entitled to disability insurance benefits after 1960 will be computed as in section 215(a) as though the individual had attained retirement age in the first month of his waiting period or (b) if he becomes entitled to a disability benefit without the requirement that he serve a waiting period (under the provisions of section 223(a)(1)(ii) of the act as amended by the bill), as though he had attained retirement age in the first month in which he becomes entitled to such benefits, and as though he had become entitled to an old-age insurance benefit in the month in which he files his application for disability insurance benefits. In the case of a woman who had already attained retirement age (62) and was fully insured before the beginning of her waiting period or her subsequent entitlement to a disability insurance benefit as the case may be, her elapsed years will not include the first year in which she both was fully insured and had attained retirement age or any subsequent year. This provision will preclude counting against a woman, in a disability benefit computation, years that would not be counted against her in computing her old-age insurance benefit.

Section 303(g)(1) of the bill is a saving clause which provides that, in the case of any individual who was first eligible for old-age insurance benefits before 1961 and who (a) files an application for benefits after 1960, or (b) dies after 1960 without being entitled to old-age insurance benefits, the benefit computation may be made under the provisions of existing law, using as a closing date the first day of the first year in which the individual was both fully insured and had attained retirement age, if he could have used such a closing date under existing law and if it will result in a higher primary insurance amount. This provision will permit the use of the benefit computation provisions of existing law in any case in which those provisions, using a closing date prior to 1961 for which an individual is now eligible, could increase his benefit amount.

Section 303(g)(2) of the bill provides that an individual who was entitled to a disability insurance benefit computed under the provisions of the law as in effect prior to the enactment of the bill and who attains

age 65 after 1960 will have his average monthly wage, for the purpose of determining his old-age insurance benefit amount, computed under the present provisions of section 215(b) rather than under the amended provisions in the bill, unless he qualifies, after 1960, for a work recomputation. In the absence of such a provision, a person who is now receiving a disability insurance benefit and who attains age 65 after 1960 might receive a larger old-age insurance benefit when he reaches age 65 solely because of the change made in the method of computing the average monthly wage, and not because of any additional earnings on his part.

Section 303(h) of the bill is a saving clause to retain the present provisions of section 215(f)(3) (relating to a recomputation to include earnings in the year of entitlement to old-age insurance benefits, or the year of death, in the benefit computation) in those cases where the recomputation is made on the basis of an application filed on or after the date of enactment of the bill, to take account of earnings in the year of entitlement or death of an individual who became entitled to benefits or to a work recomputation before 1961, or who died before 1961.

Paragraph (1) of section 303(h) provides that any recomputation described in the preceding paragraph shall be made as if the individual had first become entitled to old-age insurance benefits in the month in which he filed the application for the recomputation or the month in which he died, whichever is applicable. This change has the effect of removing the requirement in existing law that only the starting dates and benefit formulas for which the individual qualified at the time of the original benefit computation can be used in the recomputation. The effect of removing this requirement in the recomputation will be to permit the consideration of all starting dates and benefit formulas for which the beneficiary could qualify, under other applicable provisions of law, on the basis of his earnings through the year of entitlement to benefits or the year of death, whichever is applicable.

Paragraph (2) of section 303(h) precludes the use of the provisions of section 215(b)(4) (relating to the dropout of up to 5 years in which earnings were lowest) in such recomputations unless the worker otherwise meets the requirements for the dropout. Without this provision, any individual who became entitled to benefits after August 1954 and did not meet the qualifications for the dropout could have a dropout merely by filing an application for this recomputation.

Section 303(h) also provides for a special recomputation, based on an application filed on or after the date of enactment of the bill, of benefits based on the primary insurance amount of an individual who was disadvantaged by the present provisions of section 215(f)(3) in that the recomputation had to be made using the same starting date and benefit formula as his original computation, even though at the time he applied for the recomputation he had met the requirements for a more favorable method. A recomputation under this subsection will be effective for and after the first month for which the last previous recomputation of such worker's primary insurance amount under section 215 was effective, but not more than 24 months before the month in which the application for the recomputation is filed.

Paragraph (1) of section 303(i) of the bill provides that, in the case of an application for a work recomputation under section 215(f)

(2) of the Social Security Act which is filed after 1954 and before 1961, the provisions of section 215(f)(2) of such act as in effect before the enactment of this bill are to apply. Paragraph (2) of subsection (i) provides that in any case where an individual who died after 1954 and prior to 1961 was entitled to an old-age insurance benefit at the time of his death, the special work recomputations (including recalculations involving railroad compensation) for the purpose of survivors' benefits provided under section 215(f)(4) of the act will be made under the present provisions of section 215 of the law rather than under the amendments made by the bill.

Section 303(j) of the bill provides that in any case where an individual whose benefits were computed under the revised method provided by the bill was entitled, under the provisions in the law relating to the retroactive payment of benefits, to a benefit for any month prior to January 1961, the average monthly wage as determined under the amendments, rather than an average monthly wage determined under the present provisions of the law, will be used in determining his primary insurance amount for such prior month.

Section 303(k) of the bill amends section 102(f)(2)(B) of the Social Security Amendments of 1954 (relating to the recomputation provided by those amendments for people then already on the benefit rolls who acquire six quarters of coverage after June 30, 1953, to permit the dropout of up to 5 years of low earnings) to provide that the recomputation shall be made only under existing provisions of the law. Section 303(k) also corrects a typographical error in existing law.

SECTION 304. ELIMINATION OF CERTAIN OBSOLETE RECOMPUTATIONS

Section 304 of the bill provides that certain recomputations (described below) provided in existing law that have served their primary purpose and are now seldom used are not to apply in the case of insured individuals who are alive on January 1, 1961, unless application for the recomputation was filed before that date. Survivors of an insured individual who died before 1961 will not be affected by these amendments and hence will be able to get any recomputation to which the insured individual would have been entitled had he applied during his lifetime.

Section 304(a) of the bill amends section 215(f)(5) of the Social Security Act, which is a provision for recomputation to include 1952 self-employment income where an individual became entitled to an old-age insurance benefit or died in 1952. This recomputation was provided in order to include in the benefit computation of a person who retired or died in 1952 his self-employment income in a taxable year beginning or ending in 1952.

Section 304(b) of the bill amends section 102(e)(5) of the Social Security Amendments of 1954, which provides a "work recomputation" under the law in effect prior to those amendments for insured individuals who qualified for the recomputation before September 1954 but did not file application for it.

Section 304(c) of the bill amends section 102(e)(8) of the Social Security Amendments of 1954, which makes possible the use, after August 1954, of the recomputation, provided in the law in effect before those amendments, to include in the benefit computation earnings in

the two calendar quarters before entitlement or death where entitlement or death occurred before September 1954. This recomputation was provided because, as a result of the time lag in reporting and recording earnings, records of such earnings were not available at the time of initial computation. The recomputation cannot apply in any case where entitlement or death occurred after August 1954, when the computation of the average monthly wage was changed so as to be based on full calendar years rather than calendar quarters.

Section 304(d) of the bill amends section 5(c)(1) of the Social Security Act Amendments of 1952, which provides a recomputation to include post-World War II military service wage credits for insured individuals or survivors on the benefit rolls in August 1952. This recomputation was provided in order to include such credits where they could not have been used at the time of the insured individual's original computation.

TITLE IV—DISABILITY INSURANCE BENEFITS AND THE DISABILITY FREEZE

SECTION 401. ELIMINATION OF REQUIREMENT OF ATTAINMENT OF AGE 50 FOR DISABILITY INSURANCE BENEFITS

Age requirement

Section 401(a) of the bill amends section 223(a)(1)(B) of the Social Security Act so as to eliminate the requirement that an individual must have attained the age of 50 in order to be eligible for disability insurance benefits.

Conforming amendment

Section 401(b) of the bill amends section 223(c)(3) of the act to make a conforming change by removing the provision restricting the beginning of a person's waiting period to no earlier than the first day of the sixth month before the month he attains the age of 50.

Effective date

Section 401(c) of the bill provides that the amendments made by section 401 of the bill shall apply only with respect to monthly benefits for months after the month following the month in which the bill is enacted, based on applications filed in or after the month of enactment.

SECTION 402. ELIMINATION OF THE WAITING PERIOD FOR DISABILITY INSURANCE BENEFITS IN CERTAIN CASES

No waiting period in second disabilities

Section 402(a) of the bill amends section 223(a)(1) of the Social Security Act to provide that an individual may become entitled to disability insurance benefits for the first month throughout which he is under a disability and is insured, provided he was entitled to disability insurance benefits which terminated, or had a prior period of disability which ceased, not more than 60 months before such first month. For such an individual, this provision in the bill would eliminate the waiting period requirement and make an exception to the general rule that a person must be disabled for at least 6 full months before he may receive benefits.

Computation of disability insurance benefits in cases of second disability

Section 402(b) of the bill amends section 223(a)(2) of the Social Security Act to provide that the amount of the disability insurance benefits payable to an individual who is disabled a second time within 60 months will be equal to his primary insurance amount computed as though he became entitled to an old-age insurance benefit in the first month for which he becomes entitled to such disability insurance benefits. (For a further amendment to sec. 223(a)(2) to bring it into conformity with the new computation procedures provided under the bill, see sec. 303(f) (discussed above).)

Advance filing of applications

Section 402(c) of the bill amends section 223(b) of the Social Security Act to permit the filing of a valid application for disability insurance benefits as early as 9 months before the applicant is entitled to benefits (as under present law), or 6 months if the applicant is disabled a second time within 60 months, and to provide that any application filed within such 9-month period or such 6-month period shall be deemed to have been filed in the first month for which the applicant is entitled to benefits. Thus, if an individual is not under a disability (as defined in sec. 223(c)(2) of the act) when he files application for disability insurance benefits but is determined to be under such disability within such 9-month period or such 6-month period, his application would be deemed to have been filed in the first month in which he is under such disability. Under present law an individual is required to be under a disability at the time of filing. This provision eliminates the need for a new application from an individual who is determined not to be under a disability when he files if he is under a disability which begins within the period throughout which the application is otherwise valid.

Requirement of continuous disability for retroactive payment

Section 402(d) of the bill further amends section 223(b) of the Social Security Act to provide that an individual entitled to disability insurance benefits without serving a waiting period because he is disabled a second time within 60 months would (like all other applicants for disability insurance benefits under present law) have to be continuously disabled from the first month for which such benefits are retroactively payable until he files application therefor. Such an individual could thus be entitled to benefits for as many as 12 months before the month in which he files application (but in no case for any month before the month of enactment of this provision).

Period of disability of less than 6 months

Section 402(e)(1) of the bill amends section 216(i)(2) of the Social Security Act to provide that a period of disability of less than 6 months' duration may be established for an individual who becomes entitled to disability insurance benefits without serving a waiting period because he is disabled a second time within 60 months. Under present law, no period of disability may be established until an individual has been under a disability for at least 6 full calendar months.

Section 402(e)(2) further amends section 216(i)(2) of the act to provide that the application for a determination of disability of an

individual who becomes entitled to disability insurance benefits without serving a waiting period because he is disabled a second time within 60 months may be filed up to 6 months before he becomes entitled to such benefits. Other applicants for determinations of disability, as under present law, may file valid applications no earlier than 3 months before a period of disability may begin. Any application filed for a determination of disability by an individual who is not under a disability (as defined in sec. 223(c)(2) of the act) at the time of filing would be deemed to have been filed in the first month in which he is under such disability if he is determined to be disabled within the 3-month period (of 6-month period if the individual is disabled and becomes entitled to disability insurance benefits a second time within 60 months) for which his application is otherwise valid.

Effective dates

Section 402(f) of the bill provides effective dates for the amendments made by section 402. The amendments made by subsections (a) and (b), relating to the payment of disability insurance benefits in the case of an individual who becomes disabled a second time within 60 months, would be applicable only with respect to monthly benefits for the month in which the bill is enacted and subsequent months. The amendment made by subsection (c), relating to the time for filing valid applications for disability insurance benefits, would be applicable only with respect to applications filed no earlier than 6 months before the month in which the bill is enacted. The amendment made by subsection (d), relating to the payment of disability insurance benefits retroactively, would be applicable only with respect to applications for benefits under section 223 of the Social Security Act filed in or after the month in which the bill is enacted. The amendments made by subsection (e), relating to periods of disability of less than 6 months' duration, would be applicable only in the case of individuals who became entitled to benefits under such section 223 in or after the month in which the bill is enacted.

SECTION 403. PERIOD OF TRIAL WORK BY DISABLED INDIVIDUAL

Section 403(a) of the bill deletes the existing section 222(c) of the Social Security Act relating to services performed pursuant to a State-approved rehabilitation program and substitutes therefor a new section 222(c). Under present law an individual entitled to benefits on account of his disability or to a period of disability is not regarded as able to engage in substantial gainful activity solely by reason of services of this nature rendered in a period not to exceed 12 calendar months.

Trial work provision

Paragraph (1) of the new section 222(c) defines a period of trial work for disability insurance beneficiaries and childhood disability beneficiaries as a period which begins and ends as provided in subsequent provisions of the subsection.

Work disregarded during period of trial work

Paragraph (2) of the new section 222(c) provides that services rendered during a trial-work period by an individual are not to be considered in determining whether his disability has ceased during

such period. "Services" are defined as activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.

When period of trial work begins

Paragraph (3) of the new section 222(c) provides that a period of trial work will begin with the month in which an individual becomes entitled to disability insurance benefits or childhood disability benefits, or the month after the month in which the bill is enacted, if later (or, in the case of childhood disability benefits, the month in which the individual attains age 18, if that is later). This paragraph also provides that an individual may have no more than one period of trial work during any one period of disability. No period of trial work would begin for a person for whom a period of disability is established but who is not entitled to disability insurance benefits.

When period of trial work ends

Paragraph (4) of the new section 222(c) provides that a period of trial work (beginning as provided above) shall end with the ninth month in which the individual renders services (whether or not such 9 months are consecutive) or the month in which his physical or mental impairment improves to a point where by reason of such improvement he is able to engage in substantial gainful activity, whichever is earlier.

No trial-work period in certain reentitlement cases

Paragraph (5) of the new section 222(c) provides that any person entitled to disability insurance benefits without serving a waiting period (because he has had a prior period of disability which ceased within the 60 months preceding the onset of the current disability) may not have a period of trial work while so entitled.

Extension of disability insurance benefits

Section 403(b) of the bill amends paragraph (1) of section 223(a) of the Social Security Act to provide that disability insurance benefits shall be payable for the month in which the disability ceases and for the 2 succeeding months. Under present law such benefits are not payable for the month in which the disability ceases or for any month thereafter. This provision would permit time for previously disabled persons to find jobs and adjust to work routines. This 3-month extension of benefits would be in addition to the period of trial work where such a period occurs.

Extension of period of disability

Section 403(c) of the bill amends section 216(i)(2) of the Social Security Act to provide that a period of disability shall end with the second month after the month in which disability ceases. Present law provides that a period of disability shall end with the month in which the disability ceases. This provision would make the period of disability coextensive with the period for which disability insurance benefits are payable—i.e., in most cases, such benefit period plus the 6-month waiting period before benefits become payable. In present law disability insurance benefits are not payable for the month in which the disability ceases, whereas the period of disability ends with the end of such month and therefore always extends 1 month beyond the last month for which benefits are payable.

Extension of childhood disability benefits

Section 403(d) of the bill amends section 202(d)(1) of the Social Security Act to provide that (as in the case of the amendment to the disability insurance benefit provisions described above), childhood disability benefits will be payable for the month in which the disability ceases and for the 2 succeeding months. Under present law such benefits are not payable for the month in which the disability ceases or for any month thereafter.

Effective dates

Paragraph (1) of section 403(e) of the bill provides that the amendment made by section 403(a), relating to the provision of a trial-work period, shall be effective only with respect to months beginning after the month in which the bill is enacted.

Paragraph (2) of section 403(e) provides that the amendments made by sections 403 (b) and (d), relating to benefit payments for the month in which the disability ceases and the 2 succeeding months, shall be applicable only with respect to benefits under section 223(a) or 202(d) of the Social Security Act for months after the month in which the bill is enacted in the case of individuals who, without regard to such amendments, would have been entitled to such benefits for the month in which the bill is enacted or for any succeeding month.

Paragraph (3) of section 403(e) provides that the amendment made by section 403(c), relating to the extension of a period of disability for 2 months after the month in which disability ceases, shall be applicable only in the case of individuals who have a period of disability (as defined in section 216(i) of the Social Security Act) beginning on or after the date of the enactment of the bill, or beginning before such date and continuing, without regard to such amendment, beyond the end of the month in which the bill is enacted.

SECTION 404. SPECIAL INSURED STATUS TEST IN CERTAIN CASES FOR DISABILITY PURPOSES

Alternative work requirement

Section 404(a) of the bill provides an alternative requirement for an individual who cannot meet the work requirements for disability protection as provided under sections 216(i)(3) and 223 (c)(1) of the Social Security Act. Such sections presently require that, in order for a period of disability to begin for an individual with respect to a day in any quarter, or in order for an individual to be insured for disability insurance benefits for a month in any quarter, an individual must be fully insured and have not less than 20 quarters of coverage out of the 40-quarter period ending with such quarter. Under the alternative requirement provided by the amendment, an individual who could not meet the existing requirements with respect to any quarter would be deemed to have met them if he had not less than a total of 20 quarters of coverage and if all quarters elapsing after 1950 and up to such quarter (which in no event may be less than 6) were quarters of coverage for him.

Effective date

Section 404(b) of the bill provides that section 404(a) shall be effective only with respect to applications for disability insurance benefits

or for disability determinations under sections 223 and 216(i), respectively, of the Social Security Act (and applications for monthly benefits under section 202 of such Act based on the earnings record of the disability insurance beneficiary) filed in or after the month of enactment of the bill, and only in the case of a person who but for such subsection could not meet the requirements for such benefits or such determination in the quarter in which the bill is enacted or any prior quarter. No benefits for the month in which the bill is enacted or any prior month will be payable or increased by reason of section 404(a).

TITLE V—EMPLOYMENT SECURITY

SECTION 501. AMENDMENTS TO TITLE IX OF SOCIAL SECURITY ACT

Section 501(a) of the bill amends section 902(2) of the Social Security Act (1) by raising from $200 million to $500 million the amount authorized to be built up in the Federal unemployment account from Federal unemployment tax revenues, and (2) by striking out a reference to section "1202 c" of the act and substituting therefor "1203" to conform to a similar change made by section 502(a) of the bill.

Section 501(b) of the bill amends section 903(b) of the Social Security Act by designating the present subsection (b) as paragraph (1) of subsection (b) and adding a new paragraph (2).

The new subsection (b) deals with States which are not eligible for certification under section 303 of the Social Security Act or which have laws which are not approvable under section 3304 of the Federal Unemployment Tax Act. The substance of paragraph (1) of the new subsection (b) is the same as the substance of existing section 903(b). In general terms, the share of any such State is held for 1 year in the Federal unemployment account. If, during that year, the Secretary of Labor finds and certifies to the Secretary of the Treasury that the requirements of section 303 of the Social Security Act and of section 3304 of the Federal Unemployment Tax Act are now satisfied in the case of such State, the Secretary of the Treasury transfers such State's share (with no interest) to the account of such State in the unemployment trust fund. If, however, the Secretary of Labor does not so find and certify during the 1-year period, then the amount which was available for transfer to the account of such State ceases to be available for such purpose and instead becomes unrestricted as to use as part of the Federal unemployment account.

Paragraph (2) of section 903(b) is a new provision. It requires that any amount which would otherwise be transferred to the account of a State by reason of section 903(a) or section 903(b)(1) is to be reduced by the balance of advances made from the Federal unemployment account to such State under section 1201. The amount of this reduction, instead of being credited to the account of the State under section 903(a), will be transferred to the Federal unemployment account and will be credited against, and operate to reduce, the balance of advances made to the State under section 1201. Similarly, any amount otherwise transferable to the State's account from the Federal unemployment account, as provided in section 903(b)(1) (because the State law is then approvable under sec. 3304 and certifiable under sec. 303) will be retained in the Federal unemployment account at such time becoming unrestricted as to use as part of the Federal

unemployment account, and will be credited against, and operate to reduce, the balance of advances made to the State under section 1201. Transfer to or retention in the Federal unemployment account, as the case may be, will be made as of the date the sums would otherwise have been transferred to the State's account. Any balance of advances made before the enactment of this bill will first be reduced, and any balance of advances made thereafter will next be reduced.

Section 501(c) of the bill amends section 904(b) of the Social Security Act by striking out a reference to section "1202(c)" and substituting therefor "1203" to conform to a similar change made by section 502(a) of the bill.

Section 501(d) of the bill amends section 904(e) of the Social Security Act by striking out a reference to section "1202(c)" and substituting therefor "1203" to conform to a similar change made by section 502(a) of the bill.

SECTION 502. TITLE XII OF THE SOCIAL SECURITY ACT

Section 502 of the bill amends title XII of the Social Security Act to substitute a new text therefor, consisting of sections 1201 to 1204, inclusive. This title of the Social Security Act provides for advancing funds to State unemployment funds from the Federal unemployment account in the Unemployment Trust Fund.

TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

SECTION 1201. ADVANCES TO STATE UNEMPLOYMENT FUNDS

(a) *Advances.*—Subsection (a) of section 1201 provides that advances shall be made to the States from the Federal unemployment account in the Unemployment Trust Fund under the conditions specified and shall be repayable (without interest) in the manner provided in the following provisions of the Social Security Act:

(1) Section 901(d)(1) relating to repayment by the transfer to the Federal unemployment account of the additional tax received by reason of the reduced credits provisions of section 3302(c) (2) or (3) of the Federal Unemployment Tax Act, and the crediting of the amount so transferred against the balance of outstanding advances made to the State.

(2) Section 903(b)(2) relating to repayment by the transfer to the Federal unemployment account of the amount that otherwise would be transferred to the account of a State to be credited against the balance of outstanding advances made to the State; and

(3) Section 1202 relating to repayment by a State of outstanding advances by transfers from the State account.

An advance may be made to a State for the payment of compensation in any month if (A) the Governor of the State applies for such advance no earlier than the 1st day of the preceding month, and (B) he furnishes to the Secretary of Labor his estimate of the amount of an advance which will be required by the State for the payment of unemployment compensation in such month. A State may make more than one application with respect to a month.

After receiving an application, the Secretary of Labor is required to (A) determine the amount (if any) which he finds will be required

by the State for the payment of unemployment compensation in such month, making due allowance for contingencies that may occur during the month and taking into account all other amounts that will be available in the State's fund; and (B) certify to the Secretary of the Treasury the amount so determined (which may not be greater than the amount requested by the Governor of the State). The aggregate amount so certified by the Secretary of Labor with respect to any month shall not exceed the amount which the Secretary of the Treasury reports to him is available in the Federal unemployment account for such advances.

Subsection (a) of section 1201 continues the existing provision of law that for purposes of the subsection—

(1) the application for an advance shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under title XII, and

(2) the term "compensation" means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.

(b) *Transfer of amount certified.*—Subsection (b) of section 1201 continues the requirement of existing law that the Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of the State in the Unemployment Trust Fund, the amount certified for advance by the Secretary of Labor (but not exceeding the amount in the Federal unemployment account at the time of the transfer which is not restricted as to use pursuant to section 903(b)(1)).

SECTION 1202. REPAYMENT BY STATES OF ADVANCES TO STATE UNEMPLOYMENT FUNDS

This section, as does section 1202(a) of existing law, provides that the Governor of any State may at any time request that funds be transferred from the State's account to the Federal unemployment account in repayment of part or all of the balance of advances made to such State. If there are outstanding balances of advances made both before and after the enactment of this bill, the Governor may specify against which balance the payment shall be applied. The Secretary of Labor is required to certify to the Secretary of the Treasury the amount and balance stated in the request against which the payment shall apply; and the Secretary of the Treasury is required to promptly transfer such amount in reduction of such balance.

SECTION 1203. ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

This section is the same as section 1202(e) of existing law, and authorizes the appropriation to the Federal unemployment account, as repayable advances (without interest), of such sums as may be necessary to carry out the purposes of title XII of the Social Security Act.

SECTION 1204. DEFINITION OF GOVERNOR

Section 1204 is the same as section 1203 of existing law. It provides that for purposes of title XII, the term "Governor" includes the Commissioners of the District of Columbia.

Section 502(b) of the bill is a new transitional provision. This subsection provides that no advance shall be made on or after the effective date of this bill on the basis of an application made under section 1201(a) of the Social Security Act as in effect before such date. An exception, however, is made if (A) some but not all of an advance certified by the Secretary of Labor to the Secretary of the Treasury was transferred to a State's account, and (B) the Governor of such State, after the enactment of this bill, requests the Secretary of the Treasury to transfer all or any part of the remainder to the State's account. In this situation, the amount so requested or (if smaller) the amount available in the Federal unemployment account shall be transferred to the State's account. Even though all of the remainder is not transferred pursuant to such request, there will be no further transfer unless and until there is another request from the Governor. It is provided that any amount so transferred will be treated as an advance made before the date of the enactment of this bill. No transfer may be made, however, after the 1-year period beginning on the date this bill is enacted.

SECTION 503. FEDERAL UNEMPLOYMENT TAX ACT

Section 503 of the bill amends section 3302 of the Internal Revenue Code of 1954, relating to computations of credits against the tax by striking out subsection (c) and inserting in lieu thereof new subsections (c) and (d).

Section 3302(a) permits credit against the Federal tax for contributions with respect to the taxable year paid into a State unemployment fund on or before the due date of the Federal return for such year. Credit is also permitted under existing law for contributions paid after the due date of the Federal return but this credit is not to exceed 90 percent of the amount which would have been allowable as credit on account of such contributions had they been paid on or before the due date of the Federal return. An additional credit is allowable under section 3302(b) with respect to the amount of contributions which a taxpayer is relieved from paying to an unemployment fund under the experience rating provisions of a State law which has been certified for the taxable year as provided in section 3303 of the code. Section 3302(c)(1) provides that the total credits allowed to a taxpayer shall not exceed 90 percent of the tax against which such credits are allowable.

The amendment to section 3302 makes no change in the credits allowable under subsections (a), (b), and (c)(1) of section 3302 of existing law. Subsection (c)(2) of existing law, which provides for a reduction in the amount of total credits allowable under certain circumstances, appears as a new subsection (c)(2) with no substantive change (other than changing the December 1 date to November 10, and placing such date in new subsection (d)(3)), but is limited in application to an advance or advances made before the date of enactment of your committee's bill. If an advance or advances made under title XII of the Social Security Act before the date of the

enactment of this bill remain unreturned on January 1 of each of 4 consecutive taxable years, the total credits allowable to a taxpayer subject to the unemployment compensation law of such State are reduced (by 5 percent of 3 percent or 0.15 percent with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) for the taxable year beginning with the fourth such January 1, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned. The total credits otherwise allowable will be further reduced (by an additional 5 percent of 3 percent for each such succeeding taxable year with respect to wages paid by such taxpayer during each such taxable year which are attributable to such State) in the case of any succeeding taxable year beginning with a consecutive January 1 on which a balance of an unreturned advance or advances exists, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of the State prior to such date is fully returned.

Section 3302 is further amended by providing a new subsection (c)(3). New subsection (c)(3)(A) provides that if an advance or advances made under title XII of the Social Security Act on or after the date of the enactment of this bill remain unreturned on January 1 of each of 2 consecutive taxable years, the total credits (after applying subsecs. (a), (b), and (c) (1) and (2) of sec 3302) allowable to a taxpayer subject to the unemployment compensation law of such State are reduced (by 10 percent of 3 percent or 0.3 percent with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) for the taxable year beginning with the second such January 1, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned. Thus, if there is a balance outstanding as of the beginning of November 10, the reduced credit provisions will apply to the State even though there may have been no balance outstanding for some period between January 1 and November 10 of the taxable year. The total credits will be further reduced (by an additional 10 percent of 3 percent for each such succeeding taxable year with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) in the case of any succeeding taxable year beginning with a consecutive January 1 on which a balance of unreturned advances exists unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of the State prior to such date is fully returned.

New subsection (c)(3)(B) provides that the total credits otherwise allowable to the taxpayer for the taxable year will be further reduced (in addition to the reduction provided in subsec. (c)(3)(A)) in the case of a taxable year beginning with the third or fourth consecutive January 1 as of the beginning of which there is such a balance of advances, unless prior to November 10 of the taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned, or unless the average employer contribution rate for such State for the calendar year preceding such taxable year is at least 2.7 percent. The additional reduction, if any, for each such taxable year shall be an amount determined by multi-

plying wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage by which 2.7 percent exceeds the average employer contribution rate for such State for the calendar year immediately preceding such taxable year. The average employer contribution rate is defined in new subsection (d)(4) as the percentage obtained by dividing the total of the contributions paid into the State unemployment fund with respect to such calendar year, by the total of the remuneration subject to contributions under the State unemployment compensation law (State taxable wages) with respect to such calendar year. New subsection (c)(3)(C) provides that the total credits otherwise allowable to the taxpayer for the taxable year will be further reduced (in addition to the reduction provided in subsec. (c)(3)(A)) in the case of a taxable year beginning with the fifth or any succeeding consecutive January 1 as of the beginning of which there is such a balance of advances, unless prior to November 10 of the taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned, or unless the average employer contribution rate for such State for the calendar year preceding such taxable year was equal to the 5-year benefit-cost rate applicable to such State or 2.7 percent, whichever is higher. The additional reduction, if any, for each such taxable year shall be an amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage by which the 5-year benefit-cost rate applicable to such State for such taxable year, or (if higher) 2.7 percent, exceeds the average employer contribution rate for such State for the calendar year preceding such taxable year. The 5-year benefit-cost rate is defined in new subsection (d)(5) as the percentage obtained by dividing one fifth of the total of the compensation paid under the State unemployment compensation law during the 5-year period ending at the close of the second calendar year preceding such taxable year by the total of the remuneration subject to contributions under the State unemployment compensation law (State taxable wages) with respect to the first calendar year preceding such taxable year. If the average employer contribution rate for purposes of reductions described in section 3302(c)(3)(C), is 2.7 percent or higher, such rate shall be recomputed and determined by dividing the sum of employer contributions paid into the unemployment fund of such State and employee payments into the fund which are to be used solely in payment of unemployment compensation by the total of the remuneration subject to contributions under the State unemployment compensation law (State taxable wages) with respect to such calendar year.

The amendments of section 3302(c) contemplate that the reduced credit provisions are to apply separately for old advances and for new advances. Thus, if the additional tax collected by reason of section 3302(c)(2) exceeds the balance of advances described in that paragraph, the excess goes to the State account and not to reduce the balance of advances described in section 3302(c)(3). The same principle would apply to excess collections under section 3302(c)(3) where a balance of advances described in section 3302(c)(2) continued to exist.

A new subsection (d) is added to section 3302, providing definitions and special rules relating to subsection (c). Paragraph (1) provides,

as does the present law, that the wages attributable to a particular State are those subject to the unemployment compensation law of the State, or if not covered by any State law, as determined under rules and regulations prescribed by the Secretary of the Treasury or his delegate. Paragraph (2) provides that reductions in credits under paragraph (2) or (3) of section 3302(c) with respect to any State shall not apply for a taxable year if as of the beginning of November 10 of such year there is no balance of advances referred to in such paragraph (2) or (3) of subsection (c). Paragraph (3) defines average employer contribution rate. Paragraph (4) defines the 5-year benefit-cost rate. Paragraph (5) provides that if any percentage referred to in either subparagraph (B) or (C) of subsection (c)(3) is not a multiple of 0.1 percent, it shall be rounded to the nearest multiple of 0.1 percent. Thus, if a percentage is 2.57 percent, it shall be rounded to 2.6 percent; if it is 2.53 percent, it shall be rounded to 2.5 percent; or if it is 2.96 percent, it shall be rounded to 3.0 percent. In the case of subparagraph (C) of section 3302(c)(3), the two rates referred to shall not be rounded until the difference is determined. For example, if the 5-year benefit-cost rate is 3.26 and the average employer contribution rate is 3.14, the difference is 0.12 and the reduction in credit would be 0.1 percent of wages. If these two rates were rounded separately, 3.26 would be increased to 3.3 percent and 3.14 would be decreased to 3.1 percent, and the difference would be 0.2 percent. Paragraph (6) provides that the percentages referred to in subsection (c)(3) (B) or (C) shall be determined by the Secretary of Labor and certified to the Secretary of the Treasury before June 1 of a taxable year on the basis of a report furnished to the Secretary of Labor by the State before May 1 of such year. Any State report shall be as of the close of March 31 of the taxable year. Paragraph (7) is a cross reference to section 104 of the Temporary Unemployment Compensation Act of 1958 which relates to the reduction of total credits allowable under subsection (c). Subsection (c) of section 523 of the bill provides that the amendments made by subsection (a) shall apply only with respect to the calendar year 1961 and calendar years thereafter.

The application of section 3302(c) as amended by section 503 of the committee's bill may be illustrated by the following example:

Example.—Assume that State Z received an advance of $30 million on July 10, 1957, and that after the enactment of the bill State Z receives advances in July, August, September, October, and November of 1960 totaling $170 million, and additional advances in May, June, July, August, September, and October of 1964 totaling $260 million. The 1960 loan balance is repaid on March 5, 1964. The following tables will show the application of the reduction of credit provisions of section 3302(c).

TABLE A.—*Reduction of credits*

Federal taxable year	Percentage of credit reduction under 3302(c)(2)	Percentage of credit reduction under 3302 (c)(3)(A)	Percentage reduction attributable to effect of 3302(c)(3)(B)	Percentage reduction attributable to effect of 3302(c)(3)(C)	Date of additional tax paid by reason of reduction provisions	Reduction attributable to effect of 3302(c) based on wages paid in
1961 [1]	0.15				Jan. 31, 1962	1961
1962 [2]	.3	0.3			Jan. 31, 1963	1962
1963 [3]		.6	[6] 0.4 (2.7−2.3)		Jan. 31, 1964	1963
1964 [4] [5]		.9	[6] .3 (2.7−2.41)		Jan. 31, 1965	1964
1965		1.2		[7] 0.2 (2.88−2.7)	Jan. 31, 1966	1965
1966		1.5		[7] .1 (2.82−2.71)	Jan. 31, 1967	1966

[1] 4th consecutive Jan. 1 has passed and the 1957 advance has not been repaid by Nov. 10.
[2] 2d consecutive Jan. 1 has passed and the new advances have not been repaid by Nov. 10. Also, the 5th consecutive Jan. 1 has passed for the 1957 advance without repayment.
[3] 3d consecutive Jan. 1 has passed and the new advances have not been repaid by Nov. 10. The credit reductions under sec. 3302(c)(2) have discharged the 1957 advance.
[4] 4th consecutive Jan. 1 has passed and the new advances have not been repaid by Nov. 10.
[5] (Note: There is still a balance of advances made after the enactment of the Employment Security Act of 1960, since all such new advances are aggregated and only a portion of the aggregate has been repaid.)
[6] See tables B and D.
[7] See tables B, C, and D.

TABLE B.—*State Z's financial experience*

[Amounts in millions of dollars]

Year	Benefits paid by State	Employer contributions	State taxable wages	Employer contribution as percent of State taxable wages	Federal taxable wages
1959	$260	$186	$7,950	2.34	$7,150
1960	180	144	8,150	1.77	7,350
1961	160	157	8,500	1.85	7,650
1962	195	198	8,600	2.30	7,750
1963	385	195	8,100	2.41	7,300
1964	263	221	8,200	2.70	7,380
1965	185	228	8,400	2.71	7,550
1966	190	225	8,500	2.65	7,650

TABLE C.—*Determination of 5-year benefit-cost rate*

[Amounts in millions of dollars]

Taxable year	5-year period	Total benefit payments	Average annual benefit payments	State taxable wages	Benefit-cost rate (percent)
1965	1959 to 1963	$1,180	$236	[1] $8,200	2.88
1966	1960 to 1964	1,183	237	[2] 8,400	2.82

[1] For 1964.
[2] For 1965.

TABLE D.—*Automatic repayment of advances through reduced tax credits under sec. 3302(c) (2) and (3)(A)*

[Amounts in millions of dollars]

Federal taxable year	Amount of federally taxable wages	To be paid by Jan. 31 of—	Percent of credit reduction under 3302(c)(2)	Additional taxes under 3302(c)(2)	Percent of credit reduction under 3302(c)(3)(A)	Additional taxes under 3302(c)(3)(A)
1961	$7,650	1962	0.15	$11.475		
1962	7,750	1963	.3	23.25	0.3	$23.25
1963	7,300	1964			.6	43.8
1964	7,380	1965			.9	66.42
1965	7,550	1966			1.2	90.6
1966	7,650	1967			1.5	114.75

TABLE E.—*Additional taxes resulting from provisions pertaining to State tax yields (sec. 3302(c)(3) (B) and (C))*

Federal taxable year	Actually paid by Jan. 31—	Based on State tax rate in—	Amount of tax equal to (in millions of dollars)—
1963	1964	1962	1963 Federal wages (from table B)×(2.7−1962 actual average State employer contribution rate).[1] $7,300×(2.7−2.30)=$7,300×0.4=$29.2.
1964	1965	1963	1964 Federal wages (from table B)×(2.7−1963 actual average State employer contribution rate). $7,380×(2.7−2.41)=$7,380×0.3=$22.14.
1965	1966	1964	1965 Federal wages (from table B)×(higher of 2.7 or 1959–63 cost rate minus 1964 actual average State employer contribution rate). $7,550×(2.88−2.7)=$7,550×0.2=$15.1.
1966	1967	1965	1966 Federal wages (from table B)×(higher of 2.7 or 1960–64 cost rate minus 1965 actual average State employer contribution rate). $7,650×(2.82−2.71)=$7,650×0.1=$7.65.

[1] No employee contributions in State Z.

TABLE F.—*Summary of repayment of advances*

[Amounts in millions of dollars]

Date on which paid	Additional taxes under 3302(c)(2)	Additional taxes under 3302(c)(3)(A)	Reduced credit when tax yield is inadequate	1957 outstanding loan balance	1960 loan balance	1964 loan balance	To State trust fund
Jan. 31, 1962	$11.475			$18.525	$170.0		
Jan. 31, 1963	23.25	$23.25		[1] 0	146.75		$4.725
Jan. 31, 1964		43.8	$29.2		[2] 73.75	$260.0	
					0	260.0	
Jan. 31, 1965		66.42	22.14		0	171.44	
Jan. 31, 1966		90.6	15.1		0	65.74	
Jan. 31, 1967		114.75	7.65				56.66

[1] On Nov. 10, 1963, the balance of the advance of $30,000,000 made in July 1957 is zero.
[2] On Mar. 5, 1964, the balance of the 1960 advances totaling $170,000,000 is repaid by a payment of $73,750,000. Additional 1964 advances totaling $260,000,000 are made between May 1 and Oct. 31, 1964.

SECTION 504. CONFORMING AMENDMENT

Section 104 of Temporary Unemployment Compensation Act of 1958.—Section 504 of the bill amends section 104(a) of the Temporary Unemployment Compensation Act of 1958 by striking out the words "by December 1" and substituting therefor "before November 10" to conform to a similar change made in section 3302(d)(3) of the Federal Unemployment Tax Act by section 503 of the bill.

TITLE VI—MEDICAL SERVICES FOR THE AGED

SECTION 601. AMENDMENTS TO TITLE I OF THE SOCIAL SECURITY ACT

Section 601 of the bill amends title I of the Social Security Act so as to authorize Federal financial participation in approved State plans for old-age assistance or for medical assistance for the aged or for both old-age assistance and medical assistance for the aged. Title I of the Social Security Act now authorizes such participation only in State plans for old-age assistance.

Subsection (a) of section 601 of the bill would change the heading of title I of the Social Security Act so as to reflect the expansion of that title.

Subsection (b) of section 601 of the bill revises sections 1 and 2 of the Social Security Act. Section 1 now states the purpose of title I of the act and authorizes appropriations therefor. The bill would amend this section so as to indicate the additional purpose of enabling the States as far as practicable under the conditions existing therein to furnish medical assistance for the aged who are not recipients of old-age assistance but whose income and resources are insufficient to meet the cost of necessary medical services.

Section 2 of the Social Security Act now sets forth the conditions which a State plan for old-age assistance must meet in order to be approved by the Secretary and thereby qualify for Federal financial participation in expenditures under the plan.

The revised section 2 contains the requirements which State plans must meet in order to qualify for Federal participation. These requirements may be divided into three categories: (*a*) Those which apply to both old-age assistance and medical assistance for the aged; (*b*) those which apply only to old-age assistance; and (*c*) those which apply only to medical assistance for the aged.

(*a*) Requirements applying to both old-age assistance and medical assistance for the aged.

A State plan must—

(1) Provide that it will be in effect in all political subdivisions and be mandatory upon those subdivisions if administered by them;

(2) Provide for financial participation by the State which, effective January 1, 1962, would have to extend to all aspects of the State plan;

(3) Provide for establishment or designation of a single State agency to administer or supervise administration of the plan;

(4) Provide for giving claimants a fair hearing if their claims are denied or not acted upon with reasonable promptness;

(5) Provide methods of administration found necessary for the proper and efficient operation of the plan—these must include a merit system for personnel;

(6) Provide for making of necessary reports to the Secretary;

(7) Provide safeguards against use and disclosure of information concerning applicants and recipients for assistance for purposes not directly connected with the administration of the plan;

(8) Provide all individuals an opportunity to apply for assistance and provide that assistance will be furnished with reasonable promptness to those who are eligible.

These conditions appear in virtually identical form and substance in the existing law except that the specific requirement mentioned in item 2 above that the financial participation extend to all aspects of the State plan does not appear in the existing law.

(*b*) Requirements applying only to old-age assistance.

A State plan must—

(1) Provide for taking into consideration any other income and resources of an individual claiming old-age assistance in determining his need therefore;

(2) Include reasonable standards, consistent with the objectives of the title, for determining the eligibility of individuals for old-age assistance and the extent of such assistance;

(3) Provide a description of the services made available to help applicants and recipients attain self-care; and

(4) Provide in case the plan includes payments of old-age assistance to individuals in private or public institutions for a State authority or authorities to be responsible for maintaining standards for these institutions.

Items 1, 3, and 4 above are the same as provisions now included in section 2 of the Social Security Act. The language of item 2 is not included in existing law.

(*c*) Requirements applying only to medical assistance for the aged. (These requirements do not appear in existing law.)

A State plan must—

(1) Provide for inclusion of some institutional and some non-institutional care;

(2) Prohibit enrollment fees, premiums, and similar charges as a condition of eligibility;

(3) Include necessary provision for furnishing of assistance to residents of the State who are temporarily absent therefrom;

(4) Include reasonable standards for determining eligibility for assistance and the extent of assistance which is consistent with the objectives of the title;

(5) Provide that property liens will not be imposed on account of benefits received under the plan during a recipient's lifetime (except pursuant to a court judgment on account of benefits incorrectly paid), and limit recovery of benefits correctly paid to recover from the recipient's estate after the death of his surviving spouse, if any.

Subsection (b) of the revised section 2 of the Social Security Act requires the Secretary of Health, Education, and Welfare to approve any State plan which fulfills the conditions specified above, except that he may not approve a plan which imposes as a condition of eligibility for assistance under the plan an age requirement of more than 65 years or a citizenship requirement which excludes any citizen of the United States. These limitations are contained in existing law. Also carried over from existing law would be a prohibition of approval of a plan which, as to old-age assistance applicants, included any residence requirement which excludes any resident of the State who has resided therein for 5 years during the 9 years immediately preceding his application and who has resided therein continuously for 1 year immediately preceding his application. A different limitation would be applied to the residence requirements which a State, whose plan included medical assistance for the aged, could impose as a condition of eligibility for such assistance. In the case of such

a plan, approval would be prohibited if it included any residence requirement which excluded any individual (applying for medical assistance for the aged) who resides in the State.

Section 601(c) of the bill would revise section 3(a) of the Social Security Act. This section sets forth the formula for determining the amount of Federal payments which will be made with respect to expenditures under approved State plans.

Section 601(c) of the bill would revise section 3(a) of the Social Security Act. Section 3(a) of existing law sets forth the formula by which Federal payments to States with approved old-age assistance plans are determined. Federal payments to States (other than Puerto Rico, the Virgin Islands, and Guam) are equal to a portion of the States' expenditures (including expenditures for insurance premiums for medical or remedial care, or the cost thereof):

(1) Four-fifths of the first $30 of the average monthly payment per recipient; plus,

(2) The Federal percentage of the average monthly payment per recipient over $30 and up to $65; plus,

(3) One-half of the administrative expenses.

Federal payments to Puerto Rico, the Virgin Islands, and Guam are determined on a different basis:

(1) One-half of the first $35 of the average monthly payment per recipient; plus,

(2) One-half of the administrative expenses.

(Federal percentage is defined in section 1101(a)(8) of the Social Security Act, and varies according to the States' per capita income. The Federal percentage cannot be larger than 65 percent, or smaller than 50 percent.)

The new section 3(a) would retain the existing provisions relating to Federal payments in respect State programs of old-age assistance and would add two additional items for which Federal matching would be available. The first provides for increased Federal participation in the medical aspects of State old-age assistance programs. The second provides for Federal payments to States which institute new programs of medical assistance for the aged who are not recipients of old-age assistance.

For States other than Puerto Rico, the Virgin Islands, and Guam, the increased Federal payments in respect to old-age assistance medical programs would be the larger of—

(*a*) The Federal medical percentage (as defined in sec. 6(c)) of expenditures over $65 and up to the smaller of—

(i) $77 times the number of old-age assistance recipients,

(ii) Total expenditures for medical or remedial care plus $65 times the number of old-age assistance recipients.

(*b*) 15 percent of the total expenditures for medical or remedial care up to $12 times the number of old-age assistance recipients.

Under the new formula, increased old-age assistance medical payments to Puerto Rico, the Virgin Islands, and Guam would be the larger of—

(*a*) One-half of average expenditures over $35 and up to the smaller of—

(i) $41 times the number of old-age assistance recipients,

(ii) Total expenditures for medical or remedial care plus $35 times the number of old-age assistance recipients.

(*b*) 15 percent of the total expenditures for medical or remedial care up to $6 times the number of old-age assistance recipients.

The new section 3(a) would also provide for Federal payments to States in respect to programs of medical assistance for the aged out of the funds authorized by the new section 1.

Federal payments would be equal to the Federal medical percentage (as defined in sec. 6(c)) of the total amounts expended under approved plans for medical assistance for the aged plus one-half of the States administrative expenses.

Section 601(d) is a conforming amendment to section 3(b)(2)(B) of the act, striking out "old-age assistance" and inserting in lieu thereof, "assistance".

Section 601(e) of the bill is a conforming amendment to section 4 of the Act under which the Secretary could suspend or deny Federal payments to States whose plans do not conform to the requirements of the act or whose programs are operated in contravention of the provisions of the State plan.

Section 601(f) amends section 6 of the act by creating three new subsections. The new subsection (a) would restate the present definitions pertaining to old-age assistance plans, except that the present exclusion of persons who have "been diagnosed as having tuberculosis" would be changed so as to exclude only those individuals who have "been diagnosed as having pulmonary tuberculosis".

The new subsection (b) would contain definitions relating to medical assistance for the aged.

The term "medical assistance for the aged" is defined to mean payments for medical services to persons 65 and over who are not recipients of old-age assistance, but whose income and resources are insufficient to meet the cost of the following benefits:

(1) Inpatient hospital services;
(2) Skilled nursing-home services;
(3) Physicians' services;
(4) Outpatient hospital or clinic services;
(5) Home health care services;
(6) Private duty nursing services;
(7) Physical therapy and related services;
(8) Dental services;
(9) Laboratory and X-ray services;
(10) Prescribed drugs, eyeglasses, dentures, and prosthetic devices;
(11) Diagnostic, screening, and preventive services; and
(12) Any other medical care or remedial care recognized under State law.

However, medical assistance for the aged would not include payments in respect to medical services furnished to an inmate in a nonmedical public institution, to patients in mental or tuberculosis hospitals, or to individuals who are patients in medical institutions as a result of a diagnosis of psychosis or pulmonary tuberculosis.

The revised section 6(c) defines the term "Federal medical percentage." The Federal medical percentage for any State would be 100 percent minus the percentage which bears the same relationship to 50 percent as the square of the per capita income of the State bears to the square of the per capita income of the 50 States. The Federal medical percentage could not, however, be less than 50 percent or

more than 80 percent. Also, this percentage for Puerto Rico, the Virgin Islands, and Guam would be set at 50 percent.

To simplify the computation and promulgation of these percentages, it is provided that the same procedure is to be used for determination and promulgation of these percentages as for the Federal percentages which are determined and promulgated under section 1101(a)(8) of the Social Security Act. However, inasmuch as the Federal percentage for each State for the current fiscal year was promulgated during during 1958 and the Federal percentage for the period beginning July 1, 1961, and ending June 30, 1963, for each State will have been promulgated prior to September 1, 1960, the bill provides for the making of two promulgations of the Federal medical percentage of each State by the Secretary as soon as possible after enactment of the bill. The first such promulgation, which will be applicable for the period beginning October 1, 1960, and ending June 30, 1961, is to be based on the same per capita income data as was used by the Secretary in promulgating the Federal percentage for the State for the fiscal year ending June 30, 1961. The second promulgation, which shall be applicable for the period beginning July 1, 1961, and ending June 30, 1963, is to be based on the same per capita income as was used by the Secretary in promulgating the Federal percentage for such State for this same 2-year period.

SECTION 602. INCREASE IN LIMITATIONS ON ASSISTANCE PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

Section 1108 of existing law places dollar limits on the amounts which may be paid to Puerto Rico, the Virgin Islands, and Guam under titles I, IV, X, and XIV of the act. Section 602 of the bill increases these limits as follows:

Puerto Rico—from $8,500,000 to $9 million per fiscal year;
Virgin Islands—from $300,000 to $315,000 per fiscal year; and
Guam—from $400,000 to $420,000 per fiscal year.

These increases may be used only for payments certified under section 3(a)(2)(B) of the act (relating to Federal matching for old-age assistance expenditures in excess of $35 per month per beneficiary). However, the dollar units would not apply to payments under the new section 3(a)(3) of the act (relating to Federal payments for medical assistance for the aged).

SECTION 603. TECHNICAL AMENDMENT

Section 618 of the Revenue Act of 1951 provides that no State shall be denied any payments under titles I, IV, X, and XIV of the Social Security Act by reason of any State legislation allowing disclosure of information regarding the disbursement of funds under these titles, provided such information is not used for commercial or political purposes. Section 603 of the bill would remove information regarding funds disbursed under the medical assistance for the aged program from the operation of section 618 of the Revenue Act of 1951. The net effect of the amendment is to restrict the disclosure of such information to purposes directly related to the administration of the program.

SECTION 604. EFFECTIVE DATES

Section 604 of the bill provides that the amendments contained in section 601 of the bill relating to grants to the States for old-age assistance and medical assistance for the aged shall become effective on October 1, 1960, and the amendments made by section 602 increasing the limitations on assistance payments to Puerto Rico, the Virgin Islands, and Guam shall be effective with respect to fiscal years ending after 1960.

TITLE VII—MISCELLANEOUS

SECTION 701. INVESTMENT OF TRUST FUNDS

Section 701 of the bill amends section 201 of the Social Security Act, which relates to the Federal old-age and survivors insurance and the Federal disability insurance trust funds.

Section 701(a) amends section 201(c) of the act (relating to the duties of the trustees of the funds) by adding a new sentence requiring that the trustees meet at least once every 6 months.

Section 701(b) amends section 201(c) of the act by removing the present requirement that the trustees report to the Congress whenever the trustees believe that during the following 5 fiscal years either of the trust funds will exceed three times the highest anticipated annual expenditures from that fund. The requirement that the trustees report to the Congress whenever they believe that the amount of either trust fund is unduly small is retained.

Section 701(c) amends section 201(c) of the act by adding a new provision to include in the duties of the trustees a requirement that they review the general policies followed in the management of the trust funds and recommend changes as needed, including changes in the provisions of law that govern the way in which the trust funds are managed.

Section 701(d) amends section 201(d) of the act (relating to investment of the trust funds) so as to provide that obligations of the Federal Government issued exclusively to the Federal old-age and survivors insurance and Federal disability insurance trust funds shall bear interest at a rate equal to the average market yield (rather than the average coupon rate as at present) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are neither due nor callable until after the expiration of 4 years from the time the special obligations are issued (rather than 5 years from the time when the marketable obligations were issued as at present).

The amended section 201(d) also provides that the managing trustee may purchase Government or Government-guaranteed obligations not issued exclusively to the trust funds when he determines that such purchases are in the public interest. Under present law obligations issued exclusively to the trust funds are to be purchased only when the managing trustee determines that the purchase of marketable obligations is not in the public interest.

Section 701(e) amends section 201(e) of the act to make a conforming change by substituting for the words "special obligations" the words "public debt obligations".

Section 701(f) provides that the amendments made by section 701 of the bill are to become effective at the beginning of the month following enactment.

SECTION 702. SURVIVAL OF ACTIONS

Section 702(a) of the bill amends section 205(g) of the Social Security Act to provide that court actions begun under it shall survive even though there is a change in the person occupying the office of Secretary of Health, Education, and Welfare or a vacancy in that office.

Section 702(b) provides that the amendment made by section 702(a) shall be effective for court actions pending when the bill is enacted or commenced after the date of enactment.

SECTION 703. PERIODS OF LIMITATION ENDING ON NONWORK DAYS

Section 703 of the bill amends section 216 of the Social Security Act by adding a new subsection (j) to provide for extending any deadline date under title II of the Social Security Act, under other United States laws (other than the Internal Revenue Code of 1954) relating to or changing the effect of title II, or under regulations issued by the Secretary of Health, Education, and Welfare pursuant to title II, when such date falls on a Saturday, Sunday, or legal holiday, or on any other day all or part of which is declared, by statute or Executive order, to be a nonwork day for Federal employees. Such a deadline date would be extended to the first full work day immediately following the deadline date. For purposes of the new subsection (j), the day on which a period ends will include the day on which ends any extension of a deadline authorized by law or by the Secretary pursuant to law.

The new subsection (j) does not extend the period during which the payment of monthly benefits can be made retroactive for months prior to the filing of an application or during which an application may be accepted as such.

SECTION 704. ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

Section 704 of the bill amends section 116(e) of the Social Security Amendments of 1956 (which established a series of Advisory Councils on Social Security Financing) to provide that an Advisory Council on Social Security Financing shall be appointed by the Secretary of Health, Education, and Welfare during 1963, 1966, and every fifth year thereafter (rather than prior to each scheduled increase in the contribution rates as at present) for the purpose of reviewing the status of the Federal old-age and survivors insurance and Federal disability insurance trust funds in relation to the long-term commitments of the old-age, survivors, and disability insurance program. Each Council is to report its findings and recommendations not later than January 1 of the second year after the year in which it was appointed, after which date that Council will cease to exist.

SECTION 705. MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED

Section 705 of the bill amends title XI of the Social Security Act by adding a new section 1112. Under this section the Secretary would develop and revise from time to time guides or recommended standards as to the level, content, and quality of medical care and medical services for the use of the States in evaluating and improving their public assistance medical care programs and their programs of medical assistance for the aged. For this purpose, the Secretary would also be directed to secure information from the States on their medical care and medical services under these programs and to publish these reports and other necessary information.

SECTION 706. TEMPORARY EXTENSION OF CERTAIN SPECIAL PROVISIONS RELATING TO STATE PLANS FOR AID TO THE BLIND

Section 706 of the bill amends section 344(b) of the Social Security Act Amendments of 1950 by postponing its termination date from June 30, 1961 to June 30, 1964. This temporary legislation relates to the approval, by the Secretary of Health, Education, and Welfare under title X of the Social Security Act, of certain State plans for aid to the blind that do not meet in full the requirements of title X.

SECTION 707. MATERNAL AND CHILD WELFARE

Section 707 of the bill contains provisions for amending title V of the Social Security Act, which relates to grants for three programs, namely, maternal and child health services, crippled children's services, and child welfare services.

Section 707(a) increases the amounts authorized for annual appropriation for each of these programs as follows: (1) maternal and child health services—from the present $21,500,000 to $25 million; (2) crippled children's services—from the present $20 million to $25 million; and (3) child welfare services—from the present $17 million to $25 million. The uniform amount in the allotments to each State prescribed by the present law is increased with respect to each of these programs from $60,000 to $70,000.

Section 707(b)(1) amends sections 502(b) and 504(c) of the act to provide that special project grants (up to 25 percent of the amount available for distribution under section 502(b)) may be made to State health agencies (as is currently being done), and also directly to public or other nonprofit institutions of higher learning for special projects of regional or national significance which may contribute to the advancement of maternal and child health. These grants would be made in advance or by way of reimbursement, in such installments as the Secretary of Health, Education, and Welfare determines, and on such conditions as the Secretary finds necessary to carry out the purposes of the grants. Section 502(b) is also amended to make clear that the Secretary may make allotments "from time to time," thereby permitting him to allot the funds at such times as will enable him most effectively to consider the financial need of each State. Section 707(b)(2) of the bill contains provisions for amending sec-

tions 512(b) and 514(c) of the act similarly with respect to crippled children's services.

Section 707(b)(3) amends the child welfare provisions of title V of the act to add authorization for appropriating each year such sums as the Congress may determine for grants to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare. These grants are to be made in advance or by way of reimbursement, in such installments as the Secretary determines, and on such conditions as the Secretary finds necessary to carry out the purposes of the grants.

SECTION 708. AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Section 708 makes a technical amendment to preserve the existing relationship between the Railroad Retirement Act of 1937 and the Social Security Act. Under this amendment, references to the Social Security Act in the Railroad Retirement Act of 1937 will be considered to be references to the Social Security Act as amended in 1960.

SECTION 709. MEANING OF TERM "SECRETARY"

Section 709 provides that the term "Secretary", as used in the bill and the provisions of the Social Security Act amended by the bill, means (unless the context otherwise requires) the Secretary of Health, Education, and Welfare.

SECTION 710. AID TO THE BLIND

Section 1002(a)(8) of the Social Security Act now provides that the States shall, in determining need for purposes of the aid to the blind program, disregard the first $50 per month of earned income.

Section 710(a) of the bill would amend this provision to authorize the States to disregard the first $1,000 of earned income per year, plus one-half any annual earned income in excess of $1,000, in lieu of the monthly exemption contained in existing law. This authorization would be effective with the first calendar quarter beginning after date of enactment and would expire June 30, 1961. After that date the State *must* (under sec. 710(b) of the bill) disregard the first $1,000 of annual earnings, plus one-half of any annual earnings in excess of that amount, in lieu of the present monthly exemption.

X. 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 introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

TITLE I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE *AND MEDICAL ASSISTANCE FOR THE AGED*

Appropriation

SECTION 1. For the purpose (*a*) of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to aged needy individuals and of encouraging each State, as far as practicable under such conditions, to help such individuals attain self-care, *and* (*b*) *of enabling each State, as far as practicable under the conditions in such State, to furnish medical assistance to individuals who are not recipients of old-age assistance but whose income and resources are insufficient to meet the costs of necessary medical services*, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare (hereinafter referred to as the "Secretary") State plans for old-age assistance *and medical assistance for the aged*.

[STATE OLD-AGE ASSISTANCE PLANS

[SEC. 2. (a) A State plan for old-age assistance must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for old-age assistance is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports; (7) effective July 1, 1941, provide that the State agency shall, in determining need, take into con-

sideration any other income and resources of an individual claiming old-age assistance; (8) effective July 1, 1941, provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of old-age assistance; (9) provide that all individuals wishing to make application for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished with reasonable promptness to all eligible individuals; (10) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions; and (11) provide a description of the services (if any) which the State agency makes available to applicants for and recipients of old-age assistance to help them attain self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services.

[(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for old-age assistance under the plan—

[(1) An age requirement of more than sixty-five years, except that the plan may impose, effective until January 1, 1940, an age requirement of as much as seventy years; or

[(2) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application; or

[(3) Any citizenship requirement which excludes any citizen of the United States.]

STATE OLD-AGE AND MEDICAL ASSISTANCE PLANS

SEC. 2. (a) A State plan for old-age assistance, or for medical assistance for the aged, or for old-age assistance and medical assistance for the aged must—

(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

(2) provide for financial participation by the State which shall, effective January 1, 1962, extend to all aspects of the State plan;

(3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan;

(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for assistance under the plan is denied or is not acted upon with reasonable promptness;

(5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan;

(6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

(7) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the State plan;

(8) provide that all individuals wishing to make application for assistance under the plan shall have opportunity to do so, and that such assistance shall be furnished with reasonable promptness to all eligible individuals;

(9) if the State plan includes old-age assistance—

(A) provide that the State agency shall, in determining need for such assistance, take into consideration any other income and resources of an individual claiming old-age assistance;

(B) provide reasonable standards, consistent with the objectives of this title, for determining eligibility for and the extent of such assistance;

(C) provide a description of the services (if any) which the State agency makes available to applicants for and recipients of such assistance to help them attain self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services;

(10) provide, if the plan includes payments of old-age assistance to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions;

(11) if the State plan includes medical assistance for the aged—

(A) provide for inclusion of some institutional and some noninstitutional care and services;

(B) provide that no enrollment fee, premium, or similar charge will be imposed as a condition of any individual's eligibility for medical assistance for the aged under the plan;

(C) provide for inclusion, to the extent required by regulations prescribed by the Secretary, of provisions (conforming to such regulations) with respect to the furnishing of such assistance to individuals who are residents of the State but are absent therefrom;

(D) provide reasonable standards, consistent with the objectives of this title, for determining eligibility for and the extent of such assistance;

(E) provide that no lien may be imposed against the property of any individual prior to his death on account of medical assistance for the aged paid or to be paid on his behalf under the plan (except pursuant to the judgment of a court on account of benefits incorrectly paid on behalf of such individual), and that there shall be no adjustment or recovery (except, after the death of such individual and his surviving spouse, if any, from such individual's estate) of any medical assistance for the aged correctly paid on behalf of such individual under the plan.

(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for assistance under the plan—

(1) an age requirement of more than sixty-five years; or

(2) any residence requirement which (A) in the case of applicants for old-age assistance, excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application, and (B) in the case of applicants for medical assistance for the aged, excludes any individual who resides in the State; or

(3) any citizenship requirement which excludes any citizen of the United States.

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, 1958, (1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

[(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $30 multiplied by the total number of recipients of old-age assistance for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received old-age assistance in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as old-age assistance in the form of medical or any other type of remedial care); plus

[(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds the product of $65 multiplied by the total number of such recipients of old-age assistance for such month; and (2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds $35 multiplied by the total number of recipients of old-age assistance for such month; 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 Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of old-age assistance to help them attain self-care.]

Sec. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has a plan approved under this

title, for each quarter, beginning with the quarter commencing October 1, 1960—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $30 multiplied by the total number of recipients of old-age assistance for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received old-age assistance in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as old-age assistance in the form of medical or any other type of remedial care); plus

(B) the Federal percentage (as defined in section 1101(a)(8) of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds the product of $65 multiplied by the total number of such recipients of old-age assistance for such month; plus

(C) the larger of the following: (i) the Federal medical percentage (as defined in section 6(c)) of the amount by which such expenditures exceed the maximum which may be counted under clause (B), not counting so much of any expenditure with respect to any month as exceeds (I) the product of $77 multiplied by the total number of such recipients of old-age assistance for such month, or (II) if smaller, the total expended as old-age assistance in the form of medical or any other type of remedial care with respect to such month plus the product of $65 multiplied by such total number of such recipients, or (ii) 15 per centum of the total of the sums expended during such quarter as old-age assistance under the State plan in the form of medical or any other type of remedial care, not counting so much of any expenditure with respect to any month as exceeds the product of $12 multiplied by the total number of such recipients of old-age assistance for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to—

(A) one-half of the total of the sums expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds $35 multiplied by the total number of recipients of old-age assistance for such month; plus

(B) the larger of the following amounts: (i) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (I) the product of $41 multiplied by the total number of such recipients of old-

age assistance for such month, or (II) if smaller, the total expended as old-age assistance in the form of medical or any other type of remedial care with respect to such month plus the product of $35 multiplied by the total number of such recipients, or (ii) 15 per centum of the total of the sums expended during such quarter as old-age assistance under the State plan in the form of medical or any other type of remedial care, not counting so much of any expenditure with respect to any month as exceeds the product of $6 multiplied by the total number of such recipients of old-age assistance for such month; and

(3) in the case of any State, an amount equal to the Federal medical percentage (as defined in section 6(c)) of the total amounts expended during such quarter as medical assistance for the aged under the State plan; and

(4) 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 Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of old-age assistance to help them attain self-care.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary of Health, Education, and Welfare 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 Secretary may find necessary.

(2) The Secretary of Health, Education, and Welfare shall then certify to the Secretary of the Treasury the amount so estimated by the Secretary of Health, Education, and Welfare, (A) reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare 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 Secretary of Health, Education, and Welfare, 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

Secretary of Health, Education, and Welfare 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 Secretary of Health, Education, and Welfare, the amount so certified.

OPERATION OF STATE PLANS

SEC. 4. In the case of any State plan [for old-age assistance] which has been approved *under this title* by the Secretary of Health, Education, and Welfare, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan finds—

(1) that the plan has been so changed as to impose any age, residence, or citizenship requirement prohibited by section 2(b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 2(a) to be included in the plan;

the Secretary shall notify such State agency that further payments will not be made to the State until the Secretary is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

* * * * * * *

DEFINITION

SEC. 6. (*a*) For the purposes of this title, the term "old-age assistance" means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are sixty-five years of age or older, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual [(a)] (*1*) who is a patient in an institution for tuberculosis or mental diseases, or [(b)] (*2*) who has been diagnosed as having *pulmonary* tuberculosis or psychosis and is a patient in a medical institution as a result thereof.

(*b*) *For purposes of this title, the term "medical assistance for the aged" means payment of part or all of the cost of the following care and services furnished for individuals sixty-five years of age or older who are*

not recipients of old-age assistance but whose income and resources are insufficient to meet all of such cost—

(1) inpatient hospital services;
(2) skilled nursing-home services;
(3) physicians' services;
(4) outpatient hospital or clinic services;
(5) home health care services;
(6) private duty nursing services;
(7) physical therapy and related services;
(8) dental services;
(9) laboratory and X-ray services;
(10) prescribed drugs, eyeglasses, dentures, and prosthetic devices;
(11) diagnostic, screening and preventive services; and
(12) any other medical care or remedial care recognized under State law;

except that such term shall not include any payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (A) who is a patient in an institution for tuberculosis or mental diseases, or (B) who has been diagnosed as having pulmonary tuberculosis or psychosis and is a patient in a medical institution as a result thereof.

(c) For purposes of this title, the term "Federal medical percentage" for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the square of the per capita income of such State bears to the square of the per capita income of the continental United States (including Alaska) and Hawaii; except that (i) the Federal medical percentage shall in no case be less than 50 per centum or more than 80 per centum, and (ii) the Federal medical percentage for Puerto Rico, the Virgin Islands, and Guam shall be 50 per centum. The Federal medical percentage for any State shall be determined and promulgated in accordance with the provisions of subparagraph (B) of section 1101(a)(8) (other than the proviso at the end thereof); except that the Secretary shall, as soon as possible after enactment of the Social Security Amendments of 1960, determine and promulgate the Federal medical percentage for each State—

(1) for the period beginning October 1, 1960, and ending with the close of June 30, 1961, which shall be based on the same data with respect to per capita income as the data used by the Secretary in promulgating the Federal percentage (under section 1101(a)(8)) for such State for the fiscal year ending June 30, 1961 (which promulgation of the Federal medical percentage shall be conclusive for such period), and

(2) for the period beginning July 1, 1961, and ending with the close of June 30, 1963, which shall be based on the same data with respect to per capita income as the data used by the Secretary in promulgating the Federal percentage (under section 1101(a)(8)) for such State for such period (which promulgation of the Federal medical percentage shall be conclusive for such period).

TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND

SECTION 201. (a) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Old-Age and Survivors Insurance Trust Fund". The Federal Old-Age and Survivors Insurance Trust Fund shall consist of the securities held by the Secretary of the Treasury for the Old-Age Reserve Account and the amount standing to the credit of the Old-Age Reserve Account on the books of the Treasury on January 1, 1940, which securities and amount the Secretary of the Treasury is authorized and directed to transfer to the Federal Old-Age and Survivors Insurance Trust Fund, and, in addition, such amounts as may be appropriated to, or deposited in, the Federal Old-Age and Survivors Insurance Trust Fund as hereinafter provided. There is hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) the taxes (including interest, penalties, and additions to the taxes) received under subchapter A of chapter 9 of the Internal Revenue Code of 1939 (and covered into the Treasury) which are deposited into the Treasury by collectors of internal revenue before January 1, 1951; and

(2) the taxes certified each month by the Commissioner of Internal Revenue as taxes received under subchapter A of chapter 9 of such Code which are deposited into the Treasury by collectors of internal revenue after December 31, 1950, and before January 1, 1953, with respect to assessments of such taxes made before January 1, 1951; and

(3) the taxes imposed by subchapter A of chapter 9 of such Code with respect to wages (as defined in section 1426 of such Code), and by chapter 21 of the Internal Revenue Code of 1954 with respect to wages (as defined in section 3121 of such Code) reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 after December 31, 1950, or to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954 after December 31, 1954, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such subchapter or chapter 21 to such wages, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports, less the amounts specified in clause (1) of subsection (b) of this section; and

(4) the taxes imposed by subchapter E of chapter 1 of the Internal Revenue Code of 1939, with respect to self-employment income (as defined in section 481 of such Code), and by chapter 2 of the Internal Revenue Code of 1954 with respect to self-employment income (as defined in section 1402 of such Code) reported to the Commissioner of Internal Revenue on tax returns

under such subchapter or to the Secretary of the Treasury, or his delegate on tax returns under subtitle F of such Code, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such subchapter or chapter to such self-employment income, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns, less the amounts specified in clause (2) of subsection (b) of this section.

The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the Federal Old-Age and Survivors Insurance Trust Fund, and the amounts appropriated by clauses (1) and (2) of subsection (b) shall be transferred from time to time from the general fund in the Treasury to the Federal Disability Insurance Trust Fund, such amounts to be determined on the basis of estimates by the Secretary of the Treasury of the taxes, specified in clauses (3) and (4) of this subsection, paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the taxes specified in such clauses (3) and (4) of this subsection.

(b) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Disability Insurance Trust Fund". The Federal Disability Insurance Trust Fund shall consist of such amounts as may be appropriated to, or deposited in, such fund as provided in this section. There is hereby appropriated to the Federal Disability Insurance Trust Fund for the fiscal year ending June 30, 1957, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) ½ of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1956, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and

(2) ⅜ of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.

(c) With respect to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (hereinafter in this title called the "Trust Funds") there is hereby created a body to be known as the Board of Trustees of the Trust Funds (hereinafter in this title called the "Board of Trustees") which Board

of Trustees shall be composed of the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare, all ex officio. The Secretary of the Treasury shall be the Managing Trustee of the Board of Trustees (hereinafter in this title called the "Managing Trustee"). The Commissioner of Social Security shall serve as Secretary of the Board of Trustees. *The Board of Trustees shall meet not less frequently than once each six months.* It shall be the duty of the Board of Trustees to—

(1) Hold the Trust Funds;

(2) Report to the Congress not later than the first day of March of each year on the operation and status of the Trust Funds during the preceding fiscal year and on their expected operation and status during the next ensuing five fiscal years;

[(3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that during the ensuing five fiscal years either of the Trust Funds will exceed three times the highest annual expenditures from such Trust Fund anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of either of the Trust Funds is unduly small; and]

(3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that the amount of either of the Trust Funds is unduly small;

(4) Recommend improvements in administrative procedures and policies designed to effectuate the proper coordination of the old-age and survivors insurance and Federal-State unemployment compensation [program.] *program; and*

(5) Review the general policies followed in managing the Trust Funds, and recommend changes in such policies, including necessary changes in the provisions of the law which govern the way in which the Trust Funds are to be managed.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Funds during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the Trust Funds during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Funds. Such report shall be printed as a House document of the session of the Congress to which the report is made.

[(d) It shall be the duty of the Managing Trustee to invest such portion of the Trust Funds as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of public-debt obligations for purchase by the Trust Funds. Such obligations issued for purchase by the Trust Funds shall have maturities fixed with due regard for the needs of the Trust Funds, and bear interest at a rate equal to the average rate of interest, computed as to the end of the calendar month next preceding the date of such issue, borne by all

marketable interest-bearing obligations of the United States then forming a part of the Public Debt that are not due or callable until after the expiration of five years from the date of original issue; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligations shall be the multiple of one-eighth of 1 per centum nearest such average rate. Such obligations shall be issued for purchase by the Trust Funds only if the Managing Trustee determines that the purchase in the market of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest:]

(d) It shall be the duty of the Managing Trustee to invest such portion of the Trust Funds as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of public-debt obligation for purchase by the Trust Funds. Such obligations issued for purchase by the Trust Funds shall have maturities fixed with due regard for the needs of the Trust Funds and shall bear interest at a rate equal to the average market yield (computed by the Managing Trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligations shall be the multiple of one-eighth of 1 per centum nearest such market yield. The Managing Trustee may purchase other interest-bearing obligations of the United States or obligations guaranteed as to both principal and interest by the United States, on original issue or at the market price, only where he determines that the purchase of such other obligations is in the public interest.

(e) Any obligations acquired by the Trust Funds (except [special] *public-debt* obligations issued exclusively to the Trust Funds) may be sold by the Managing Trustee at the market price, and such [special] *public-debt* obligations may be redeemed at par plus accrued interest.

(f) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall be credited to and form a part of the Federal Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund, respectively.

(g)(1) The Managing Trustee is directed to pay from the Trust Funds into the Treasury the amounts estimated by him and the Secretary of Health, Education, and Welfare which will be expended, out of moneys appropriated from the general funds in the Treasury, during a three-month period by the Department of Health, Education, and Welfare and the Treasury Department for the administration of titles II and VIII of this Act and subchapter E of chapter 1 and sub-

chapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. There are hereby authorized to be made available for expenditure, out of either or both of the Trust Funds, such amounts as the Congress may deem appropriate to pay the costs of administration of this title. After the close of each fiscal year, the Secretary of Health, Education, and Welfare shall analyze the costs of administration of this title incurred during such fiscal year in order to determine the portion of such costs which should have been borne by each of the Trust Funds and shall certify to the Managing Trustee the amount, if any, which should be transferred from one to the other of such Trust Funds in order to insure that each of the Trust Funds has borne its proper share of the costs of administration of this title incurred during such fiscal year. The Managing Trustee is authorized and directed to transfer any such amount from one to the other of such Trust Funds in accordance with any certification so made.

(2) The Managing Trustee is directed to pay from time to time from the Trust Funds into the Treasury the amount estimated by him as taxes which are subject to refund under section 6413(c) of the Internal Revenue Code of 1954 with respect to wages (as defined in section 1426 of the Internal Revenue Code of 1939 and section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1950. Such taxes shall be determined on the basis of the records of wages established and maintained by the Secretary of Health, Education, and Welfare in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 and to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, and the Secretary shall furnish the Managing Trustee such information as may be required by the Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections. Payments pursuant to the first sentence of this paragraph shall be made from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund in the ratio in which amounts were appropriated to such Trust Funds under clause (3) of subsection (a) of this section and clause (1) of subsection (b) of this section.

(3) Repayments made under paragraph (1) or (2) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appears that the estimates under either such paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.

(h) Benefit payments required to be made under section 223, and benefit payments required to be made under subsection (b), (c), or (d) of section 202 to individuals entitled to benefits on the basis of the wages and self-employment income of an individual entitled to disability insurance benefits, shall be made only from the Federal Dis-

ability Insurance Trust Fund. All other benefit payments required to be made under this title shall be made only from the Federal Old-Age and Survivors Insurance Trust Fund.

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

Old-Age Insurance Benefits

SEC. 202. (a) Every individual who—

(1) is a fully insured individual (as defined in section 214(a)),

(2) has attained retirement age (as defined in section 216(a)), and

(3) has filed application for old-age insurance benefits or was entitled to disability insurance benefits for the month preceding the month in which he attained the age of 65,

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. Except as provided in subsection (q), 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.

Wife's Insurance Benefits

(b) (1) The wife (as defined in section 216(b)) of an individual entitled to old-age or disability insurance benefits, if such wife—

(A) has filed application for wife's insurance benefits,

(B) has attained retirement age or has in her care (individually or jointly with her husband) at the time of filing such application a child entitled to a child's insurance benefit on the basis of the wages and self-employment income of her husband, and

(C) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits based on a primary insurance amount which is less than one-half of an old-age or disability insurance benefit of her husband.

shall be entitled to a wife'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 dies, her husband dies, they are divorced a vinculo matrimonii, no child of her husband is entitled to a child's insurance benefit and she has not attained retirement age, [she becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of an old-age or disability insurance benefit of her husband,] or her husband is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to one-half of the old-age or disability insurance benefit of her husband for such month.

Husband's Insurance Benefits

(c) (1) The husband (as defined in section 216 (f)) of a currently insured individual (as defined in section 214 (b)) entitled to old-age or disability insurance benefits, if such husband—

(A) has filed application for husband's insurance benefits,

(B) has attained retirement age,

(C) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual—

(i) if she had a period of disability which did not end prior to the month in which she became entitled to old-age or disability insurance benefits, at the beginning of such period or at the time she became entitled to such benefits, or

(ii) if she did not have such a period of disability, at the time she became entitled to such benefits,

and filed proof of such support within two years after the month in which she filed application with respect to such period of disability or after the month in which she became entitled to such benefits, as the case may be, or, if she did not have such a period, two years after the month in which she became entitled to such benefits, and

(D) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits each of which is less than one-half of the primary insurance amount of his wife, shall be entitled to a husband's insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month preceding the month in which any of the following occurs: he dies, his wife dies, they are divorced a vinculo matrimonii, [or he becomes entitled to an old-age or disability insurance benefit equal to or exceeding one-half of the primary insurance amount of his wife,] or his wife is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

(2) The requirement in paragraph (1) that the individual entitled to old-age or disability insurance benefits be a currently insured individual, and the provisions of subparagraph (C) of such paragraph, shall not be applicable in the case of any husband who—

(A) in the month prior to the month of his marriage to such individual was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (f) or (h); or

(B) in the month prior to the month of his marriage to such individual had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d).

(3) [Such] *Except as provided in subsection (q), such* husband's insurance benefit for each month shall be equal to one-half of the primary insurance amount of his wife for such month.

Child's Insurance Benefits

(d) (1) Every child (as defined in section 216 (e)) of an individual entitled to old-age or disability insurance benefits, or of an individual who dies a fully or currently insured individual [after 1939], if such child—

(A) has filed application for child's insurance benefits,

(B) at the time such application was filed was unmarried and either (i) had not attained the age of eighteen or (ii) was under a disability (as defined in section 223 (c)) which began before he attained the age of eighteen, and

[(C) was dependent upon such individual—

(i) if such individual had a period of disability which did not end prior to the month in which he became entitled to old-age or disability insurance benefits or (if he has died) prior to the month in which he died, at the beginning of such period or at the time he became entitled to such benefits or died,

(ii) if such individual did not have such a period and is living, at the time such application was filed, or

(iii) if such individual did not have such a period and has died, at the time of such death,]

(C) was dependent upon such individual—

(i) if such individual is living, at the time such application was filed,

(ii) if such individual has died, at the time of such death, or

(iii) if such individual had a period of disability which continued until he became entitled to old-age or disability insurance benefits, or (if he has died) until the month of his death, at the beginning of such period of disability or at the time he became entitled to such benefits,

shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950 in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), *or* attains the age of eighteen and is not under a disability (as defined in section 223 (c)) which began before he attained such age[, or ceases to be under a disability (as so defined) on or after the day on which he attains age eighteen]. *Entitlement of any child to benefits under this subsection shall also end with the month preceding the third month following the month in which he ceases to be under a disability (as so defined) after the month in which he attains age eighteen.* Entitlement of any child to benefits under this subsection on the basis of the wages and self-employment income of an individual entitled to disability insurance benefits shall also end with the month before the first month for which such individual is not entitled to such benefits unless such individual is, for such later month, entitled to old-age insurance benefits or unless he dies in such month. *In the case of an individual entitled to disability insurance benefits, the provisions of clause (i) of subparagraph (C) of this paragraph shall not apply to a child of such individual unless he (A) is the natural child or stepchild of such individual (including such a child who was legally*

adopted by such individual) (B) or was legally adopted by such individual before the end of the twenty-four month period beginning with the month after the month in which such individual most recently became entitled to disability insurance benefits, but only if (i) proceedings for the adoption of such child had been instituted by such individual in or before the month in which began the period of disability upon the basis of which such individual most recently became entitled to disability insurance benefits, or (ii) such child was living with such individual in such month.

(2) Such child's insurance benefit for each month shall, if the individual on the basis of whose wages and self-employment income the child is entitled to such benefit has not died prior to the end of such month, be equal to one-half of the primary insurance amount of such individual for such month. Such child's insurance benefit for each month shall, if such individual has died in or prior to such month, be equal to three-fourths of the primary insurance amount of such individual [, except that, if there is more than one child entitled to benefits on the basis of such individual's wages and self-employment income, each such child's insurance benefit for such month shall be equal to the sum of (A) one-half of the primary insurance amount of such individual, and (B) one-fourth of such primary insurance amount divided by the number of such children].

(3) A child shall be deemed dependent upon his father or adopting father at the time specified in paragraph (1) (C) unless, at such time, such individual was not living with or contributing to the support of such child and—

(A) such child is neither the legitimate nor adopted child of such individual, or

(B) such child had been adopted by some other individual [, or].

[(C) such child was living with and was receiving more than one-half of his support from his stepfather.]

For purposes of this paragraph, a child deemed to be a child of a fully or currently insured individual pursuant to section 216(h) (2) (B) shall, if such individual is the child's father, be deemed to be the legitimate child of such individual.

(4) A child shall be deemed dependent upon his stepfather at the time specified in paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

(5) A child shall be deemed dependent upon his natural or adopting mother at the time specified in paragraph (1)(C) if such mother or adopting mother was a currently insured individual. A child shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1)(C) if, at such time, (A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

(6) In the case of a child who has attained the age of eighteen and who marries—

(A) an individual entitled to benefits under subsection (a), (e), (f), (g), or (h) of this section or under section 223(a), or

(B) another individual who has attained the age of eighteen and is entitled to benefits under this subsection,

such child's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage; except that, in the case of such a marriage to a male individual entitled to benefits under section 223(a) or this subsection, the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under section 223(a) or this subsection unless (i) he ceases to be so entitled by reason of his death, or (ii) in the case of an individual who was entitled to benefits under section 223(a), he is entitled, for the month following such last month, to benefits under subsection (a) of this section.

Widow's Insurance Benefits

(e)(1) The widow (as defined in section 216(c)) of an individual who died a fully insured individual [after 1939], if such widow—

(A) has not remarried,

(B) has attained retirement age,

(C)(i) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died, or

(ii) was entitled, on the basis of such wages and self-employment income, to mother's insurance benefits for the month preceding the month in which she attained retirement age, and

(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband,

shall be entitled to a widow's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

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

(3) In the case of any widow of an individual—

(A) who marries another individual, and

(B) whose marriage to the individual referred to in subparagraph (A) is terminated by his death which occurs within one year after such marriage and he did not die a fully insured individual the marriage to the individual referred to in clause (A) shall, for the purposes of paragraph (1), be deemed not to have occurred. No benefits shall be payable under this subsection by reason of the preceding sentence for any month prior to whichever of the following is the latest: (i) the month in which the death referred to in subparagraph (B) of the preceding sentence occurs, (ii) the twelfth month before the month in which such widow files application for purposes of this paragraph, or (iii) November 1956.

(4) In the case of a widow who marries—

(A) an individual entitled to benefits under subsection (f) or (h) of this section, or

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

such widow's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death.

Widower's Insurance Benefits

(f)(1) The widower (as defined in section 216(g)) of an individual who died a fully and currently insured individual [after August 1950], if such widower—

(A) has not remarried,

(B) has attained retirement age,

(C) has filed application for widower's insurance benefits or was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which she died,

(D)(i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual at the time of her death or, if such individual had a period of disability which did not end prior to the month in which she died, at the time such period began or at the time of her death, and filed proof of such support within two years after the date of such death, or, if she had such a period of disability, within two years after the month in which she filed application with respect to such period of disability or two years after the date of such death, as the case may be, or (ii) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual, and she was a currently insured individual, at the time she became entitled to old-age or disability insurance benefits or, if such individual had a period of disability which did not end prior to the month in which she became so entitled, at the time such period began or at the time she became entitled to such benefits, and filed proof of such support within two years after the month in which she became entitled to such benefits, or, if she had such a period of disability, within two years after the month in which she filed application with respect to such period of disability or two years after the month in which she became entitled to such benefits, as the case may be, and

(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 his deceased wife,

shall be entitled to a widower's insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month pre-

ceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of his deceased wife.

(2) The requirement in paragraph (1) that the deceased fully insured individual also be a currently insured individual, and the provisions of subparagraph (D) of such paragraph, shall not be applicable in the case of any individual who—

(A) in the month prior to the month of his marriage to such individual was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under this subsection or subsection (h); or

(B) in the month prior to the month of his marriage to such individual had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d).

(3) Such widower's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of his deceased wife.

(4) In the case of a widower who marries—

(A) an individual entitled to benefits under subsection (e), (g), or (h), or

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

such widower's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage.

Mother's Insurance Benefits

(g)(1) The widow and every former wife divorced (as defined in section 216(d)) of an individual who died a fully or currently insured individual [after 1939], if such widow or former wife divorced—

(A) has not remarried,

(B) is not entitled to a widow's insurance benefit,

(C) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such individual,

(D) has filed application for mother's insurance benefits, or was entitled to wife's insurance benefits on the basis of the wages and self-employment income of such individual for the month preceding the month in which he died,

(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and

(F) 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 or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of such death, and the child referred to in subparagraph (E) is her son, daughter, or legally adopted child and the benefits referred to in such subparagraph are payable on the basis of such individual's 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 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.

(3) In the case of any widow or former wife divorced of an individual—

(A) who marries another individual, and

(B) whose marriage to the individual referred to in subparagraph (A) is terminated by his death but she is not, and upon filing application therefor in the month in which he died would not be, entitled to benefits for such month on the basis of his wages and self-employment income,

the marriage to the individual referred to in clause (A) shall, for the purpose of paragraph (1), be deemed not to have occurred. No benefits shall be payable under this subsection by reason of the preceding sentence for any month prior to whichever of the following is the latest: (i) the month in which the death referred to in subparagraph (B) of the preceding sentence occurs, (ii) the twelfth month before the month in which such widow or former wife divorced files application for purposes of this paragraph, or (iii) the month following the month in which this paragraph is enacted.

(4) In the case of a widow or former wife divorced who marries—

(A) an individual entitled to benefits under subsection (a), (f), or (h), or under section 223(a), or

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

the entitlement of such widow or former wife divorced to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under section 223(a) or subsection (d) of this section, the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under section 223(a) or subsection (d) of this section unless (i) he ceases to be so entitled by reason of his death, or (ii) in the case of an individual who was entitled to benefits under section 223(a), he is entitled, for the month following such last month, to benefits under subsection (a) of this section.

Parent's Insurance Benefits

(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual [after 1939], if such parent—

(A) has attained retirement age,

(B) (i) was receiving at least one-half of his support from such individual at the time of such individual's death or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of such death, and (ii) filed proof of such support within two years after the date of such death, or, if such individual had such a period of disability, within two years after the month in which such individual filed application with respect to such period of disability or two years after the date of such death, as the case may be,

(C) has not married since such individual's death,

(D) 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 deceased individual, and

(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month beginning with the first month after August 1950 in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual.

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

(3) As used in this subsection, the term "parent" means the mother or father of an individual, a stepparent of an individual by a marriage contracted before such individual attained the age of sixteen, or an adopting parent by whom an individual was adopted before he attained the age of sixteen.

(4) In the case of a parent who marries—

(A) An individual entitled to benefits under this subsection or subsection (e), (f), or (g), or

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

such parent's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage; except that, in the case of such a marriage to a male individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death.

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, or an amount equal to $255, whichever is the smaller, shall be paid in a lump sum to the person, if any, determined by the Secretary to be the widow or widower of the deceased and to have been living in the same household with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be [paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual, or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died.] *paid—*

(1) if all or part of the burial expenses of such insured individual which are incurred by or through a funeral home or funeral homes remains unpaid, to such funeral home or funeral homes to the extent of such unpaid expenses, but only if (A) any person who assumed the responsibility for the payment of all or any part of such burial expenses files an application, prior to the expiration of two years after the date of death of such insured individual, requesting that such payment be made to such funeral home or funeral homes, or (B) at least 90 days have elapsed after the date of death of such insured individual and prior to the expiration of such 90 days no person has assumed responsibility for the payment of any of such burial expenses;

(2) if all of the burial expenses of such insured individual which were incurred by or through a funeral home or funeral homes have been paid (including payments made under clause (1)), to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid such burial expenses; or

(3) if any part of the amount payable under this subsection remains after payments have been made pursuant to clauses (1) and (2), to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid other expenses in connection with the burial of such insured individual, in the following order of priority: (A) expenses of opening and closing the grave of such insured individual, (B) expenses of providing the burial plot of such insured individual, and (C) any remaining expenses in connection with the burial of such insured individual.

No payment (except a payment authorized pursuant to clause (1)(A) of the preceding sentence) shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of 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 and the District of Columbia after December 1953 and before January 1, 1957, 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 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. In the case of any individual who died outside the forty-nine States and the District of Columbia after December 1956 while he was performing service, as a member of a uniformed service, to which the provisions of section 210(m)(1) are applicable, and who is returned to any of such States or the District of Columbia, or to any Territory or possession of the United States, for interment or reinterment, the provisions of the third sentence of this subsection 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 expiratinn of two years after the date of such interment or reinterment.

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 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 Secretary 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.

(3) Notwithstanding the provisions of paragraph (1), [a woman may, at her option,] *an individual may, at his option,* waive entitlement to old-age insurance benefits, [or] wife's insurance benefits, *or husband's insurance benefits* for any one or more consecutive months which occur—

(A) after the month before the month in which [she] *such individual* attains [the age of 62] *retirement age,*

(B) prior to the month in which [she] *such individual* attains the age of sixty-five, and

(C) prior to the month in which [she] *such individual* files application for such benefits.

and, in such case, [she] *such individual* shall not be considered as entitled to such benefits for any such month or months before [she] *he* filed such application. [A woman] *An individual* shall be deemed to have waived such entitlement for any such month for which such benefit would, under the second sentence of paragraph (1), be reduced to zero.

Simultaneous Entitlement to Benefits

(k) (1) A child, entitled to child's insurance benefits on the basis of the wages and self-employment income of an insured individual, who would be entitled, on filing application, to child's insurance benefits on the basis of the wages and self-employment income of some other insured individual, shall be deemed entitled, subject to the provisions of paragraph (2) hereof, to child's insurance benefits on the basis of the wages and self-employment income of such other individual if an application for child's insurance benefits on the basis of the wages and self-employment income of such other individual has been filed by any other child who would, on filing application, be entitled to child's insurance benefits on the basis of the wages and self-employment income of both such insured individuals.

(2) (A) Any child who under the preceding provisions of this section is entitled for any month to more than one child's insurance benefit shall, notwithstanding such provisions, be entited to only one of such child's insurance benefits for such month, such benefit to be the one based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount.

(B) Any individual who, under the preceding provisions of this section and under the provisions of section 223, is entitled for any month to more than one monthly insurance benefit (other than old-age or disability insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this subparagraph (B)) would otherwise be entitled for such month.

(3) If an individual is entitled to an old-age or disability insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month, after any reduction under subsection (q) and any reduction under section 203(a), shall be reduced, but not below zero, by an amount equal to such old-age or disability insurance benefit (after reduction under such subsection (q)).

Entitlement to Survivor Benefits Under Railroad Retirement Act

(l) If any person would be entitled, upon filing 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) no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month thereafter, shall be paid under this section to any person on the basis of the wages and self-employment income of such employee.

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) and subsection (q), less than the first figure in column IV of the table in section 215(a) 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) and subsection (q), be increased to the first figure in column IV of the table in section 215(a).

Termination of Benefits Under Deportation of Primary Beneficiary

(n) (1) If any individual is (after the date of enactment of this subsection) deported under paragraph (1), (2), (4), (5), (6), (7), (10), (11), (12), (14), (15), (16), (17), or (18) of section 241 (a) of the Immigration and Nationality Act, then, notwithstanding any other provisions of this title—

(A) no monthly benefit under this section or section 223 shall be paid to such individual, on the basis of his wages and self-employment income, for any month occurring (i) after the month in which the Secretary is notified by the Attorney General that such individual has been so deported, and (ii) before the month in which such individual is thereafter lawfully admitted to the United States for permanent residence,

(B) if no benefit could be paid to such individual (or if no benefit could be paid to him if he were alive) for any month by reason of subparagraph (A), no monthly benefit under this section shall be paid, on the basis of his wages and self-employment income, for such month to any other person who is not a citizen of the United States and is outside the United States for any part of such month, and

(C) no lump-sum death payment shall be made on the basis of such individual's wages and self-employment income if he dies (i) in or after the month in which such notice is received, and (ii) before the month in which he is thereafter lawfully admitted to the United States for permanent residence.

Section 203 (b) and (c) of this Act shall not apply with respect to any such individual for any month for which no monthly benefit may be paid to him by reason of this paragraph.

(2) As soon as practicable after the deportation of any individual under any of the paragraphs of section 241 (a) of the Immigration and Nationality Act enumerated in paragraph (1) in this subsection, the Attorney General shall notify the Secretary of such deportation.

Application for Benefits by Survivors of Members and Former Members of the Uniformed Services

(o) In the case of any individual who would be entitled to benefits under subsection (d), (e), (g), or (h) upon filing proper application therefor, the filing with the Administrator of Veterans' Affairs by or on behalf of such individual of an application for such benefits,

on the form prescribed under section 601 of the Servicemen's and Veterans' Survivor Benefits Act, shall satisfy the requirement of such subsection (d), (e), (g), or (h) that an application for such benefits be filed.

Extension of Period for Filing Proof of Support and Applications for Lump-Sum Death Payment

(p) In any case in which there is a failure—

(1) to file proof of support under subparagraph (C) of subsection (c)(1), clause (i) or (ii) of subparagraph (D) of subsection (f)(1), or subparagraph (B) of subsection (h)(1), or under clause (B) of subsection (f)(1) of this section as in effect prior to the Social Security Act Amendments of 1950 within the period prescribed by such subparagraph or clause, or

(2) to file, in the case of a death after 1946, application for a lump-sum death payment under subsection (i), or under subsection (g) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subsection,

and it is shown to the satisfaction of the Secretary that there was good cause for failure to file such proof or application, as the case may be, within such period, such proof or application shall be deemed to have been filed within such period if it is filed within two years following such period or within two years following August 1956, whichever is later. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.

[Adjustment of Old-Age and Wife's Insurance Benefit Amounts in Accordance With Age of Female Beneficiary

[(q)(1) The old-age insurance benefit of any woman for any month prior to the month in which she attains the age of sixty-five shall be reduced by—

[(A) 5/9 of 1 per centum, multiplied by

[(B) the number equal to the number of months in the period beginning with the first day of the first month for which she is entitled to an old-age insurance benefit and ending with the last day of the month before the month in which she would attain the age of sixty-five.

[(2) The wife's insurance benefit of any wife for any month after the month preceding the month in which she attains the age of sixty-two and prior to the month in which she attains the age of sixty-five shall be reduced by—

[(A) 25/36 of 1 per centum, multiplied by

[(B) the number equal to the number of months in the period beginning with the first day of the first month for which she is entitled to such wife's insurance benefit and ending with the last day of the month before the month in which she would attain the age of sixty-five, except that in no event shall such period start earlier than the first day of the month in which she attains the age of sixty-two.

The preceding provisions of this paragraph shall not apply to the benefit for any month in which such wife has in her care (individually or jointly with the individual on whose wages and self-employment income such wife's insurance benefit is based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income. With respect to any month in the period specified in clause (B) of the first sentence, if such wife does not have in such month such a child in her care (individually or jointly with such individual), she shall be deemed to have such a child in her care in such month for the purposes of the preceding sentence unless there is in effect for such month a certificate filed by her with the Secretary, in accordance with regulations prescribed by him, in which she elects to receive wife's insurance benefits reduced as provided in this subsection. Any certificate filed pursuant to the preceding sentence shall be effective for purposes of such sentence—

[(i) for the month in which it is filed, and for any month thereafter, if in such month she does not have such a child in her care (individually or jointly with such individual), and

[(ii) for the period of one or more consecutive months (not exceeding twelve) immediately preceding the month in which such certificate is filed which is designated by her (not including as part of such period any month in which she had such a child in her care (individually or jointly with such individual)).

If such a certificate is filed, the period referred to in clause (B) of the first sentence of this paragraph shall commence with the first day of the first month (i) for which she is entitled to a wife's insurance benefit, (ii) which occurs after the month preceding the month in which she attained the age of sixty-two, and (iii) for which such certificate is effective.

[(3) In the case of any woman who is entitled to an old-age insurance benefit to which paragraph (1) is applicable and who, for the first month for which she is so entitled (but not for any prior month) or for any later month occurring before the month in which she attains the age of sixty-five, is entitled to a wife's insurance benefit to which paragraph (2) is applicable, the amount of such wife's insurance benefit for any month prior to the month in which she attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (2), be reduced by the sum of—

[(A) an amount equal to the amount by which such old-age insurance benefit for such month is reduced under paragraph (1), plus

[(B) an amount equal to—

[(i) the number equal to the number of months specified in clause (B) of paragraph (2), multiplied by

[(ii) $^{25}/_{36}$ of 1 per centum, and further multiplied by

[(iii) the excess of such wife's insurance benefit prior to reduction under this subsection over the old-age insurance benefit prior to reduction under this subsection.

[(4) In the case of any woman who is or was entitled to a wife's insurance benefit to which paragraph (2) is applicable and who, for any month after the first month for which she is or was so entitled (but not for such first month or any earlier month) occurring before the month in which she attains the age of sixty-five, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit

for any month prior to the month in which she attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (1), be reduced by the sum of—

[(A) an amount equal to the amount by which such wife's insurance benefit is reduced under paragraph (2) for such month (or, if she is not entitled to a wife's insurance benefit for such month, by an amount equal to the amount by which such benefit was reduced for the last month for which she was entitled thereto), plus

[(B) if the old-age insurance benefit for such month prior to reduction under this subsection exceeds such wife's insurance benefit prior to reduction under this subsection, an amount equal to—

[(i) the number equal to the number of months specified in clause (B) of paragraph (1), multiplied by

[(ii) ⅝ of 1 per centum, and further multiplied by

[(iii) the excess of such old-age insurance benefit over such wife's insurance benefit.

[(5) In the case of any woman who is entitled to an old-age insurance benefit for the month in which she attains the age of sixty-five or any month thereafter, such benefit for such month shall, if she was also entitled to such benefit for any one or more months prior to the month in which she attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (1) or (4), be reduced as provided in such paragraph, except that there shall be subtracted, from the number specified in clause (B) of such paragraph—

[(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b),

and except that, in the case of any such benefit reduced under paragraph (4), there also shall be subtracted from the number specified in clause (B) of paragraph (2), for the purpose of computing the amount referred to in clause (A) of paragraph (4)—

[(B) the number equal to the number of months for which the wife's insurance benefit was reduced under such paragraph (2), but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b), under section 203(c), or under section 222(b).

[(C) the number equal to the number of months occurring after the first month for which such wife's insurance benefit was reduced under such paragraph (2) in which she had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits, and

[(D) the number equal to the number of months for which such wife's insurance benefit was reduced under such paragraph (2), but in or after which her entitlement to wife's insurance benefits was terminated because her husband ceased to be under a disability, not including in such number of months any month after such termination in which she was entitled to wife's insurance benefits.

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three. For purposes of clauses (B) and (C) of this paragraph, a wife's insurance benefit shall not be considered terminated for any reason prior to the month in which she attains the age of sixty-five.

[(6) In the case of any woman who is entitled to a wife's insurance benefit for the month in which she attains the age of sixty-five or any month thereafter, such benefit for such month shall, if she was also entitled to such benefit for any one or more months prior to the month in which she attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (2) or (3), be reduced as provided in such paragraph, except that there shall be subtracted from the number specified in clause (B) of such paragraph—

[(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under section 203(b) (1) or (2), under section 203(c), or under section 222(b),

[(B) the number equal to the number of months, occurring after the first month for which such benefit was reduced under such paragraph, in which she had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits,

and except that, in the case of any such benefit reduced under paragraph (3), there also shall be subtracted from the number specified in clause (B) of paragraph (1), for the purpose of computing the amount referred to in clause (A) of paragraph (3) and—

[(C) the number equal to the number of months for which such benefit was reduced under such paragraph, but in or after which her entitlement to wife's insurance benefits was terminated because her husband ceased to be under a disability, not including in such number of months any month after such termination in which she was entitled to wife's insurance benefits.

(D) the number equal to the number of months for which the old-age insurance benefit was reduced under such paragraph (1) but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b).

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three.

[(7) In the case of a woman who is entitled to an old-age insurance benefit to which paragraph (5) is applicable and who, for the month in which she attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to a wife's insurance benefit, the amount of such wife's insurance benefit for any month shall be reduced by an amount equal to the amount by which the old-age insurance benefit is reduced under paragraph (5) for such month.

[(8) In the case of a woman who is or was entitled to a wife's insurance benefit to which paragraph (2) was applicable and who, for the month in which she attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit for any month shall be reduced by an amount equal to the amount by which the wife's

insurance benefit is reduced under paragraph (6) for such month (or, if she is not entitled to a wife's insurance benefit for such month, by (i) an amount equal to the amount by which such benefit for the last month for which she was entitled thereto was reduced, or (ii) if smaller, an amount equal to the amount by which such benefit would have been reduced under paragraph (6) for the month in which she attained the age of sixty-five if entitlement to such benefit had not terminated before such month).

[(9) The preceding paragraphs shall be applied to old-age insurance benefits and wife's insurance benefits after reduction under section 203(a) and application of section 215(g). If the amount of any reduction computed under paragraph (1), under paragraph (2), under clause (A) or clause (B) of paragraph (3), or under clause (A) or clause (B) of paragraph (4) is not a multiple of $0.10, it shall be reduced to the next lower multiple of $0.10.]

Adjustment of Old-Age, Wife's, and Husband's Insurance Benefit Amounts in Accordance With Age of Beneficiary

(q)(1) The old-age insurance benefit of any individual for any month prior to the month in which such individual attains the age of sixty-five shall be reduced by—

(A) five-ninths of 1 per centum, multiplied by

(B) the number equal to the number of months in the period beginning with the first day of the first month for which such individual is entitled to an old-age insurance benefit and ending with with the last day of the month before the month in which such individual would attain the age of sixty-five.

(2) The wife's or husband's insurance benefit of any individual for any month after the month preceding the month in which such individual attains retirement age and prior to the month in which such individual attains the age of sixty-five shall be reduced by—

(A) twenty-five thirty-sixths of 1 per centum, multiplied by

(B) the number equal to the number of months in the period beginning with the first day of the first month for which such individual is entitled to such wife's or husband's (as the case may be) insurance benefit and ending with the last day of the month before the month in which such individual would attain the age of sixty-five, except that in no event shall such period start earlier than the first day of the month in which such individual attains retirement age.

In the case of an individual entitled to wife's insurance benefits, the preceding provisions of this paragraph shall not apply to the benefit for any month in which such individual has in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefit is based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income. With respect to any month in the period specified in clause (B) of the first sentence of this paragraph, if (in the case of an individual entitled to wife's insurance benefits) such individual does not have in such month such a child in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefit is based), she shall be deemed to have such a child in her care in such month for the purposes of the preceding sentence unless there is in effect for such month a certificate filed by her with the Secretary, in accordance with

regulations prescribed by him, in which she elects to receive wife's insurance benefits reduced as provided in this subsection. Any certificate filed pursuant to the preceding sentence shall be effective for purposes of such sentence—

(i) for the month in which it is filed, and for any month thereafter, if in such month she does not have such a child in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefit is based), and

(ii) for the period of one or more consecutive months (not exceeding twelve) immediately preceding the month in which such certificate is filed which is designated by her (not including as part of such period any month in which she had such a child in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefit is based)).

* * * * * * *

If such a certificate is filed, the period referred to in clause (B) of the first sentence of this paragraph shall commence with the first day of the first month (i) for which such individual is entitled to a wife's insurance benefit, (ii) which occurs after the month preceding the month in which she attains retirement age, and (iii) for which such certificate is effective.

(3) In the case of any individual who is entitled to an old-age insurance benefit to which paragraph (1) is applicable and who, for the first month for which such individual is so entitled (but not for any prior month) or for any later month occurring before the month in which such individual attains the age of sixty-five, is entitled to a wife's or husband's insurance benefit to which paragraph (2) is applicable, the amount of such wife's or husband's insurance benefit for any month prior to the month in which such individual attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (2), be reduced by the sum of—

(A) an amount equal to the amount by which such old-age insurance benefit for such month is reduced under paragraph (1), plus

(B) an amount equal to—

(i) the number equal to the number of months specified in clause (B) of paragraph (2), multiplied by

(ii) twenty-five thirty-sixths of 1 per centum, and further multiplied by

(iii) the excess of such wife's or husband's insurance benefit (as the case may be) prior to reduction under this subsection over the old-age insurance benefit prior to reduction under this subsection.

(4) In the case of any individual who is or was entitled to a wife's or husband's insurance benefit to which paragraph (2) is applicable and who, for any month after the first month for which such individual is or was so entitled (but not for such first month or any earlier month) occurring before the month in which such individual attains the age of sixty-five, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit for any month prior to the month in which such individual attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (1), be reduced by the sum of—

(A) an amount equal to the amount by which such wife's or husband's (as the case may be) insurance benefit is reduced under paragraph (2) for such month (or, if such individual is not entitled to a wife's or husband's insurance benefit for such month, by an amount equal to the amount by which such benefit was reduced for

the last month for which such individual was entitled to such a benefit), plus

(B) if the old-age insurance benefit for such month prior to reduction under this subsection exceeds such wife's or husband's (as the case may be) insurance benefit prior to reduction under this subsection, and amount equal to—

(i) the number equal to the number of months specified in clause (B) of paragraph (1), multiplied by

(ii) five-ninths of 1 per centum, and further multiplied by

(iii) the excess of such old-age insurance benefit over such wife's or husband's (as the case may be) insurance benefit.

(5) In the case of any individual who is entitled to an old-age insurance benefit for the month in which such individual attains the age of sixty-five or any month thereafter, such benefit for such month shall, if such individual was also entitled to such benefit for any one or more months prior to the month in which such individual attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (1) or (4), be reduced as provided in such paragraph, except that there shall be subtracted, from the number specified in clause (B) of such paragraph—

(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b),

and except that, in the case of any such benefit reduced under paragraph (4), there also shall be subtracted from the number specified in clause (B) of paragraph (2), for the purpose of computing the amount referred to in clause (A) of paragraph (4)—

(B) the number equal to the number of months for which the wife's or husband's (as the case may be) insurance benefit was reduced under such paragrabh (2), but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b), under section 203(c), or under section 222(b),

(C) in case of a wife's insurance benefit, the number equal to the number of months occurring after the first month for which such benefit was reduced under paragraph (2) in which such individual had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits, and

(D) the number equal to the number of months for which such wife's or husband's (as the case may be) insurance benefit was reduced under such paragraph (2), but in or after which such individual's entitlement to wife's or husband's insurance benefits was terminated because such individual's spouse ceased to be under a disability, not including in such number of months any month after such termination in which such individual was entitled to wife's or husband's insurance benefits.

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three. For purposes of clauses (B) and (C) of this paragraph, the wife's or husband's insurance benefit of an individual shall not be considered terminated for any reason prior to the month in which such individual attained the age of sixty-five.

(6) In the case of any individual who is entitled to a wife's or husband's insurance benefit for the month in which such individual attains the age of sixty-five or any month thereafter, such benefit for such month shall, if such individual was also entitled to such benefit for any one or more months prior to the month in which such individual attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (2) or (3), be reduced as provided in such paragraph, except that there shall be subtracted from the number specified in clause (B) of such paragraph—

(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under section 203(b) (1) or (2), under section 203(c), or under section 222(b),

(B) in case of a wife's insurance benefit, the number equal to the number of months, occurring after the first month for which such benefit was reduced under such paragraph, in which such individual had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits, and

(C) the number equal to the number of months for which such wife's or husband's (as the case may be) insurance benefit was reduced under such paragraph, but in or after which such individual's entitlement to wife's or husband's insurance benefits was terminated because such individual's spouse ceased to be under a disability, not including in such number of months any month after such termination in which such individual was entitled to wife's or husband's insurance benefits,

and except that, in the case of any such benefit reduced under paragraph (3), there also shall be subtracted from the number specified in clause (B) of paragraph (1), for the purpose of computing the amount referred to in clause (A) of paragraph (3)—

(D) the number equal to the number of months for which the old-age insurance benefit was reduced under such paragraph (1) but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b).

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three.

(7) In the case of an individual who is entitled to an old-age insurance benefit to which paragraph (5) is applicalbe and who, for the month in which such individual attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to a wife's or husband's insurance benefit, the amount of such wife's or husband's insurance benefit for any month shall be reduced by an amount equal to the amount by which the old-age insurance benefit is reduced under paragraph (5) for such month.

(8) In the case of an individual who is or was entitled to a wife's or husband's insurance benefit to which paragraph (2) was applicable and who, for the month in which such individual attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit for any month shall be reduced by an amount equal to the amount by which the wife's or husband's (as the case may be) insurance benefit is reduced under paragraph (6) for such month (or, if such individual is not entitled to a wife's or husband's insurance benefit for such month, by (i)

an amount equal to the amount by which such benefit for the last month for which such individual was entitled thereto was reduced, or (ii) if smaller, an amount equal to the amount by which such benefit would have been reduced under paragraph (6) for the month in which such individual attained the age of sixty-five if entitlement to such benefit had not terminated before such month).

(9) The preceding paragraphs shall be applied to old-age insurance benefits, wife's insurance benefits, and husband's insurance benefits after reduction under section 203(a) and application of section 215(g). If the amount of any reduction computed under paragraph (1), under paragraph (2), under clause (A) or clause (B) of paragraph (3), or under clause (A) or clause (B) of paragraph (4) is not a multiple of $0.10, it shall be reduced to the next lower multiple of $0.10.

[Presumed Filing of Application by Woman Eligible for Old-Age and Wife's Insurance Benefits

[(r) Any woman who becomes entitled to an old-age insurance benefit for any month prior to the month in which she attains the age of sixty-five and who is eligible for a wife's insurance benefit for the same month shall be deemed to have filed an application in such month for wife's insurance benefits. Any woman who becomes entitled to a wife's insurance benefit for any month prior to the month in which she attains the age of sixty-five and who is eligible for an old-age insurance benefit for the same month shall be deemed, unless she has in such month a child in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefits are based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income, to have filed an application in such month for old-age insurance benefits. For purposes of this subsection an individual shall be deemed eligible for a benefit for a month if, upon filing application therefor in such month, she would have been entitled to such benefit for such month.]

Presumed Filing of Application by Individual Eligible for Old-Age and Wife's or Husband's Insurance Benefits

(r) Any individual who becomes entitled to an old-age insurance benefit for any month prior to the month in which such individual attains the age of sixty-five and who is eligible for a wife's or husband's insurance benefit for the same month shall be deemed to have filed an application in such month for wife's or husband's (as the case may be) insurance benefits. Any individual who becomes entitled to a wife's or husband's insurance benefit for any month prior to the month in which such individual attains the age of sixty-five and who is eligible for an old-age insurance benefit for the same month shall be deemed, unless (in the case of an individual entitled to wife's insurance benefits) such individual has in such month in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefits are based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income, to have filed an application in such month for old-age insurance benefits. For purposes of this subsection an individual shall be deemed eligible for a benefit for a month if, upon filing application therefor in such month, such individual would have been entitled to such benefit for such month.

[Female Disability Insurance Beneficiary

[(s) (1) If any woman becomes entitled to a widow's insurance benefit or parent's insurance benefit for a month before the month in which she attains the age of sixty-five, or becomes entitled to an old-age insurance benefit or wife's insurance benefit for a month before the month in which she attains the age of sixty-five which is reduced under the provisions of subsection (q), such individual may not thereafter become entitled to disability insurance benefits under this title.

[(2) If a woman would, but for the provisions of subsection (k) (2) (B), be entitled for any month to a disability insurance benefit and to a wife's insurance benefit, subsection (q) shall be applicable to such wife's insurance benefit for such month only to the extent it exceeds such disability insurance benefit for such month.

[(3) The entitlement of any woman to disability insurance benefits shall terminate with the month before the month in which she becomes entitled to old-age insurance benefits.]

Disability Insurance Beneficiary

(s) (1) If any individual becomes entitled to a widow's insurance benefit, widower's insurance benefit, or parent's insurance benefit for a month before the month in which such individual attains the age of sixty-five, or becomes entitled to an old-age insurance benefit, wife's insurance benefit, or husband's insurance benefit for a month before the month in which such individual attains the age of sixty-five which is reduced under the provisions of subsection (q), such individual may not thereafter become entitled to disability insurance benefits under this title.

(2) If an individual would, but for the provisions of subsection (k)(2)(B), be entitled for any month to a disability insurance benefit and to a wife's or husband's insurance benefit, subsection (q) shall be applicable to such wife's or husband's insurance benefit (as the case may be) for such month only to the extent it exceeds such disability insurance benefit for such month.

(3) The entitlement of any individual to disability insurance benefits shall terminate with the month before the month in which such individual becomes entitled to old-age insurance benefits."

Suspension of Benefits of Aliens Who Are Outside the United States

(t) (1) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section or under section 223 to any individual who is not a citizen or national of the United States for any month which is—

(A) after the sixth consecutive calendar month during all of which the Secretary finds, on the basis of information furnished to him by the Attorney General or information which otherwise comes to his attention, that such individual is outside the United States, and

(B) prior to the first month thereafter for all of which such individual has been in the United States.

(2) Paragraph (1) shall not apply to any individual who is a citizen of a foreign country which the Secretary finds has in effect a social insurance or pension system which is of general application in such country and under which—

(A) periodic benefits, or the actuarial equivalent thereof, are paid on account of old age, retirement, or death, and

(B) individuals who are citizens of the United States but not citizens of such foreign country and who qualify for such benefits are permitted to receive such benefits or the actuarial equivalent thereof while outside such foreign country without regard to the duration of the absence.

(3) Paragraph (1) shall not apply in any case where its application would be contrary to any treaty obligation of the United States in effect on the date of the enactment of this subsection.

(4) Paragraph (1) shall not apply to any benefit for any month if—

(A) not less than forty of the quarters elapsing before such month are quarters of coverage for the individual on whose wages and self-employment income such benefit is based, or

(B) the individual on whose wages and self-employment income such benefit is based has, before such month, resided in the United States for a period or periods aggregating ten years or more, or

(C) the individual entitled to such benefit is outside the United States while in the active military or naval service of the United States, or

(D) the individual on whose wages and self-employment income such benefit is based died, before such month, either (i) while on active duty or inactive duty training (as those terms are defined in section 210(m) (2) and (3)) as a member of a uniformed service (as defined in section 210(n)), or (ii) as the result of a disease or injury which the Administrator of Veterans' Affairs determines was incurred or aggravated in line of duty while on active duty (as defined in section 210(m)(2)), or an injury which he determines was incurred or aggravated in line of duty while on inactive duty training (as defined in section 210(m)(3)), as a member of a uniformed service (as defined in section 210(n)), if the Administrator determines that such individual was discharged or released from the period of such active duty or inactive duty training under conditions other than dishonorable, and if the Administrator certifies to the Secretary his determinations with respect to such individual under this clause, or

(E) the individual on whose employment such benefit is based had been in service covered by the Railroad Retirement Act which was treated as employment covered by this Act pursuant to the provisions of section 5 (k) (1) of the Railroad Retirement Act.

(5) No person who is, or upon application would be, entitled to a monthly benefit under this section for December 1956 shall be deprived, by reason of paragraph (1), of such benefit or any other benefit based on the wages and self-employment income of the individual on whose wages and self-employment income such monthly benefit for December 1956 is based.

(6) If an individual is outside the United States when he dies and no benefit may, by reason of paragraph (1), be paid to him for the month preceding the month in which he dies, no lump-sum death payment may be made on the basis of such individual's wages and self-employment income.

(7) Subsections (b) and (c) of section 203 shall not apply with respect to any individual for any month for which no monthly benefit may be paid to him by reason of paragraph (1) of this subsection.

(8) The Attorney General shall certify to the Secretary such information regarding aliens who depart from the United States to any foreign country (other than a foreign country which is territorially contiguous to the continental United States) as may be necessary to enable the Secretary to carry out the purposes of this subsection and shall otherwise aid, assist, and cooperate with the Secretary in obtaining such other information as may be necessary to enable the Secretary to carry out the purposes of this subsection.

Conviction of Subversive Activities, Etc.

(u) (1) If any individual is convicted of any offense (committed after the date of the enactment of this subsection) under—

(A) chapter 37 (relating to espionage and censorship), chapter 105 (relating to sabotage), or chapter 115 (relating to treason, sedition, and subversive activities) of title 18 of the United States Code, or

(B) section 4, 112, or 113 of the Internal Security Act of 1950, as amended,

then the court may, in addition to all other penalties provided by law, impose a penalty that in determining whether any monthly insurance benefit under this section or section 223 is payable to such individual for the month in which he is convicted or for any month thereafter, and in determining the amount of any such benefit payable to such individual for any such month, there shall not be taken into account—

(C) any wages paid to such individual or to any other individual in the calendar quarter in which such conviction occurs or in any prior calendar quarter, and

(D) any net earnings from self-employment derived by such individual or by any other individual during a taxable year in which such conviction occurs or during any prior taxable year.

(2) As soon as practicable after an additional penalty has, pursuant to paragraph (1), been imposed with respect to any individual, the Attorney General shall notify the Secretary of such imposition.

(3) If any individual with respect to whom an additional penalty has been imposed pursuant to paragraph (1) is granted a pardon of the offense by the President of the United States, such additional penalty shall not apply for any month beginning after the date on which such pardon is granted.

REDUCTION OF INSURANCE BENEFITS

Maximum Benefits

SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an insured individual is greater than the amount appearing in column V of the table in section 215(a) on the line on which appears in column IV such insured individual's primary insurance amount, such total of benefits shall be reduced to such amount; except that—

(1) 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 not be reduced to less than the smaller of: (A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or (B) the last figure in column V of the table appearing in section 215(a), or

(2) when any of such individuals was entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or section 223 for December 1958, and the primary insurance amount of the insured individual on the basis of whose wages and self-employment income such monthly benefits are payable is determined under the provisions of section 215(a)(2), then such total benefits shall not be reduced to less than the larger of—

(A) the amount determined under this subsection without regard to this paragraph, or

(B) the amount determined under this subsection as in effect prior to the enactment of the Social Security Amendments of 1958 or the amount determined under section 102 (h) of the Social Security Amendments of 1954, as the case may be, plus the excess of—

(i) the primary insurance amount of such insured individual in column IV of the table appearing in section 215 (a), over

(ii) his primary insurance amount determined under section 215 (c), or

(3) when any of such individuals is entitled (without the application of section 202 (j) (1) and section 223 (b)) to monthly benefits based on the wages and self-employment income of an insured individual with respect to whom a period of disability (as defined in section 216 (i)) began prior to January 1959 and continued until—

(A) he became entitled to benefits under section 202 or 223, or

(B) he died, which ever first occurred,

and the primary insurance amount of such insured individual is determined under the provisions of section 215 (a) (1) or (3) [and is not less than $68, then such total of benefits shall not be reduced to less than the smaller of], *then such total of benefits shall not be reduced to less than $99.10 if such primary insurance amount is $66, to less than $102.40 if such primary insurance amount is $67, to less than $106.50 if such primary insurance amount is $68, or, if such primary insurance amount is higher than $68, to less than the smaller of—*

(C) [the last figure in column V of the table appearing in section 215 (a)] *the amount determined under this subsection without regard to this paragraph, or $206.60, whichever is larger,* or

(D) the amount in column V of such table on the same line on which, in column IV, appears his primary insurance amount, plus the excess of—

(i) such primary insurance amount, over

(ii) the smaller amount in column II of the table on the line on which appears such primary insurance amount.

In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, such reduction shall be made after any deductions under this section and after any deductions under section 222 (b). Whenever a reduction is made under this subsection, each benefit, except the old-age or disability insurance benefit, shall be proportionately decreased.

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 Secretary 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-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-two and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States; or

(3) in which such individual, if a wife under age 65 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 and such wife's insurance benefit for such month was not reduced under the provisions of section 202 (q); 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.

For purposes of paragraphs (3), (4), and (5), a child shall not be considered to be entitled to a child's insurance benefit for any month in which an event specified in section 222(b) occurs with respect to such child. No deduction shall be made under this subsection from any child's insurance benefit for the month in which the child entitled to such benefit attained the age of eighteen or any subsequent month.

Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

(c)(1) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to old-age insurance benefits 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—

(A) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age

of seventy-two and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or

(B) in which the individual referred to in subparagraph (A) 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.

(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or from any mother's insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or mother's insurance benefit or benefits under section 202 for any month——

(A) in which such child or person entitled to mother's insurance benefit is married to an individual entitled to old-age insurance benefits under section 202(a) who is under the age of seventy-two and for which month such individual is charged with any earnings under the provisions of subsection (e) of this section, or

(B) in which such child or person entitled to mother's insurance benefits is married to the individual referred to in subparagraph (A) and on seven or more different calendar days of which such individual engaged in noncovered remunerative activity outside the United States.

Occurrence of More Than One Event

(d) If more than one of the events specified in subsections (b) and (c) and section 222 (b) 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 be treated as an event occurring in such month.

Months to Which Earnings Are Charged

(e) For the purposes of subsections (b) and (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 the product of [$100] *$150* times the number of months in such year, no month in such year shall be charged with any earnings.

(2) If an individual's earnings for a taxable year of twleve months are in excess of [$1,200,] *$1,800,* the amount of his earnings in excess of [$1,200] *$1,800* shall be charged to months as follows: The first $80 of such excess shall be charged to the first 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 succeeding 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] *$150* 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 first month of such taxable year, and the balance, if any, shall be charged at the rate of $80 per month to each succeeding 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 $100.

(3) (A) As used in paragragh (2), the term "first month of such taxable year" means the earliest 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 $100 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 earnings from self-employment and his net loss from self-employment for purposes of subparagraph (A) of this paragraph and subparagraph (B) of paragraph (3), the provisions of section 211, other than paragraphs (1), (4), and (5) of subsection (c), shall be applicable; and any excess of income over deductions resulting from such a computation shall be his net earnings from self-employment and any excess of deductions over income so resulting shall be his net loss from self-employment.

(C) For purposes of this subsection, an individual's wages shall be computed without regard to the limitations as to amounts of remuneration specified in subsections (a), (g)(2), (g)(3), (h)(2), and (j) of section 209; and in making such computation services which do not constitute employment as defined in section 210, performed within the United States by the individual as an employee or performed outside the United States in the active military or naval service of the United States, shall be deemed to

be employment as so defined if the remuneration for such services is not includible in computing his net earnings or net loss from self-employment.

(5) For purposes of this subsection, wages (determined as provided in paragraph (4)(C)) which, according to reports received by the Secretary, are paid to an individual during a taxable year shall be presumed to have been paid to him for services performed in such year until it is shown to the satisfaction of the Secretary that they were paid for services performed in another taxable year. If such reports with respect to an individual show his wages for a calendar year, such individual's taxable year shall be presumed to be a calendar year for purposes of this subsection until it is shown to the satisfaction of the Secretary that his taxable year is not a calendar year.

Penalty for Failure To Report Certain Events

(f) Any individual in receipt of benefits subject to deduction under subsection (b) [or (c)], (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event specified in subsection (b)(1) [or (c)(1)]), who fails to report such occurrence to the Secretary prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred, shall suffer an additional deduction equal to that imposed under subsection (b) [or (c)], except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

Report of Earnings to Secretary

(g)(1)(A) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (4) of subsection (e), in excess of the product of [$100] *$150* 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 fourth month following the close of such year, and shall contain such information and be made in such manner as the Secretary may by regulations prescribe. Such report need not be made for any taxable year (i) beginning with or after the month in which such individual attained the age of 72, or (ii) if benefit payments for all months (in such taxable year) in which such individual is under age 72 have been suspended under the provisions of the first sentence of paragraph (3) of this subsection.

(B) If the benefit payments of an individual have been suspended for all months in any taxable year under the provisions of the first sentence of paragraph (3) of subsection (g), no benefit payment shall be made to such individual for any such month in such taxable year after the expiration of the period of three years, three months, and fifteen days following the close of such taxable year unless within such period the individual, or some other person entitled to benefits under this title on the basis of the same wages and self-employment

income, files with the Secretary information showing that a benefit for such month is payable to such individual.

(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 Secretary 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 deductions imposed under subsection (b)(1) by reason of his earnings for such year, the Secretary may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Secretary may specify) of 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 Secretary has determined whether or not any deduction is imposed for such month under subsection (b). The Secretary 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 Secretary may specify, a declaration of his estimated earnings for the taxable year and that he furnish to the Secretary such other information with respect to such earnings as the Secretary may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (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 com-

puted 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.

Circumstances Under Which Deductions and Reductions Not Required

(h) In the case of any individual, deductions by reason of the provisions of subsection (b), (f), or (g) of this section, or the provisions of section 222(b), shall, notwithstanding such provisions, be made from the benefits to which such individual is entitled only to the extent that such deductions reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to such individual and the other individuals living in the same household.

(i) [Repealed.]

Attainment of Age Seventy-two

(j) For the purposes of this section, an individual shall be considered as seventy-two years of age during the entire month in which he attains such age.

Noncovered Remunerative Activity Outside the United States

(k) An individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services outside the United States as an employee and such services do not constitute employment as defined in section 210 and are not performed in the active military or naval service of the United States, 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 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) (1) (A) within the time prescribed therein shall not be regarded as such a failure if it is shown to the satisfaction of the Secretary that he had good cause for failing to make such report within such time. The determination of what constitutes good cause

for purposes of this subsection shall be made in accordance with regulations of the Secretary.

OVERPAYMENTS AND UNDERPAYMENTS

SEC. 204. (a) Whenever an error has been made with respect to payments to an individual under this title (including payments made prior to January 1, 1940), proper adjustments shall be made, under regulations prescribed by the Secretary, by increasing or decreasing subsequent payments to 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.

(b) There shall be no adjustment or recovery by the United States in any case where incorrect payment has been made to an individual who is without fault (including payments made prior to January 1, 1940), and where adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience.

(c) No certifying or disbursing officer shall be held liable for any amount certified or paid by him to any person where the adjustment or recovery of such amount is waived under subsection (b), or where adjustment under subsection (a) is not completed prior to the death of all persons against whose benefits deductions are authorized.

EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. (a) The Secretary 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.

(b) The Secretary is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Upon request by any such individual or upon request by a wife, widow, former wife divorced, husband, widower, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Secretary has rendered, he shall give such applicant and such other individual reasonable notice and opportunity for a hearing with respect to such decision, and, if a hearing is held, shall, on the basis of evidence adduced at the hearing, affirm, modify, or reverse his findings of fact and such decision. Any such request with respect to such a decision must be filed within such period after such decision as may be prescribed in regulations of the Secretary, except that the period so prescribed may not be less than six months after notice of such decision is mailed to the individual making such request. The Secretary is further authorized, on his own motion, to hold such hearings and to conduct such investigations and other proceedings as he may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, he may administer oaths and affirmations, examine wit-

nesses, and receive evidence. Evidence may be received at any hearing before the Secretary even though inadmissible under rules of evidence applicable to court procedure.

(c) (1) For the purposes of this subsection—

(A) The term "year" means a calendar year when used with respect to wages and a taxable year (as defined in section 211(c)) when used with respect to self-employment income.

(B) The term "time limitation" means a period of three years, three months, and fifteen days.

(C) The term "survivor" means an individual's spouse, former wife divorced, child, or parent, who survives such individual.

(2) On the basis of information obtained by or submitted to the Secretary, and after such verification thereof as he deems necessary, the Secretary shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor, or the legal representative of such individual or his estate, of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

(3) The Secretary's records shall be evidence for the purpose of proceedings before the Secretary or any court of the amounts of wages paid to, and self-employment income derived by, an individual and of the periods in which such wages were paid and such income was derived. The absence of an entry in such records as to wages alleged to have been paid to, or as to self-employment income alleged to have been derived by, an individual in any period shall be evidence that no such alleged wages were paid to, or that no such alleged income was derived by, such individual during such period.

(4) Prior to the expiration of the time limitation following any year the Secretary may, if it is brought to his attention that any entry of wages or self-employment income in his records for such year is erroneous or that any item of wages or self-employment income for such year has been omitted from such records, correct such entry or include such omitted item in his records, as the case may be. After the expiration of the time limitation following any year—

(A) the Secretary's records (with changes, if any, made pursuant to paragraph (5)) of the amounts of wages paid to, and self-employment income derived by, an individual during any period in such year shall be conclusive for the purposes of this title;

(B) the absence of an entry in the Secretary's records as to the wages alleged to have been paid by an employer to an individual during any period in such year shall be presumptive evidence for the purposes of this title that no such alleged wages were paid to such individual in such period; and

(C) the absence of an entry in the Secretary's records as to the self-employment income alleged to have been derived by an individual in such year shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such year unless it is shown that he filed a tax return of his self-employment income for such year before the

expiration of the time limitation following such year, in which case the Secretary shall include in his records the self-employment income of such individual for such year.

(5) After the expiration of the time limitation following any year in which wages were paid or alleged to have been paid to, or self-employment income was derived or alleged to have been derived by, an individual, the Secretary may change or delete any entry with respect to wages or self-employment income in his records of such year for such individual or include in his records of such year for such individual any omitted item of wages or self-employment income but only—

(A) if an application for monthly benefits or for a lump-sum death payment was filed within the time limitation following such year; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon the application for monthly benefits or lump-sum death payment;

(B) if within the time limitation following such year an individual or his survivor makes a request for a change or deletion, or for an inclusion of an omitted item, and alleges in writing that the Secretary's records of the wages paid to, or the self-employment income derived by, such individual in such year are in one or more respects erroneous; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon such request. Written notice of the Secretary's decision on any such request shall be given to the individual who made the request;

(C) to correct errors apparent on the face of such records;

(D) to transfer items to records of the Railroad Retirement Board if such items were credited under this title when they should have been credited under the Railroad Retirement Act, or to enter items transferred by the Railroad Retirement Board which have been credited under the Railroad Retirement Act when they should have been credited under this title;

(E) to delete or reduce the amount of any entry which is erroneous as a result of fraud;

[(F) to conform his records to tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code of 1939, or chapters 2 and 21 of the Internal Revenue Code of 1954 or under regulations made under authority of such title or subchapter or chapter, and to information returns filed by a State pursuant to an agreement under section 218 or regulations of the Secretary thereunder; except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Secretary's records pursuant to this subparagraph;]

(F) to conform his records to—

(i) tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A of chapter 9

of the Internal Revenue Code of 1939, under chapter 2 or 21 of the Internal Revenue Code of 1954, or under regulations made under authority of such title, subchapter, or chapter;

(ii) wage reports filed by a State pursuant to an agreement under section 218 or regulations of the Secretary thereunder; or

(iii) assessments of amounts due under an agreement pursuant to section 218, if such assessments are made within the period specified in subsection (q) of such section, or allowances of credits or refunds of overpayments by a State under an agreement pursuant to such section;

except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Secretary's records pursuant to this subparagraph;

(G) to correct errors made in the allocation, to individuals or periods, of wages or self-employment income entered in the records of the Secretary;

(H) to include wages paid during any period in such year to an individual by an employer if there is an absence of an entry in the Secretary's records of wages having been paid by such employer to such individual in such period;

(I) to enter items which constitute remuneration for employment under subsection (o), such entries to be in accordance with certified reports of records made by the Railroad Retirement Board pursuant to section 5 (k) (3) of the Railroad Retirement Act of 1937; or

(J) to include self-employment income for any taxable year, up to, but not in excess of, the amount of wages deleted by the Secretary as payments erroneously included in such records as wages paid to such individual, if such income (or net earnings from self-employment, not already included in such records as self-employment income, is included in a return or statement (referred to in subparagraph (F)) filed before the expiration of the time limitation following the taxable year in which such deletion of wages is made.

(6) Written notice of any deletion or reduction under paragraph (4) or (5) shall be given to the individual whose record is involved or to his survivor, except that (A) in the case of a deletion or reduction with respect to any entry of wages such notice shall be given to such individual only if he has previously been notified by the Secretary of the amount of his wages for the period involved, and (B) such notice shall be given to such survivor only if he or the individual whose record is involved has previously been notified by the Secretary of the amount of such individual's wages and self-employment income for the period involved.

(7) Upon request in writing (within such period, after any change or refusal of a request for a change of his records pursuant to this subsection, as the Secretary may prescribe), opportunity for hearing with respect to such change or refusal shall be afforded to any individual or his survivor. If a hearing is held pursuant to this paragraph the Secretary shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall include any omitted items, or change or delete any entry, in his records as may be required by such findings and decision.

(8) Decisions of the Secretary under this subsection shall be reviewable by commencing a civil action in the United States district court as provided in subsection (g).

(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within his jurisdiction hereunder, the Secretary shall have power to issue subpenas requiring the attendance and testimony of witnesses and the production of any evidence that relates to any matter under investigation or in question before the Secretary. Such attendance of witnesses and production of evidence at the designated place of such hearing, investigation, or other proceeding may be required from any place in the United States or in any Territory or possession thereof. Subpenas of the Secretary shall be served by anyone authorized by him (1) by delivering a copy thereof to the individual named therein, or (2) by registered mail addressed to such individual at his last dwelling place or principal place of business. A verified return by the individual so serving the subpena setting forth the manner of service, or, in the case of service by registered mail, the returned post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpenaed shall be paid the same fees and mileage as are paid witnesses in the district courts of the United States.

(e) In case of contumacy by, or refusal to obey a subpena duly served upon, any person, any district court of the United States for the judicial district in which said person charged with contumacy or refusal to obey is found or resides or transacts business, upon application by the Secretary, shall have jurisdiction to issue an order requiring such person to appear and give testimony, or to appear and produce evidence, or both; any failure to obey such order of the court may be punished by said court as contempt thereof.

(f) No person so subpenaed or ordered shall be excused from attending and testifying or from producing books, records, correspondence, documents, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no person shall be prosecuted or subjected to any penalty or forfeiture for, or on account of, any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, except that such person so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

(g) Any individual, after any final decision of the Secretary made after a hearing to which he was a party, irrespective of the amount in controversy, may obtain a review of such decision by a civil action commenced within sixty days after the mailing to him of notice of such decision or within such further time as the Secretary may allow. Such action shall be brought in the district court of the United States for the judicial district in which the plaintiff resides, or has his principal place of business, or, if he does not reside or have his principal place of business within any such judicial district, in the District Court of the United States for the District of Columbia. As part of his answer the Secretary shall file a certified copy of the transcript of the record including the evidence upon which the findings and decision complained of are based. The court shall have power to enter,

upon the pleadings and transcript of the record, a judgment affirming, modifying, or reversing the decision of the Secretary, with or without remanding the cause for a rehearing. The findings of the Secretary as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Secretary or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Secretary, because of failure of the claimant or such individual to submit proof in conformity with any regulation prescribed under subsection (a) hereof, the court shall review only the question of conformity with such regulations and the validity of such regulations. The court shall, on motion of the Secretary made before he files his answer, remand the case to the Secretary for further action by the Secretary, and may, at any time, on good cause shown, order additional evidence to be taken before the Secretary, and the Secretary shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm his findings of fact or his decision, or both, and shall file with the court any such additional and modified findings of fact and decision, and a transcript of the additional record and testimony upon which his action in modifying or affirming was based. Such additional or modified findings of fact and decision shall be reviewable only to the extent provided for review of the original findings of fact and decision. The judgment of the court shall be final except that it shall be subject to review in the same manner as a judgment in other civil actions. *Any action instituted in accordance with this subsection shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.*

(h) The findings and decision of the Secretary after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Secretary shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Secretary, or any officer or employee thereof shall be brought under section 24 of the Judicial Code of the United States to recover on any claim arising under this title.

(i) Upon final decision of the Secretary, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Secretary shall certify to the Managing Trustee the name and address of the person so entitled to receive such payment or payments, the amount of such payment or payments, and the time at which such payment or payments should be made, and the Managing Trustee, through the Fiscal Service of the Treasury Department, and prior to any action thereon by the General Accounting Office, shall make payment in accordance with the certification of the Secretary: *Provided*, That where a review of the Secretary's decision is or may be sought under subsection (g) the Secretary may withhold certification of payment pending such review. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Secretary.

(j) When it appears to the Secretary that the interest of an applicant entitled to a payment would be served thereby, certification of payment may be made, regardless of the legal competency or incompetency of the individual entitled thereto, either for direct payment

to such applicant, or for his use and benefit to a relative or some other person.

(k) Any payment made after December 31, 1939, under conditions set forth in subsection (j), any payment made before January 1, 1940, to, or on behalf of, a legally incompetent individual, and any payment made after December 31, 1939, to a legally incompetent individual without knowledge by the Secretary of incompetency prior to certification of payment, if otherwise valid under this title, shall be a complete settlement and satisfaction of any claim, right, or interest in and to such payment.

(l) The Secretary is authorized to delegate to any member, officer or employee of the Department of Health, Education, and Welfare designated by him any of the powers conferred upon him by this section, and is authorized to be represented by his own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

(m) [Repealed.]

(n) The Secretary may, in his discretion, certify to the Managing Trustee any two or more individuals of the same family for joint payment of the total benefits payable to such individuals.

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)(9) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under subsection (a) or (e) of section 217 of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages and self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.

Special Rules in Case of Federal Service

(p)(1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, including service, performed as a member of a uniformed service, to which the provisions of subsection (m)(1) of such section are applicable, the Secretary shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or the periods in

which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 3122 of the Internal Revenue Code of 1954 and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

(2) The head of any such agency or instrumentality is authorized and directed, upon written request of the Secretary, to make certification to him with respect to any matter determinable for the Secretary by such head or his agents under this subsection, which the Secretary finds necessary in administering this title.

(3) The provisions of paragraphs (1) and (2) 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 paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality. The provisions of paragraphs (1) and (2) shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of paragraphs (1) and (2) the Secretary of the Treasury shall be deemed to be the head of such instrumentality.

REPRESENTATION OF CLAIMANTS BEFORE THE SECRETARY

SEC. 206. The Secretary may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Secretary, and may require of such agents or other persons, before being recognized as representatives of claimants that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimant valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good standing who is admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Secretary. The Secretary may, after due notice and opportunity for hearing, suspend or prohibit from further practice before him any such person, agent, or attorney who refuses to comply with the Secretary's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Secretary may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in

connection with any claim before the Secretary under this title, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this title by word, circular, letter, or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee, prescribed by the Secretary shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding $500 or by imprisonment not exceeding one year, or both.

ASSIGNMENT

SEC. 207. The right of any person to any future payment under this title shall not be transferable or assignable, at law or in equity, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

PENALTIES

SEC. 208. Whoever—

(a) 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 of 1939, or chapter 2 or 21 or subtitle F of the Internal Revenue Code of 1954) as to—

(1) whether wages were paid or received for employment (as said terms are defined in this title and the Internal Revenue Code), or the amount of wages or the period during which paid or the person to whom paid; or

(2) whether net earnings from self-employment (as such term is defined in this title and in the Internal Revenue Code) were derived, or as to the amount of such net earnings or the period during which or the person by whom derived; or

(3) whether a person entitled to benefits under this title had earnings in or for a particular period (as determined under section 203 (e) of this title for purposes of deductions from benefits), or as to the amount thereof; or

(b) makes or cause to be made any false statement or representation of a material fact in any application for any payment or for a disability determination under this title; or

(c) at any time makes or causes to be made any false statement or representation of a material fact for use in determining rights to payment under this title; or

(d) having knowledge of the occurrence of any event affecting (1) his initial or continued right to any payment under this title, or (2) the initial or continued right to any payment of any other individual in whose behalf he has applied for or is receiving

such payment, conceals or fails to disclose such event with an intent fraudulently to secure payment either in a greater amount than is due or when no payment is authorized; or

(e) having made application to receive payment under this title for the use and benefit of another and having received such a payment, knowingly and willfully converts such a payment, or any part thereof, to a use other than for the use and benefit of such other person:

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 and prior to 1959, is paid to such individual during such calendar year;

(3) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $4,800 with respect to employment has been paid to an individual during any calendar year after 1958, is paid to such individual during such calendar year;

(b) 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 (1) retirement, or (2) sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

(c) 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;

(d) 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 six calendar months following the last calendar month in which the employee worked for such employer;

(e) Any payment made to, or on behalf of, an employee or his beneficiary (1) from or to a trust exempt from tax under section 165(a) of the Internal Revenue Code of 1939 at the time of such payment or, in the case of a payment after 1954, under sections 401 and 501(a) of the Internal Revenue Code of 1954, 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 (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165(a) (3), (4), (5), and (6) of the Internal Revenue Code of 1939 or, in the case of a payment after 1954, the requirements of sections 401 and 501(a) of the Internal Revenue Code of 1954;

(f) The payment by an employer (without deduction from the remuneration of the employee) (1) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code of 1939, or in the case of a payment after 1954 under section 3101 of the Internal Revenue Code of 1954, or (2) of any payment required from an employee under a State unemployment compensation law;

(g)(1) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this paragraph, the term "domestic service in a private home of the employer" does not include service described in section 210(f)(5);

(3) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this paragraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in section 210(f)(5);

(h)(1) Remuneration paid in any medium other than cash for agricultural labor;

(2) Cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless (A) the cash remuneration paid in such year by the employer to the employee for such labor is $150 or more, or (B) the employee performs agricultural labor for the employer on twenty days or more during such year for cash remuneration computed on a time basis;

(i) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains retirement age (as defined in section 216 (a)), if he did not work for the employer in the period for which such payment is made. As used

in this subsection, the term "sick pay" includes remuneration for service in the employ of a State, a political subdivision (as defined in section 218 (b)(2)) of a State, or an instrumentality of two or more States, paid to an employee thereof for a period during which he was absent from work because of sickness, or

(j) Remuneration paid by an employer in any quarter to an employee for service described in section 210(k)(3)(C) (relating to home workers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50.

For purposes of this title, in the case of domestic service described in subsection (g)(2), 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 title, 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 (g)(2).

For purposes of this title, in the case of an individual performing service, as a member of a uniformed service, to which the provisions of section 210(m)(1) are applicable, the term "wages" shall, subject to the provisions of subsection (a) of this section, include as such individual's remuneration for such service only his basic pay as described in section 102(10) of the Servicemen's and Veterans' Survivor Benefits 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 (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) Service performed by foreign agricultural workers (A) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended, or (B) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies, or from any other foreign country or possession thereof, on a temporary basis to perform agricultural labor;

(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 performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

(4) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not a citizen of the United States or (ii) the employer is not an American employer;

(5) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 3111 of the Internal Revenue Code of 1954 by virtue of any provision of law which specifically refers to such section in granting such exemption;

(6) (A) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

(B) Service performed by an individual 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, and if such service is covered by a retirement system established by such instrumentality; 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 Federal land bank, a Federal intermediate credit bank, a bank for cooperatives,* a national farm loan association, a production credit association, a Federal Reserve Bank, a Federal Home Loan Bank, or a Federal Credit Union;

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

(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; or

(v) service performed by a civilian employee not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;

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

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

(ii) in the legislative branch;

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

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

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

(vi) by any individual to whom the Civil Service Retirement Act does not apply because such individual is subject to another retirement system (other than the retirement system of the Tennessee Valley Authority);

(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 described in section 501(c)(3) of the Internal Revenue Code of 1954, which is exempt from income tax under section 501(a) of such Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 3121(k) of the Internal Revenue Code of 1954, 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 3221(k),

(ii) who became an employee of such organization after the calendar quarter in which the certificate (other than a certificate referred to in clause (iii)) was filed, or

(iii) who, after the calendar quarter in which the certificate was filed with respect to a group described in paragraph (1)(E) of such section 3121(k), became a member of such group,

except that this subparagraph shall apply with respect to service performed by an employee as a member of a group described in paragraph (1)(E) of such section 3121(k) with respect to which no certificate is in effect;

(9) Service performed by an individual as an employee or employee representative as defined in section 3231 of the Internal Revenue Code of 1954;

(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 501 of the Internal Revenue Code of 1954, 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 sim-

ilar 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 chartered 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;

(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);

(16) Service performed by an individual under an arrangement with the owner or tenant of land pursuant to which—

(A) such individual undertakes to produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land,

(B) the agricultural or horticultural commodities produced by such individual, or the proceeds therefrom, are to be divided between such individual and such owner or tenant, and

(C) the amount of such individual's share depends on the amount of the agricultural or horticultural commodities produced, or

(17) Service in the employ of any organization which is performed (A) in any quarter during any part of which such organization is registered, or there is in effect a final order of the

Subversive Activities Control Board requiring such organization to register, under the Internal Security Act of 1950, as amended, as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization, and (B) after June 10, 1956.

(18) Service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual under the age of sixteen.

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 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).

American Vessel

(c) 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 or 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.

American Aircraft

(d) The term "American aircraft" means an aircraft registered under the laws of the United States.

American Employer

(e) The term "American employer" means an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

Agricultural Labor

(f) 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 or 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, 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 the 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 twenty at any time during the calendar quarter in which such service is performed.

(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.

The provisions of subparagraphs (A) and (B) of paragraph (4) 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.

Farm

(g) 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

State

(h) The term "State" includes Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such terms includes Puerto Rico.

United States

(i) The term "United States" when used in a geographical sense means the States, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

Citizen of Puerto Rico

(j) 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 shall not be considered, for the purposes of this section as a citizen of the United States prior to the effective date specified in section 219.

Employee

(k) The term "employee" means—

(1) any officer of a corporation; or

(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or

(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

(B) as a full-time life insurance salesman;

(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him; or

(D) as a traveling or city salesman, other than as an agent-driver or commission-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.

Covered Transportation Service

(l) (1) 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) 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 is, 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 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) 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) For the 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 title, and some of such employees become 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.

Service in the Uniformed Services

(m)(1) Except as provided in paragraph (4), the term "employment" shall, notwithstanding the provisions of subsection (a) of this section, include service performed after December 1956 by an individual as a member of a uniformed service on active duty; but such term shall not include any such service which is performed while on leave without pay.

(2) The term "active duty" means "active duty" as described in section 102 of the Servicemen's and Veterans' Survivor Benefits Act, except that it shall also include "active duty for training" as described in such section.

(3) The term "inactive duty training" means "inactive duty training" as described in such section 102.

(4) (A) Paragraph (1) of this subsection shall not apply in the case of any service, performed by an individual as a member of a uniformed service, which is creditable under section 4 of the Railroad Retirement Act of 1937. The Railroad Retirement Board shall notify the Secretary of Health, Education, and Welfare, as provided in section 4(p)(2) of that Act, with respect to all such service which is so creditable.

(B) In any case where benefits under this title are already payable on the basis of such individual's wages and self-employment income at the time such notification (with respect to such individual) is received by the Secretary, the Secretary shall certify no further benefits for payment under this title on the basis of such individual's wages and self-employment income, or shall recompute the amount of any further benefits payable on the basis of such wages and self-employment income, as may be required as a consequence of subparagraph (A) of this paragraph. No payment of a benefit to any person on the basis of such individual's wages and self-employment income, certified by the Secretary prior to the end of the month in which he receives such notification from the Railroad Retirement Board, shall be deemed by reason of this subparagraph to have been an erroneous

payment or a payment to which such person was not entitled. The Secretary shall, as soon as possible after the receipt of such notification from the Railroad Retirement Board, advise such Board whether or not any such benefit will be reduced or teminated by reason of subparagraph (A), and if any such benefit will be so reduced or terminated, specify the first month with respect to which such reduction or termination will be effective.

Member of a Uniformed Service

(n) The term "member of a uniformed service" means any person appointed, enlisted, or inducted in a component of the Army, Navy, Air Force, Marine Corps, or Coast Guard (including a reserve component of a uniformed service as defined in section 102(3) of the Servicemen's and Veterans' Survivor Benefits Act), or in one of those services without specification of component, or as a commissioned officer of the Coast and Geodetic Survey or the Regular or Reserve Corps of the Public Health Service, and any person serving in the Army or Air Force under call or conscription. The term includes—

(1) a retired member of any of those services;

(2) a member of the Fleet Reserve or Fleet Marine Corps Reserve;

(3) a cadet at the United States Military Academy, a midshipman at the United States Naval Academy, and a cadet at the United States Coast Guard Academy or United States Air Force Academy;

(4) a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps, or the Air Force Reserve Officers' Training Corps, when ordered to annual training duty for fourteen days or more, and while performing authorized travel to and from that duty; and

(5) any person while en route to or from, or at, a place for final acceptance or for entry upon active duty in the military or naval service—

(A) who has been provisionally accepted for such duty; or

(B) who, under the Universal Military Training and Service Act, has been selected for active military or naval service;

and has been ordered or directed to proceed to such place.

The term does not include a temporary member of the Coast Guard Reserve.

Crew Leader

(o) The term "crew leader" means an individual who furnishes individuals to perform agricultural labor for another person, if such individual pays (either on his own behalf or on behalf of such person) the individuals so furnished by him for the agricultural labor performed by them and if such individual has not entered into a written agreement with such person whereby such individual has been designated as an employee of such person; and such individuals furnished by the crew leader to perform agricultural labor for another person shall be deemed to be the employees of such crew leader. A crew leader shall, with respect to services performed in furnishing individuals to perform agricultural labor for another person and

services performed as a member of the crew, be deemed not to be an employee of such other person.

SELF-EMPLOYMENT

SEC. 211. For the purposes of this title—

Net Earnings From Self-Employment

(a) The term "net earnings from self-employment" means the gross income, as computed under Subtitle A of the Internal Revenue Code of 1954, derived by an individual from any trade or business carried on by such individual, less the deduction allowed under such 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) of the Internal Revenue Code of 1954, 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 and from personal property leased with the real estate (including such rentals paid in crop shares), together with the deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer; except that the preceding provisions of this paragraph shall not apply to any income derived by the owner or tenant of land if (A) such income is derived under an arrangement, between the owner or tenant and another individual, which provides that such other individual shall produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land, and that there shall be material participation by the owner or tenant in the production or the management of the production of such agricultural or horticultural commodities, and (B) there is material participation by the owner or tenant with respect to any such agricultural or horticultural commodity;

(2) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 35 of the Internal Revenue Code of 1954) are received in the course of a trade of business as a dealer in stocks or securities;

(3) There shall be excluded any gain or loss (A) which is considered under Subtitle A of the Internal Revenue Code of 1954 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 1231 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) The deduction for net operating losses provided in section 172 of such code shall not be allowed;

(5)(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 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;

(6)(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 931 of the Internal Revenue Code of 1954 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 933 of such code;

(7) An individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order shall compute his net earnings from self-employment derived from the performance of service described in subsection (c)(4) without regard to section 107 (relating to rental value of parsonages) and section 119 (relating to meals and lodging furnished for the convenience of the employer) of the Internal Revenue Code of 1954 and, in addition, if he is a citizen of the United States performing such service as an employee of an American employer (as defined in section 210(e)) or as a minister in a foreign country who has a congregation which is composed predominantly of citizens of the United States, without regard to section 911 (relating to earned income from sources without the United States) and section 931 (relating to income from sources within possessions of the United States) of 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. In the case of any trade or business which is carried on by an individual or by a partnership and in which, if such trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210(f)—

(i) in the case of an individual, if the gross income derived by him from such trade or business is not more than $1,800, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be 66⅔ percent of such gross income; or

(ii) in the case of an individual, if the gross income derived by him from such trade or business is more than $1,800 and the net earnings from self-employment derived by him from such trade or business (computed under this subsection without regard to this sentence) are less than $1,200, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be $1,200; and

(iii) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) of the Internal Revenue Code of 1954 applies) is not more than $1,800, his distributive share of income described in section 702(a)(9) of such Code derived from such trade or business may, at his option, be deemed to be an amount equal to 66⅔ percent of his distributive share of such gross income (after such gross income has been so reduced); or

(iv) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) of the Internal Revenue Code of 1954 applies) is more than $1,800 and his distributive share (whether or not distributed) of income described in section 702(a)(9) of such Code derived from such trade or business (computed under this subsection without regard to this sentence) is less than $1,200, his distributive share of income described in such section 702(a)(9) derived from such trade or business may, at his option, be deemed to be $1,200.

For purposes of the preceding sentence, gross income means—

(v) in the case of any such trade or business in which the income is computed under a cash receipts and disbursements method, the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the provisions of paragraphs (1) through (6) of this subsection; and

(vi) in the case of any such trade or business in which the income is computed under an accrual method, the gross income from such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (6) of this subsection;

and, for purposes of such sentence, if an individual (including a member of a partnership) derives gross income from more than one such

trade or business, such gross income (including his distributive share of the gross income of any partnership derived from any such trade or business) shall be deemed to have been derived from one trade or business.

Self-Employment Income

(b) The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after 1950; except that such term shall not include—

(1) That part of the net earnings from self-employment which is in excess of—

(A) For any taxable year ending prior to 1955, (i) $3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(B) For any taxable year ending after 1954 and prior to 1959, (i) $4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(C) For any taxable year ending after 1958, (i) $4,800, 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.

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

(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 162 of the Internal Revenue Code of 1954, 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 210(a)(14)(B) performed by an individual who has attained the age of eighteen, service described in section 210(a) (16), and service described in paragraph (4) of this subsection);]

(2) The performance of service by an individual as an employee, other than—

(A) service described in section 210(a)(14)(B) performed by an individual who has attained the age of eighteen,

(B) service described in section 210(a)(16),

(C) service described in section 210(a)(11) or (12) performed in the United States by a citizen of the United States, and

(D) 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 of the Internal Revenue Code of 1954.

(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 doctor of medicine or Christian Science practitioner; or the performance of such service by a partnership.

The provisions of paragraph (4) or (5) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by such individual under section 1402(e) of the Internal Revenue Code of 1954 is in effect. The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during the period for which a certificate filed by him under section 1402(e) of the Internal Revenue Code of 1954 is in effect.

Partnership and Partner

(d) The term "partnership" and the term "partner" shall have the same meaning as when used in subchapter K of chapter 1 of the Internal Revenue Code of 1954.

Taxable Year

(e) The term "taxable year" shall have the same meaning as when used in subtitle A of the Internal Revenue Code of 1954; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of subtitle A of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such subtitle A.

Partner's Taxable Year Ending as Result of Death

(f) In computing a partner's net earnings from self-employment for his taxable year which ends as a result of his death (but only if such taxable year ends within, and not with, the taxable year of the partnership), there shall be included so much of the deceased partner's distributive share of the partnership's ordinary income or loss for the partnership taxable year as is not attributable to an interest in the partnership during any period beginning on or after the first day of the first calendar month following the month in which such partner died. For purposes of this subsection—

(1) in determining the portion of the distributive share which is attributable to any period specified in the preceding sentence, the ordinary income or loss of the partnership shall be treated as

having been realized or sustained ratably over the partnership taxable year; and

(2) the term "deceased partner's distributive share" includes the share of his estate or of any other person succeeding, by reason of his death, to rights with respect to his partnership interest.

CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR QUARTERS

SEC. 212. For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year shall be credited to calendar quarters as follows:

(a) In the case of a taxable year which is a calendar year the self-employment income of such taxable year shall be credited equally to each quarter of such calendar year.

(b) In the case of any other taxable year the self-employment income shall be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

QUARTER AND QUARTER OF COVERAGE

Definitions

SEC. 213. (a) For the purpose 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 (except wages for agricultural labor paid after 1954) 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]

(2) The term "quarter of coverage" means a quarter in which the individual has been paid $50 or more in wages (except wages for agricultural labor paid after 1954) 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 $3,000 in the case of a calendar year before 1951, or $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 and before 1959, or $4,800 in the case of a calendar year after 1958, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals $3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or $4,200 in the case of a taxable year ending after 1954 and before 1959, or $4,800 in the case of a taxable year ending after 1958, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;

(iv) if an individual is paid wages for agricultural labor in a calendar year after 1954, then, subject to clause (i), (a) the last quarter of such year which can be but is not otherwise a quarter of coverage shall be a quarter of coverage if such wages equal or exceed $100 but are less than $200; (b) the last two quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed $200 but are less than $300; (c) the last three quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed $300 but are less than $400; and (d) each quarter of such year which is not otherwise a quarter of coverage shall be a quarter of coverage if such wages are $400 or more; and

(v) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

If, in the case of any individual who has attained retirement age or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216 (i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters.

Crediting of Wages Paid in 1937

(b) With respect to wages paid to an individual in the six-month periods commencing either January 1, 1937, or July 1, 1937; (A) if wages of not less than $100 were paid in any such period, one-half of the total amount thereof shall be deemed to have been paid in each of the calendar quarters in such period; and (B) if wages of less than $100 were paid in any such period, the total amount thereof shall be deemed to have been paid in the latter quarter of such period, except that if in any such period, the individual attained age sixty-five, all of the wages paid in such period shall be deemed to have been paid before such age was attained.

INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SEC. 214. For the purposes of this title—

Fully Insured Individual

[(a)(1) In the case of any individual who died prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.

[(2) In the case of any individual who did not die prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than—

[(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

[(B) forty quarters of coverage,

not counting as an elapsed quarter for purposes of subparagraph (A) any quarter any part of which was included in a period of disability (as defined in 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 but four of the quarters elapsing after 1954 and prior to (i) July 1, 1957, or (ii) if later, the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage, but only if not fewer than six of such quarters so elapsing are quarters of coverage.

[(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.]

(a) The term "fully insured individual" means any individual who had not less than—

(1) one quarter of coverage (whenever acquired) for each two of the quarters elapsing—

(A) after (i) December 31, 1950, or (ii) if later, December 31 of the year in which he attained the age of twenty-one, and

(B) prior to (i) the year in which he died, or (ii) if earlier, the year in which he attained retirement age,

except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

(2) forty quarters of coverage; or

(3) in the case of an individual who died prior to September 1, 1950, six quarters of coverage;

not counting as an elapsed quarter for purposes of subparagraph (1) 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. When the number of elapsed quarters referred to in subparagraph (1) is not a multiple of two such number shall, for purposes of such subparagraph, be reduced to the next lower multiple of two.

Currently Insured Individual

(b) The term "currently insured individual" means any individual who has 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, (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, or (4) in the case of any individual entitled to disability insurance benefits, the quarter in which he most recently became entitled to disability insurance benefits, 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

SEC. 215. For the purposes of this title—

(a) Subject to the conditions specified in subsections (b), (c), and (d) of this section, the primary insurance amount of an insured individual shall be whichever of the following is the largest:

(1) The amount in column IV on the line on which in column III of the following table appears his average monthly wage (as determined under subsection (b));

(2) The amount in column IV on the line on which in column II of the following table appears his primary insurance amount (as determined under subsection (c));

(3) The amount in column IV on the line on which in column I of the following table appears his primary insurance benefit (as determined under subsection (d)); or

(4) In the case of an individual who was entitled to a disability insurance benefit for the month before the month in which

he became entitled to old-age insurance benefits or died, the amount in column IV which is equal to his disability insurance benefit.

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1954 Act)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
----------	$10.00	----------	$30.00	----------	$54	$33	$53.00
$10.01	10.48	$30.10	31.00	$55	56	34	54.00
10.49	11.00	31.10	32.00	57	58	35	55.00
11.01	11.48	32.10	33.00	59	60	36	56.00
11.49	12.00	33.10	34.00	61	61	37	57.00
12.01	12.48	34.10	35.00	62	63	38	58.00
12.49	13.00	35.10	36.00	64	65	39	59.00
13.01	13.48	36.10	37.00	66	67	40	60.00
13.49	14.00	37.10	38.00	68	69	41	61.50
14.01	14.48	38.10	39.00	70	70	42	63.00
14.49	15.00	39.10	40.00	71	72	43	64.50
15.01	15.60	40.10	41.00	73	74	44	66.00
15.61	16.20	41.10	42.00	75	76	45	67.50
16.21	16.84	42.10	43.00	77	78	46	69.00
16.85	17.60	43.10	44.00	79	80	47	70.50
17.61	18.40	44.10	45.00	81	81	48	72.00
18.41	19.24	45.10	46.00	82	83	49	73.50
19.25	20.00	46.10	47.00	84	85	50	75.00
20.01	20.64	47.10	48.00	86	87	51	76.50
20.65	21.28	48.10	49.00	88	89	52	78.00
21.29	21.88	49.10	50.00	90	90	53	79.50
21.89	22.28	50.10	50.90	91	92	54	81.00
22.29	22.68	51.00	51.80	93	94	55	82.50
22.69	23.08	51.90	52.80	95	96	56	84.00
23.09	23.44	52.90	53.70	97	97	57	85.50
23.45	23.76	53.80	54.60	98	99	58	87.00
23.77	24.20	54.70	55.60	100	101	59	88.50
24.21	24.60	55.70	56.50	102	102	60	90.00
24.61	25.00	56.60	57.40	103	104	61	91.50
25.01	25.48	57.50	58.40	105	106	62	93.00
25.49	25.92	58.50	59.30	107	107	63	94.50
25.93	26.40	59.40	60.20	108	109	64	96.00
26.41	26.94	60.30	61.20	110	113	65	97.50
26.95	27.46	61.30	62.10	114	118	66	99.00
27.47	28.00	62.20	63.00	119	122	67	100.50
28.01	28.68	63.10	64.00	123	127	68	102.00
28.69	29.25	64.10	64.90	128	132	69	105.60
29.26	29.68	65.00	65.80	133	136	70	108.80
29.69	30.36	65.90	66.80	137	141	71	112.80
30.37	30.92	66.90	67.70	142	146	72	116.80
30.93	31.36	67.80	68.60	147	150	73	120.00
31.37	32.00	68.70	69.60	151	155	74	124.00
32.01	32.60	69.70	70.50	156	160	75	128.00
32.61	33.20	70.60	71.40	161	164	76	131.20
33.21	33.88	71.50	72.40	165	169	77	135.20
33.89	34.50	72.50	73.30	170	174	78	139.20
34.51	35.00	73.40	74.20	175	178	79	142.40
35.01	35.80	74.30	75.20	179	183	80	146.40
35.81	36.40	75.30	76.10	184	188	81	150.40
36.41	37.08	76.20	77.10	189	193	82	154.40
37.09	37.60	77.20	78.00	194	197	83	157.60
37.61	38.20	78.10	78.90	198	202	84	161.60
38.21	39.12	79.00	79.90	203	207	85	165.60
39.13	39.68	80.00	80.80	208	211	86	168.80
39.69	40.33	80.90	81.70	212	216	87	172.80
40.34	41.12	81.80	82.70	217	221	88	176.80
41.13	41.76	82.80	83.60	222	225	89	180.00

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1954 Act)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
$41.77	$42.44	$83.70	$84.50	$226	$230	$90	$184.00
42.45	43.20	84.60	85.50	231	235	91	188.00
43.21	43.76	85.60	86.40	236	239	92	191.20
43.77	44.41	86.50	87.30	240	244	93	195.20
44.45	44.88	87.40	88.30	245	249	94	199.20
44.89	45.60	88.40	89.20	250	253	95	202.40
		89.30	90.10	254	258	96	206.40
		90.20	91.10	259	263	97	210.40
		91.20	92.00	264	267	98	213.60
		92.10	92.90	268	272	99	217.60
		93.00	93.90	273	277	100	221.60
		94.00	94.80	278	281	101	224.80
		94.90	95.80	282	286	102	228.80
		95.90	96.70	287	291	103	232.80
		96.80	97.60	292	295	104	236.00
		97.70	98.60	296	300	105	240.00
		98.70	99.50	301	305	106	244.00
		99.60	100.40	306	309	107	247.20
		100.50	101.40	310	314	108	251.20
		101.50	102.30	315	319	109	254.00
		102.40	103.20	320	323	110	254.00
		103.30	104.20	324	328	111	254.00
		104.30	105.10	329	333	112	254.00
		105.20	106.00	334	337	113	254.00
		106.10	107.00	338	342	114	254.00
		107.10	107.90	343	347	115	254.00
		108.00	108.50	348	351	116	254.00
				352	356	117	254.00
				357	361	118	254.00
				362	365	119	254.00
				366	370	120	254.00
				371	375	121	254.00
				376	379	122	254.00
				380	384	123	254.00
				385	389	124	254.00
				390	393	125	254.00
				394	398	126	254.00
				399	400	127	254.00

[Average Monthly Wage

[(b)(1) For the purposes of column III of the table appearing in subsection (a) of this section, 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—

[(A) the months 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

[(B) the months in any year any part of which was included in a period of disability except the months in the year in which

such period of disability began if their inclusion in such elapsed months (together with the inclusion of the wages paid in and self-employment income credited to such year) will result in a higher primary insurance amount.

Notwithstanding the preceding provisions of this paragraph when the number of the elapsed months computed under such provisions (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 in which he both was fully insured and had attained retirement age:

except that if the Secretary determines, on the basis of the evidence available to him at the time of the computation of the individual's primary insurance amount with respect to which such closing date is applicable, that it would result in a higher primary insurance amount for such individual, his closing date shall be the first day of the year following the year referred to in subparagraph (A).

[(4) In the case of any individual, the Secretary shall determine the five 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.

[(5) The provisions of this subsection shall be applicable only in the case of an individual with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and—

[(A) who becomes entitled to benefits under section 202(a) or section 223 after December 1958, or

[(B) who dies after such month without being entitled to benefits under such section 202(a) or section 223, or

[(C) who files an application for a recomputation under section 215(f)(2)(A) after such month and is (or would, but for the provisions of section 215(f)(6), be) entitled to have his primary insurance amount recomputed under such section, or

[(D) who dies after such month and whose survivors are (or would, but for the provisions of section 215(f)(6), be) entitled to a recomputation of his primary insurance amount under section 215(f)(4); or

[(E) who files an application for a recomputation under subparagraph (B) of section 102(f)(2) of the Social Security Amendments of 1954 after such month and is (or would, but for the fact that such recomputation would not result in a higher primary insurance amount for such individual, be) entitled to have his primary insurance amount recomputed under such subparagraph.]

(b)(1) For the purposes of column III of the table appearing in subsection (a) of this section, an individual's "average monthly wage" shall be the quotient obtained by dividing—

(A) the total of his wages paid in and self-employment income credited to his "benefit computation years" (determined under paragraph (2)), by

(B) the number of months in such years.

(2)(A) The number of an individual's "benefit computation years" shall be equal to the number of elapsed years (determined under paragraph (3) of this subsection), reduced by five; except that the number of an individual's benefit computation years shall in no case be less than two.

(B) An individual's "benefit computation years" shall be those computation base years, equal in number to the number determined under subparagraph (A), for which the total of his wages and self-employment income is the largest.

(C) For the purposes of subparagraph (B), "computation base years" include only calendar years occurring—

(i) after December 31, 1950, and

(ii) prior to the year in which the individual became entitled to old-age insurance benefits or died, whichever first occurred;

except that the year in which the individual became entitled to old-age insurance benefits or died, as the case may be, shall be included as a computation base year if the Secretary determines, on the basis of evidence available to him at the time of the computation of the primary insurance amount for such individual, that the inclusion of such year would result in a higher primary insurance amount. Any calendar year all of which is included in a period of disability shall not be included as a computation base year.

(3) For the purposes of paragraph (2), an individual's "elapsed years"-shall be the number of calendar years—

(A) after (i) December 31, 1950, or (ii) if later, December 31 of the year in which he attained the age of twenty-one, and

(B) prior to (i) the year in which he died, or (ii) if earlier, the first year after December 31, 1960, in which he both was fully insured and had attained retirement age.

For the purposes of the preceding sentence, any calendar year any part of which was included in a period of disability shall not be included in such number of calendar years.

(4) The provisions of this subsection shall be applicable only in the case of an individual with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and—

(A) who becomes entitled to benefits after December 1960 under section 202(a) or section 223; or

(B) who dies after December 1960 without being entitled to benefits under section 202(a) or section 223; or

(C) who files an application for a recomputation under subsection (f)(2)(A) after December 1960 and is (or would, but for the provisions of subsection (f)(6), be) entitled to have his primary insurance amount recomputed under subsection (f)(2)(A); or

(D) who dies after December 1960 and whose survivors are (or would, but for the provisions of subsection (f)(6), be) entitled to a recomputation of his primary insurance amount under subsection (f)(4).

(5) In the case of any individual—

(A) to whom the provisions of this subsection are not made applicable by paragraph (4), but

(B)(i) prior to 1961, met the requirements of this paragraph including subparagraph (E) thereof) as in effect prior to the enactment of the Social Security Amendments of 1960, or (ii) after 1960, meets the conditions of subparagraph (E) of this paragraph as in effect prior to such enactment,

then the provisions of this subsection as in effect prior to such enactment shall apply to such individual for the purposes of column III of the table appearing in subsection (a) of this section.

Primary Insurance Amount Under 1954 Act

(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed as provided in, and subject to the limitations specified in, (A) this section as in effect prior to the enactment of the Social Security Amendments of 1958, and (B) the applicable provisions of the Social Security Amendments of 1954.

(2) The provisions of this subsection shall be applicable only in the case of an individual—

(A) who became entitled to benefits under section 202(a) or section 223 or died prior to January 1959, and

[(B) to whom the provisions of paragraph (5) of subsection (b) are not applicable.]

(B) to whom the provisions of neither paragraph (4) nor paragraph (5) are applicable.

Primary Insurance Benefit Under 1939 Act

(d)(1) For the purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as provided in this title as in effect prior to the enactment of the Social Security Act Amendments of 1950, except that—

(A) In the computation of such benefit, such individual's average monthly wage shall (in lieu of being determined under section 209(f) of [such] *this* title as in effect prior to the enactment of such amendments) be determined as provided in subsection (b) of this section (but without regard to [paragraph] *paragraphs (4) and* (5) thereof), except that [his starting date shall be December 31, 1936] *for the purposes of paragraphs (2)(C)(i) and (3)(A)(i) of subsection (b), December 31, 1936, shall be used instead of December 31, 1950.*

(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 the Social Security Act Amendments of 1950 shall be applicable only with respect to calendar years prior to 1951, except that any wages paid in any year prior to such year [any part] *all* of which was included in a period of disability shall not be counted. [Not-

withstanding the preceding sentence, the wages paid in the year in which such period of disability began shall be counted if the counting of such wages would result in a higher primary insurance amount.]

(D) The provisions of subsection (c) shall be applicable to such computation.

(2) The provisions of this subsection shall be applicable only in the case of an individual—

(A) with respect to whom at least one of the quarters elapsing prior to 1951 is a quarter of coverage;

(B) who meets the requirements of any of the subparagraphs of paragraph [(5)] *(4)* of subsection (b) of this section; and

(C) who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951.

(3) The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of 1960 shall be applicable in the case of an individual who meets the requirements of subsection (b)(5) (as in effect after such enactness) but without regard to whether such individual has six quarters of coverage after 1950.

Certain Wages and Self-Employment Income Not to be Counted

(e) For the purposes of subsections (b) and (d)—

(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, the excess over $4,200 in the case of any calendar year after 1954 and before 1959, and the excess over $4,800 in the case of any calendar year after 1958, 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) is not a multiple of $1, it shall be reduced to the next lower multiple of $1; *and*

[(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]

(3) if an individual has self-employment income in a taxable year which begins prior to the calendar year in which he becomes entitled to old-age insurance benefits and ends after the last day of the month preceding the month in which he becomes so entitled, his self-employment income in such taxable year shall not be counted in determining his benefit computation years, except as provided in subsection (f)(3)(C).

[(4) in computing an individual's average monthly wage, there shall not be counted—

[(A) any wages paid such individual in any year any part of which was included in a period of disability, or

[(B) any self-employment income of such individual credited pursuant to section 212 to any year any part of which was included in a period of disability,
unless the months of such year are included as elapsed months pursuant to section 215(b)(1)(B).]

Recomputation of Benefits

(f)(1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who died prior to July 27, 1954, as provided in section 217(b).

(2)(A) Upon application filed after [1954] *1960* by an individual entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount if—

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

(ii) he has wages and self-employment income of more than $1,200 in a calendar year which occurs after 1953 (not taking into account any year prior to the calendar year in which the last previous recomputation, if any, of his primary insurance amount was effective) and after the year in which he became (without the application of section 202(j)(1)) entitled to old-age insurance benefits or filed an application for recomputation (to which he is entitled) under section 102(e)(5)(B) or 102(f)(2)(B) of the Social Security Amendments of 1954, whichever of such events is the latest, and

(iii) he filed such application [no earlier than 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 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.]

(B) A recomputation pursuant to subparagraph (A) shall be made—

(i) only as provided in subsection (a)(1), if the provisions of subsection (b), as amended by the Social Security Amendments of 1960, were applicable to the last previous computation of the individual's primary insurance amount, or

(ii) as provided in subsection (a) (1) and (3), in all other cases.

Such recomputation shall be made as though the individual became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, except that if clause (i) of this subparagraph is applicable to such recomputation, the computation base years referred to in subsection (b)(2) shall include only calendar years occurring prior to the year in which he filed his application for such recomputation.

[(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 103(e)(5) or 102(f)(2)(B) of the Social Security Amendments of 1954, or

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

the Secretary shall recompute his primary insurance amount if such application is filed after the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made in the manner provided in the preceding subsections of this section for computation of his primary insurance amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of the preceding sentence, whichever is the later. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the 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.

[(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.]

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

(i) who became entitled to old-age insurance benefits under section 202(a) after December 1960, or

(ii) whose primary insurance amount was recomputed as provided in paragraph (2)(B)(ii) of this subsection on the basis of an application filed after December 1960,

the Secretary shall recompute his primary insurance amount if such application is filed after the calendar year in which he became entitled to old-age insurance benefits or in which he filed application for the recomputation of his primary insurance amount under clause (ii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made as provided in subsection (a) (1) and (5) of this section, except that such individual's computation base years referred to in subsection (b)(2) shall include the calendar year referred to in the preceding sentence. 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 December 1960 and—

(i) who, at the time of death was not entitled to old-age insurance benefits under section 202(a), or

(ii) who became entitled to such old-age insurance benefits after December 1960, or

(iii) whose primary insurance amount was recomputed under paragraph (2) of this subsection on the basis of an application filed after December 1960, or

(iv) whose primary insurance amount was recomputed under paragraph (4) of this subsection,

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 such individual's wages and self-employment income. Such recomputation shall be made as provided in subsection (a) (1) and (3) of this section, except that such individual's computation base years referred to in subsection (b)(2) shall include the calendar year in which he died in the case of an individual who was not entitled to old-age insurance benefits at the time of death or whose primary insurance amount was recomputed under paragraph (4) of this subsection, or in all other cases, the calendar year in which he filed his application for the last previous computation of his primary insurance amount. 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.

(C) In the case of an individual who becomes entitled to old-age insurance benefits in a calendar year after 1960, if such individual has self-employment income in a taxable year which begins prior to such calendar year and ends after the last day of the month preceding the month in which he became so entitled, the Secretary shall recompute such individual's primary insurance amount after the close of such taxable year and shall take into account in determining the individual's benefit computation years only such self-employment income in such taxable year as is credited, pursuant to section 212, to the year preceding the year in which he became so entitled. 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] *1960* 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 *the* recomputation is permitted by subparagraph (B) the recomputation shall take into account only the wages and self-employment income which were [taken into account] *considered* 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] *in the years in which such wages were*

paid or to which such self-employment income was credited. 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 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 such individual after the close of such taxable year and prior to January 1961 or (if he died without filing such application and such death occurred prior to January 1961)* by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Secretary shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsection (b)(4)(A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by such individual, for and after the first month in which he became entitled to old-age insurance 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 Secretary 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.

Rounding of Benefits

(g) The amount of any primary insurance amount and the amount of any monthly benefit computed under section 202 or 223 which (after reduction under section 203(a)) is not a multiple of $0.10 shall be raised to the next higher multiple of $0.10.

Remuneration for Service as Public Health Officer

(h)(1) Notwithstanding the provisions of the Civil Service Retirement Act, remuneration paid for service to which the provisions of section 210(m)(1) of this Act are applicable and which is performed by an individual as a commissioned officer of the Reserve Corps of the Public Health Service prior to July 1, 1959, shall not be included in computing entitlement to or the amount of any monthly benefit under this title, on the basis of his wages and self-employment income, for any month after June 1959 and prior to the first month

with respect to which the Civil Service Commission certifies to the Secretary that, by reason of a waiver filed as provided in paragraph (2), no further annuity will be paid to him, his wife, and his children, or, if he has died, to his widow and children, under the Civil Service Retirement Act on the basis of such service.

(2) In the case of a monthly benefit for a month prior to that in which the individual, on whose wages and self-employment income such benefit is based, dies, the waiver must be filed by such individual; and such waiver shall be irrevocable and shall constitute a waiver on behalf of himself, his wife, and his children. If such individual did not file such a waiver before he died, then in the case of a benefit for the month in which he died or any month thereafter, such waiver must be filed by his widow, if any, and by or on behalf of all his children, if any; and such waivers shall be irrevocable. Such a waiver by a child shall be filed by his legal guardian or guardians, or, in the absence thereof, by the person (or persons) who has the child in his care.

OTHER DEFINITIONS

SEC. 216. For the purposes of this title—

Retirement Age

(a) The term "retirement age" means [—
(1) in the case of a man, age sixty-five, or
(2) in the case of a woman, age sixty-two.] *age 62.*

Wife

(b) The term "wife" means the wife of an individual, but only if she (1) is the mother of his son or daughter, (2) was married to him for a period of not less than three years immediately preceding the day on which her application is filed, or (3) in the month prior to the month of her marriage to him (A) was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (e) or (h) of section 202, or (B) had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Widow

(c) The term "widow" (except when used in section 202 (i)) means the surviving wife of an individual, but only if (1) she is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (4) she was married to him at the time both of them legally adopted a child under the age of eighteen, (5) she was married to him for a period of not less than one year immediately prior to the day on which he died, or (6) in the month prior to the month of her marriage to him (A) she was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (e) and (h) of

section 202, or (B) she had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Former Wife Divorced

(d) The term "former wife divorced" means a woman divorced from an individual, but only if (1) she is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (4) she was married to him at the time both of them legally adopted a child under the age of eighteen.

Child

(e) The term "child" means (1) the child or legally adopted child of an individual, and (2) in the case of a living individual, a stepchild who has been such stepchild for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. For purposes of clause (1), a person shall be deemed, as of the date of death of an individual, to be the legally adopted child of such individual if such person was at the time of such individual's death living in such individual's household and was legally adopted by such individual's surviving spouse after such individual's death but before the end of two years after the day on which such individual died or the date of enactment of this Act; except that this sentence shall not apply if at the time of such individual's death such person was receiving regular contributions toward his support from someone other than such individual or his spouse, or from any public or private welfare organization which furnishes services or assistance for children. *For purposes of clause (2), a person who is not the stepchild of an individual shall be deemed the stepchild of such individual if such individual was not the mother or adopting mother or the father or adopting father of such person and such individual and the mother or adopting mother, or the father or adopting father, as the case may be, of such person went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of subsection (h)(1)(B), would have been a valid marriage.*

Husband

(f) the term "husband" means the husband of an individual, but only if (1) he is the father of her son or daughter, (2) he was married to her for a period of not less than three years immediately preceding the day on which his application is filed, or (3) in the month

prior to the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (f) or (h) of section 202, or (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Widower

(g) The term "widower" (except when used in section 202(i)) means the surviving husband of an individual, but only if (1) he is the father of her son or daughter, (2) he legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (3) she legally adopted his son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (4) he was married to her at the time both of them legally adopted a child under the age of eighteen, (5) he was married to her for a period of not less than one year immediately prior to the day on which she died, or (6) in the month before the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (f) or (h) of section 202, or (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Determination of Family Status

(h)(1)(*A*) An applicant is the wife, husband, widow, or widower of a fully or currently insured individual for purposes of this title if the courts of the State in which such insured individual is domiciled at the time such applicant files an application, or, if such insured individual is dead, the courts of the State in which he was domiciled at the time of death, or, if such insured individual is or was not so domiciled in any State, the courts of the District of Columbia, would find that such applicant and such insured individual were validly married at the time such applicant files such application or, if such insured individual is dead, at the time he died. If such courts would not find that such applicant and such insured individual were validly married at such time, such applicant shall, nevertheless be deemed to be the wife, husband, widow, or widower, as the case may be, of such insured individual if such applicant would, under the laws applied by such courts in determining the devolution of intestate personal property, have the same status with respect to the taking of such property as a wife, husband, widow, or widower of such insured individual.

(*B*) *In any case where under subparagraph (A) an applicant is not (and is not deemed to be) the wife, widow, husband, or widower of a fully or currently insured individual, or where under subsection (b), (c), (f), or (g) such applicant is not the wife, widow, husband, or widower of such individual, but it is established to the satisfaction of the Secretary that such applicant in good faith went through a marriage ceremony with such individual resulting in a purported marriage between them which, but for a legal impediment not known to the applicant at the time of such*

ceremony, would have been a valid marriage, and such applicant and the insured individual were living in the same household at the time of the death of such insured individual or (if such insured individual is living) at the time such applicant files the application, then, for purposes of subparagraph (A) and subsections (b), (c), (f), and (g), such purported marriage shall be deemed to be a valid marriage. The provisions of the preceding sentence shall not apply (i) if another person is or has been entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual and such other person is (or is deemed to be) a wife, widow, husband, or widower of such insured individual under subparagraph (A) at the time such applicant files the application, or (ii) if the Secretary determines, on the basis of information brought to his attention, that such applicant entered into such purported marriage with such insured individual with knowledge that it would not be a valid marriage. The entitlement to a monthly benefit under subsection (b), (c), (e), (f), or (g) of section 202, based on the wages and self-employment income of such insured individual, of a person who would not be deemed to be a wife, widow, husband, or widower of such insured individual but for this subparagraph, shall end with the month before the month (i) in which the Secretary certifies, pursuant to section 205(i), that another person is entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual, if such other person is (or is deemed to be) the wife, widow, husband, or widower of such insured individual under subparagraph (A), or (ii) if the applicant is entitled to a monthly benefit under subsection (b) or (c) of section 202, in which such applicant entered into a marriage, valid without regard to this subparagraph, with a person other than such insured individual. For purposes of this subparagraph, a legal impediment to the validity of a purported marriage includes only an impediment (i) resulting from the lack of dissolution of a previous marriage or otherwise arising out of such previous marriage or its dissolution, or (ii) resulting from a defect in the procedure followed in connection with such purported marriage.

(2) (*A*) In determining whether an applicant is the child or parent of a fully or currently insured individual for purposes of this title, the Secretary shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or, if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a child or parent shall be deemed such.

(*B*) *If an applicant is a son or daughter of a fully or currently insured individual but is not (and is not deemed to be) the child of such insured individual under subparagraph (A), such applicant shall nevertheless be deemed to be the child of such insured individual if such insured individual and the mother or father, as the case may be, of such applicant went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of paragraph (1) (B), would have been a valid marriage.*

Disability; Period of Disability

(i) (1) Except for purposes of sections 202 (d), 223, and 225, the term "disability" means (A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, or (B) blindness; and the term "blindness" means central visual acuity 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)).] *The term "period of disability" means a continuous period (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)), but only if such period is of not less than six full calendar months' duration or such individual was entitled to benefits under section 223 for one or more months in such period.* No such period shall begin as to any individual unless such individual, while under such 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 the age of sixty-five. 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 eighteen-month 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 the age of sixty-five.] *the month preceding whichever of the following months is the earlier: the month in which the individual attains age sixty-five or the third month following the month in which the disability ceases.* 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), *or, in any case in which clause (ii) of section 223(a)(1) is applicable, more than six months before the first month for which such applicant becomes en-*

titled to benefits under section 223, shall be accepted as an application for purposes of this paragraph, and no such application which is filed prior to January 1, 1955, shall be accepted. *Any application for a disability determination which is filed within such three months' period or six months' period shall be deemed to have been filed on such first day or in such first month, as the case may be.*

(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—

(A) he would have been a fully insured individual (as defined in section 214) had he attained retirement age and filed application for benefits under section 202(a) on the first day of such quarter; and

(B) he had not less than twenty quarters of coverage during the forty-quarter period which ends with such quarter, not counting as part of such forty-quarter period any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage;

except that the provisions of subparagraph (A) of this paragraph shall not apply in the case of any individual with respect to whom a period of disability would, but for such subparagraph, begin prior to 1951.

(4) If an individual files an application for a disability determination after December 1954, and before July 1961, with respect to a disability which began before July 1960, and continued without interruption until such application was filed, then the beginning day for the period of disability 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.

Periods of Limitation Ending on Nonwork Days

(j) Where this title, any provision of another law of the United States (other than the Internal Revenue Code of 1954) relating to or changing the effect of this title, or any regulation issued by the Secretary pursuant thereto provides for a period within which an act is required to be done which affects eligibility for or the amount of any benefit or payment under this title or is necessary to establish or protect any rights under this title, and such period ends on a Saturday, Sunday, or legal holiday, or on any other day all or part of which is declared to be a nonwork day for Federal employees by statute or Executive order, then such act shall be considered as done within such period if it is done on the first day thereafter which is not a Saturday, Sunday, or legal holiday or any other day all or part of which is declared to be a nonwork day for Federal employees by statute or Executive order. For purposes of this subsection, the day on which a period ends shall include the day on which an extension of such period, as authorized by law or by the Secretary pursuant to law, ends. The provisions of this subsection shall not extend the period during which benefits under this title may (pursuant to section 202(j)(1) or 223(b) be paid for months prior to the day application for such benefits is filed, or during which an application for benefits under this title may (pursuant to section 202(j)(2) or 223(b)) be accepted as such.

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 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 of 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 Secretary of Health, Education, and Welfare 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 Secretary of Health, Education, and Welfare 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 Secretary of Health, Education, and Welfare, and the Secretary 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 during World War II shall, at the request of the Secretary of Health, Education, and Welfare, certify

to him, with respect to any veteran, such information as the Secretary deems necessary to carry out his functions under paragraph (2) of this subsection.

(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active military or naval service of the United States shall be deemed to have died a fully insured individual whose primary insurance amount is the amount determined under section 215(c). Notwithstanding section 215(d), the primary insurance benefit (for purposes of section 215 (c)) of such veteran shall be determined as provided in this title as in effect prior to the enactment of this section, except that 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. 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;

(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

(2) Upon an 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 Secretary of Health, Education, and Welfare shall make a decision without regard to paragraph (1)(B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Administration by reason of the death of such veteran. The Secretary of Health, Education, and Welfare shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Secretary of Health, Education, and Welfare and the Secretary 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. Any payments theretofore certified by the Secretary of Health, Education, and Welfare on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U.S.C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Secretary of Health, Education, and Welfare, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration shall be deemed by reason of this subsection to have been an erroneous payment.

(c) In the case of any World War II veterans to whom subsection (a) is applicable, proof of support required under section 202(h) may be filed by a parent at any time prior to July 1951 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

(d) For the purposes of this section—

(1) The term "World War II" means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.

(2) The term "World War II veteran" means any individual who served in the active military or naval service of the United States at any time during World War II 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.

(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of 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 January 1, 1957. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1957, 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 lumps-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as com-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). In the case of monthly benefits under this title for months after December 1956 (and any lump-sum death payment under this title with respect to a death occurring after December 1956) based on the wages and self-employment income of a veteran who performed service (as a member of a uniformed service) to which the provisions

of section 210(m)(1) are applicable, wages which would, but for the provisions of clause (B), be deemed under this subsection to have been paid to such veteran with respect to his active military or naval service performed after December 1950 shall be deemed to have been paid to him with respect to such service notwithstanding the provisions of such clause, but only if the benefits referred to in such clause which are based (in whole or in part) on such service are payable solely by the Army, Navy, Air Force, Marine Corps, Coast Guard, Coast and Geodetic Survey or Public Health Service.

(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 Secretary of Health, Education, and Welfare 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 on or after July 25, 1947, and prior to January 1, 1957, 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 Secretary of Health, Education, and Welfare 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 Secretary of Health, Education, and Welfare, and the Secretary 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 January 1, 1957, shall, at the request of the Secretary of Health, Education, and Welfare, certify to him, with respect to any veteran, such information as the Secretary 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 January 1, 1957, 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.

(f) (1) In any case where a World War II veteran (as defined in subsection (d) (2)) or a veteran (as defined in subsection (e) (4)) has died or shall hereafter die, and his widow or child is entitled under the Civil Service Retirement Act of May 29, 1930, as amended, to an annuity in the computation of which his active military or naval service was included, clause (B) of subsection (a) (1) or clause (B)

of subsection (e)(1) shall not operate (solely by reason of such annuity) to make such subsection inapplicable in the case of any monthly benefit under section 202 which is based on his wages and self-employment income; except that no such widow or child shall be entitled under section 202 to any monthly benefit in the computation of which such service is included by reason of this subsection (A) unless such widow or child after December 1956 waives his or her right to receive such annuity, or (B) for any month prior to the first month with respect to which the Civil Service Commission certifies to the Secretary of Health, Education, and Welfare that (by reason of such waiver) no further annuity will be paid to such widow or child under such Act of May 29, 1930, as amended, on the basis of such veteran's military or civilian service. Any such waiver shall be irrevocable.

(2) Whenever a widow waives her right to receive such annuity such waiver shall constitute a waiver on her own behalf; a waiver by a legal guardian or guardians, or, in the absence of a legal guardian the person (or persons) who has the child in his care, of the child's right to receive such annuity shall constitute a waiver on behalf of such child. Such a waiver with respect to an annuity based on a veteran's service shall be valid only if the widow and all children, or, if there is no widow, all the children, waive their rights to receive annuities under the Civil Service Retirement Act of May 29, 1930, as amended, based on such veteran's military or civilian service.

(g)(1) There are hereby authorized to be appropriated to the Trust Funds annually, as benefits under this title are paid after June 1956, such sums as the Secretary of Health, Education, and Welfare determines to be necessary to meet the additional costs, resulting from subsections (a), (b), and (e), of such benefits (including lump-sum death payments).

(2) The Secretary shall, before October 1, 1958, determine the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund in the same position in which it would have been at the close of June 30, 1956, if section 210 of this Act, as in effect prior to the Social Security Act Amendments of 1950, and section 217 of this Act (including amendments thereof), had not been enacted. There are hereby authorized to be appropriated to such Trust Fund annually, during the first ten fiscal years beginning after such determination is made, sums aggregating the amount so determined, plus interest accruing on such amount (as reduced by appropriations made pursuant to this paragraph) for each fiscal year beginning after June 30, 1956, at a rate for such fiscal year equal to the average rate of interest (as determined by the Managing Trustee) earned on the invested assets of such Trust Fund during the preceding fiscal year.

Gratuitous Wage Credits for American Citizens Who Served in the Armed Forces of Allied Countries

(h) (1) For the purposes of this section, any individual who the Secretary finds—

(A) served during World War II (as defined in subsection (d) (1)) in the active military or naval service of a country which was on September 16, 1940, at war with a country with which the United States was at war during World War II;

(B) entered into such active service on or before December 8, 1941;

(C) was a citizen of the United States throughout such period of service or lost his United States citizenship solely because of his entrance into such service;

(D) had resided in the United States for a period or periods aggregating four years during the five-year period ending on the day of, and was domiciled in the United States on the day of, such entrance into such active service; and

(E) (i) was discharged or released from such service 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, or

(ii) died while in such service,

shall be considered a World War II veteran (as defined in subsection (d) (2)) and such service shall be considered to have been performed in the active military or naval service of the United States.

(2) In the case of any individual to whom paragraph (1) applies, proof of support required under section 202(f) or (h) may be filed at any time prior to the expiration of two years after the date of such individual's death or the date of the enactment of this subsection, whichever is the later.

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

SEC. 218. (a) (1) The Secretary of Health, Education, and Welfare shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

(2) Notwithstanding section 210 (a), for the purposes of this title the term "employment" includes any service included under an agreement entered into under this section.

DEFINITIONS

(b) For the purposes of this section—

(1) The term "State" does not include the District of Columbia.

(2) The term "political subdivision" includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

(3) The term "employee" includes an officer of a State or political subdivision.

(4) The term "retirement system" means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement. Civilian employees of National Guard units of a State who are employed pursuant to section 90 of the National Defense Act of June 3, 1916 (32 U.S.C., sec. 42), and paid from funds allotted to such units by the Department of Defense, shall for purposes of this section be deemed to be employees of the State and (notwithstanding the preceding provisions of this paragraph), shall be deemed to be a separate coverage group. For purposes of this section, individuals employed pursuant to an agreement, entered into pursuant to section 205 of the Agricultural Marketing Act of 1946 (7 U.S.C. 1624) or section 14 of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499n), between a State and the United States Department of Agriculture to perform services as inspectors of agricultural products may be deemed, at the option of the State, to be employees of the State and (notwithstanding the preceding provisions of this paragraph) shall be deemed to be a separate coverage group.

Services Covered

(c)(1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3), (5), or (6) of this subsection) performed by individuals as members of such group.

(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any one or more of the following:

(A) Any service of an emergency nature;

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

(C) All services performed by individuals as members of a coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group, but only in the case of individuals who, on such date (or,

if later, the date on which they first occupy such positions), are not eligible to become members of such system and whose services in such positions have not already been included under such agreement pursuant to subsection (d)(3).

(4) The Secretary of Health, Education, and Welfare 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, of service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210(a) other than paragraph (7) of such section and service the remuneration for which is excluded from wages by paragraph (2) of section 209(h).

(6) Such agreement shall exclude—

(A) service performed by an individual who is employed to relieve him from unemployment,

(B) service performed in a hospital, home, or other institution by a patient or inmate thereof,

(C) covered transportation service (as determined under section 210(l), and

(D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210(a) other than paragraph (7) of such section.

(7) No agreement may be made applicable (either in the original agreement or by any modification thereof) to service performed by any individual to whom paragraph (3)(C) is applicable unless such agreement provides (in the case of each coverage group involved) either that the service of any individual 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.

Positions Covered by Retirement Systems

(d)(1) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage

group in positions covered by a retirement system either (A) on the date such agreement is made applicable to such coverage group, or (B) on the date of enactment of the succeeding paragraph of this subsection (except in the case of positions which are, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of enactment of such succeeding paragraph, no longer covered by a retirement system on the date referred to in clause (A), and except in the case of positions excluded by paragraph (5)(A)). The preceding sentence shall not be applicable to any service performed by an employee as a member of any coverage group in a position (other than a position excluded by paragraph (5)(A)) covered by a retirement system on the date an agreement is made applicable to such coverage group if, on such date (or, if later, the date on which such individual first occupies such position), such individual is ineligible to be a member of such system.

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

(3) Notwithstanding paragraph (1), an agreement with a State may be made applicable (either in the original agreement or by any modification thereof) 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, *or an official of the State designated by him for the purpose*, certifies to the Secretary of Health, Education, and Welfare that the following conditions have been met:

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

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

(C) Not less than ninety days' notice of such referendum was given to all such employees;

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

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

An employee shall be deemed an "eligible employee" for purposes of any referendum with respect to any retirement system if, at the time such referendum was held, he was in a position covered by such retirement system and was a member of such system, and if he was in such a position at the time notice of such referendum was given as required by clause (C) of the preceding sentence; except that he shall not be deemed an "eligible employee" if, at the time the referendum was held, he was in a position to which the State agreement already applied, or if he was in a position excluded by or pursuant to paragraph

(5). No referendum with respect to a retirement system shall be valid for purposes of this paragraph unless held within the two-year period which ends on the date of execution of the agreement or modification which extends the insurance system established by this title to such retirement system, nor shall any referendum with respect to a retirement system be valid for purposes of this paragraph if held less than one year after the last previous referendum held with respect to such retirement system.

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

(A) all employees in positions which were covered by the same retirement system on the date the 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)(A) 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. *Where a retirement system covering positions of employees of a State and positions of employees of one or more political subdivisions of the State, or covering positions of employees of two or more political subdivisions of the State, is not divided into separate retirement systems pursuant to the preceding sentence or pursuant to subparagraph (C), then the State may, for purposes of subsection (f) only, deem the system to be a separate retirement system with respect to any one or more of the political subdivisions con-*

cerned 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.

(B) If a retirement system covers positions of employees of one or more institutions of higher learning, then, for purposes of such preceding paragraphs, there shall, if the State so desires, be deemed to be a separate retirement system for the employees of each such institution of higher learning. For the purposes of this subparagraph, the term "institutions of higher learning" includes junior colleges and teachers colleges. *If a retirement system covers positions of employees of a hospital which is an integral part of a political subdivision, then for purposes of the preceding paragraphs there shall, if the State so desires, be deemed to be a separate retirement system for the employees of such hospital.*

(C) For the purposes of this subsection, any retirement system established by the State of California, Connecticut, Florida, Georgia, Massachusetts, Minnesota, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Vermont, Washington, Wisconsin, or the Territory of Hawaii, or any political subdivision of any such State or Territory, which, on, before, or after the date of enactment of this subparagraph, is divided into two divisions or parts, one of which is composed of positions of members of such system who desire coverage under an agreement under this section and the other of which is composed of positions of members of such system who do not desire such coverage, shall, if the State or Territory so desires and if it is provided that there shall be included in such division or part composed of members desiring such coverage the positions of individuals who become members of such system after such coverage is extended, be deemed to be a separate retirement system with respect to each such division or part. *If, in the case of a separate retirement system which is deemed to exist by reason of subparagraph (A) and which has been divided into two divisions or parts pursuant to the first sentence of this subparagraph, individuals become members of such system by reason of action taken by a political subdivision after coverage under an agreement under this section has been extended to the division or part thereof composed of positions of individuals who desire such coverage, the positions of such individuals who become members of such retirement system by reason of the action so taken shall be included in the division or part of such system composed of positions of members who do not desire such coverage if (i) such individuals, on the day before becoming such members, were in the division or part of another separate retirement system (deemed to exist by reason of subparagraph (A)) composed of positions of members of such system who do not desire coverage under an agreement under this section, and (ii) all of the positions in the separate retirement system of which such individuals so become members and all of the positions in the separate retirement system referred to in clause (i) would have been covered by a single retirement system if the State had not taken action to provide for separate retirement systems under this paragraph.*

(D) The position of any individual which is covered by any retirement system to which subparagraph (C) is applicable shall, if such individual is ineligible to become a member of such system on August 1, 1956, or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the posi-

tions of members of the division or part who do not desire coverage under the insurance system established under this title.

(E) An individual who is in a position covered by a retirement system to which subparagraph (C) is applicable and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection (other than paragraph (8)), be regarded as a member of such system; except that, in the case of any retirement system a division or part of which is covered under the agreement (either in the original agreement or by a modification thereof), which coverage is agreed to prior to 1960, the preceding provisions of this subparagraph shall apply only if the State so requests and any such individual referred to in such preceding provisions shall, if the State so requests, be treated, after division of the retirement system pursuant to such subparagraph (C), the same as individuals in positions referred to in subparagraph (F).

(F) In the case of any retirement system divided pursuant to subparagraph (C), the position of any member of the division or part composed of positions of members who do not desire coverage may be transferred to the separate retirement system composed of positions of members who desire such coverage if it is so provided in a modification of such agreement which is mailed, or delivered by other means, to the Secretary prior to 1960 or, if later, the expiration of one year after the date on which such agreement, or the modification thereof making the agreement applicable to such separate retirement system, as the case may be, is agreed to, but only if, prior to such modification or such later modification, as the case may be, the individual occupying such position files with the State a written request for such transfer.

(G) For the purposes of this subsection, in the case of any retirement system of the State of Florida, Georgia, Minnesota, North Dakota, Pennsylvania, Washington, or the Territory of Hawaii which covers positions of employees of such State or Territory who are compensated in whole or in part from grants made to such State or Territory under title III, there shall be deemed to be, if such State or Territory so desires, a separate retirement system with respect to any of the following:

(i) the positions of such employees;

(ii) the positions of all employees of such State or Territory covered by such retirement system who are employed in the department of such State or Territory in which the employees referred to in clause (i) are employed; or

(iii) employees of such State or Territory covered by such retirement system who are employed in such department of such State or Territory in positions other than those referred to in clause (i).

(7) The certification by the governor (*or an official of the State designated by him for the purpose*) required under paragraph (3) shall be deemed to have been made, in the case of a division or part (created under subparagraph (C) of paragraph (6) or the corresponding provision of prior law) consisting of the positions of members of a retirement system who desire coverage under the agreement under this section, if the governor (*or the official so designated*) certifies to the Secretary of Health, Education, and Welfare that—

(A) an opportunity to vote by written ballot on the question of whether they wish to be covered under an agreement under

this section was given to all individuals who were members of such system at the time the vote was held;

(B) not less than ninety days' notice of such vote was given to all individuals who were members of such system on the date the notice was issued;

(C) the vote was conducted under the supervision of the governor or an agency or individual designated by him; and

(D) such system was divided into two parts or divisions in accordance with the provisions of subparagraphs (C) and (D) of paragraph (6) or the corresponding provision of prior law.

For purposes of this paragraph, an individual in a position to which the State agreement already applied or in a position excluded by or pursuant to paragraph (5) shall not be considered a member of the retirement system.

(8)(A) Notwithstanding paragraph (1), if under the provisions of this subsection an agreement is, after December 31, 1958, made applicable to service performed in positions covered by a retirement system, service performed by an individual in a position covered by such a system may not be excluded from the agreement because such position is also covered under another retirement system.

(B) Subparagraph (A) shall not apply to service performed by an individual in a position covered under a retirement system if such individual, on the day the agreement is made applicable to service performed in positions covered by such retirement system, is not a member of such system and is a member of another system.

(C) If an agreement is made applicable, prior to 1959, to service in positions covered by any retirement system, the preceding provisions of this paragraph shall be applicable in the case of such system if the agreement is modified to so provide.

(D) Except in the case of agreements with the States named in subsection (p) and agreements with interstate instrumentalities, nothing in this paragraph shall authorize the application of an agreement to service in any policeman's or fireman's position.

Payments and Reports by States

(e)(*1*) Each agreement under this section shall provide—

[(*1*)] (*A*) that the State will pay to the Secretary of the Treasury, at such time or times as the Secretary of Health, Education, and Welfare may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954. If the services of employees covered by the agreement constituted employment as defined in section 3121 of such code; and

[(*2*)] (*B*) that the State will comply with such regulations relating to payments and reports as the Secretary of Health, Education, and Welfare may prescribe to carry out the purposes of this section.

(*2*) *Where—*

(A) an individual in any calendar year performs services to which an agreement under this section is applicable (i) as the employee of two or more political subdivisions of a State or (ii) as the employee of a State and one or more political subdivisions of such State; and

(B) such State provides all of the funds for the payment of those amounts referred to in paragraph (1)(A) which are equivalent to the taxes imposed by section 3111 of the Internal Revenue Code of 1954 with respect to wages paid to such individual for such services; and

(C) the political subdivision or subdivisions involved do not reimburse such State for the payment of such amounts or, in the case of services described in subparagraph (A)(ii), for the payment of so much of such amounts as is attributable to employment by such subdivision or subdivisions;

then, notwithstanding paragraph (1), the agreement under this section with such State may provide (either in the original agreement or by a modification thereof) that the amounts referred to in paragraph (1)(A) may be computed as though the wages paid to such individual for the services referred to in clause (A) of this paragraph were paid by one political subdivision for services performed in its employ; but the provisions of this paragraph shall be applicable only where such State complies with such regulations as the Secretary may prescribe to carry out the purposes of this paragraph. The preceding sentence shall be applicable with respect to wages paid after an effective date specified in such agreement or modification, but in no event with respect to wages paid before January 1, 1957, or before January 1 of the third year preceding the year in which such agreement or modification is mailed or delivered by other means to the Secretary, whichever such day is the later.

Effective Date of Agreement

(f)(1) [Any agreement] *Except as provided in subsection (e)(2) 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 [—

[(A) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

[(B) 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;

[(C) in the case of an agreement or modification agreed to after 1957 but prior to 1960, such date may not be earlier than December 31, 1955; and

[(D) in the case of an agreement or modification agreed to during 1954 or after 1959, 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.]

such date may not be earlier than the last day of the sixth calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary and the State.

(2) In the case of service performed by members of any coverage group—

(A) to which an agreement under this section is made applicable, and

(B) with respect to which the agreement, or modification thereof making the agreement so applicable, specifies an effective date

earlier than the date of execution of such agreement and such modification, respectively.

the agreement shall, if so requested by the State, be applicable to such services (to the extent the agreement was not already applicable) performed before such date of execution and after such effective date by any individual as a member of such coverage group if he is such a member on a date, specified by the State, which is earler than such date of execution, except that in no case may the date so specified be earlier than the date such agreement or such modification, as the case may be, is mailed, or delivered by other means, to the Secretary.

Termination of Agreement

(g)(1) Upon giving at least two years' advance notice in writing to the Secretary of Health, Education, and Welfare, a State may terminate, effective at end of a calendar quarter specified in the notice, its agreement with the Secretary either—

(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

(2) If the Secretary, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

(3) If any agreement entered into under this section is terminated in its entirety, the Secretary and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Secretary and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

Deposits in Trust Fund; Adjustments

(h)(1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Funds in the ratio in which amounts are appropriated to such Funds pursuant to subsections (a)(3) and (b)(1) of section 201.

(2) If more or less than the correct amount due under an agreement made pursuant to this section 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 prescribed by regulations of the Secretary of Health, Education, and Welfare.

(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Secretary of Health, Education, and Welfare to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Secretary of Health, Education, and Welfare.

Regulations

(i) Regulations of the Secretary of Health, Education, and Welfare to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and chapter 21 and subtitle F of the Internal Revenue Code of 1954.

Failure To Make Payments

(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Secretary of Health, Education, and Welfare may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Funds in the ratio in which amounts are deposited in such Funds pursuant to subsection (h)(1).

Instrumentalities of Two or More States

(k)(1) The Secretary of Health, Education, and Welfare may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

(2) In the case of any instrumentality of two or more States, if—

(A) employees of such instrumentality are in positions covered by a retirement system of such instrumentality or of any of such States or any of the political subdivisions thereof, and

(B) such retirement system is (on, before, or after the date of enactment of this paragraph) divided into two divisions or parts, one of which is composed of positions of members of such system who are employees of such instrumentality and who desire coverage under an agreement under this section and the other of which is composed of positions of members of such system who are employees of such instrumentality and who do not desire such coverage, and

(C) it is provided that there shall be included in such division or part composed of the positions of members desiring such coverage the positions of employees of such instrumentality who become members of such system after such coverage is extended, then such retirement system shall, if such instrumentality so desires, be deemed to be a separate retirement system with respect to each such division or part. An individual who is in a position covered by a retirement system divided pursuant to the preceding sentence and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection, be regarded as a member of such system. Coverage under the agreement of any such individual shall be provided under the same conditions, to the extent practicable, as are applicable in the case of the States to which the provisions of subsection (d)(6)(C) apply. The position of any employee of any such instrumentality which is covered by any retirement system to which the first sentence of this paragraph is applicable shall, if such individual is ineligible to become a member of such system on the date of enactment of this paragraph or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the positions of members of the division or part who do not desire coverage under the insurance system established under this title. Services in positions covered by a separate retirement system created pursuant to this subsection (and consisting of the positions of members who desire coverage under an agreement under this section) shall be covered under such agreement on compliance, to the extent practicable, with the same conditions as are applicable to coverage under an agreement under this section of services in positions covered by a separate retirement system created pursuant to subparagraph (C) of subsection (d)(6) or the corresponding provision of prior law (and consisting of the positions of members who desire coverage under such agreement).

(3) Any agreement with any instrumentality of two or more States entered into pursuant to this Act may, notwithstanding the provisions of subsection (d)(5)(A) and the references thereto in subsections (d)(1) and (d)(3), apply to service performed by employees of such instrumentality in any policeman's or fireman's position covered by a retirement system, but only upon compliance, to the extent practicable, with the requirements of subsection (d)(3). For the purpose of the preceding sentence, a retirement system which covers positions of policemen or firemen or both, and other positions shall, if the instrumentality concerned so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, or both, as the case may be.

Delegation of Functions

(l) The Secretary of Health, Education, and Welfare is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement.

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.

(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.

(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.

Policemen and Firemen in Certain States

(p) Any agreement with the State of Alabama, California, Florida, Georgia, *Hawaii*, Kansas, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Vermont, *Virginia, or* Washington[, or Territory of Hawaii] entered into pursuant to this section prior to the date of enactment of this subsection may, notwithstanding the provisions of subsection (d)(5)(A) and the references thereto in subsections (d)(1) and (d)(3), be modified pursuant to subsection (c)(4) to apply to service performed by employees of such State or any political subdivision thereof in any policeman's or fireman's position covered by a retirement system in effect on or after the date of the enactment of this subsection, but only upon compliance with the requirements of subsection (d)(3). For the purposes of the preceding sentence, a retirement system which covers positions of policemen or firemen, or both, and other positions shall, if the State concerned so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, or both, as the case may be.

Time Limitation on Assessments

(q)(1) Where a State is liable for an amount due under an agreement pursuant to this section, such State shall remain so liable until the Secretary is satisfied that the amount due has been paid to the Secretary of the Treasury.

(2) Notwithstanding paragraph (1), a State shall not be liable for an amount due under an agreement pursuant to this section, with respect to the wages paid to individuals, after the expiration of the latest of the following periods—

(A) three years, three months, and fifteen days after the year in which such wages were paid, or

(B) three years after the date on which such amount became due, or

(C) three years, three months, and fifteen days after the year following the year in which this subsection is enacted,

unless prior to the expiration of such period the Secretary makes an assessment of the amount due.

(3) For purposes of this subsection and section 205(c), an assessment of an amount due is made when the Secretary mails or otherwise delivers to the State a notice stating the amount he has determined to be due under an agreement pursuant to this section and the basis for such determination.

(4) An assessment of an amount due made by the Secretary after the expiration of the period specified in paragraph (2) shall nevertheless be deemed to have been made within such period if—

(A) before the expiration of such period (or, if it has previously been extended under this paragraph, of such period as so extended), the State and the Secretary agree in writing to an extension of such period (or extended period) and, subject to such conditions as may be agreed upon, the Secretary makes the assessment prior to the expiration of such extension; or

(B) within the 365 days immediately preceding the expiration of such period (or extended period) the State pays to the Secretary of the Treasury less than the correct amount due under an agreement

pursuant to this section with respect to wages paid to individuals in any calendar quarters as members of a coverage group, and the Secretary of Health, Education, and Welfare makes the assessment, adjusted to take into account the amount paid by the State, no later than the 365th day after the day the State made payment to the Secretary of the Treasury; but the Secretary of Health, Education, and Welfare shall make such assessment only with respect to the wages paid to such individuals in such calendar quarters as members of such coverage group; or

(C) pursuant to subparagraph (A) or (B) of section 205(c)(5) he includes in his records an entry with respect to wages for an individual, but only if such assessment is limited to the amount due with respect to such wages and is made within the period such entry could be made in such records under such subparagraph.

(5) If the Secretary allows a claim for a credit or refund of an overpayment by a State under an agreement pursuant to this section, with respect to wages paid or alleged to have been paid to an individual in a calendar year for services as a member of a coverage group, and if as a result of the facts on which such allowance is based there is an amount due from the State, with respect to wages paid to such individual in such calendar year for services performed as a member of a coverage group, for which amount the State is not liable by reason of paragraph (2), then notwithstanding paragraph (2) the State shall be liable for such amount due if the Secretary makes an assessment of such amount due at the time of or prior to notification to the State of the allowance of such claim. For purposes of this paragraph and paragraph (6), interest as provided for in subsection (j) shall not be included in determining the amount due.

(6) The Secretary shall accept wage reports filed by a State under an agreement pursuant to this section or regulations of the Secretary thereunder, after the expiration of the period specified in paragraph (2) or such period as extended pursuant to paragraph (4), with respect to wages which are paid to individuals performing services as employees in a coverage group included in the agreement and for payment in connection with which the State is not liable by reason of paragraph (2), only if the State—

(A) pays to the Secretary of the Treasury the amount due under such agreement with respect to such wages, and

(B) agrees in writing with the Secretary of Health, Education, and Welfare to an extension of the period specified in paragraph (2) with respect to wages paid to all individuals performing services as employees in such coverage group in the calendar quarters designated by the State in such wage reports as the periods in which such wages were paid. If the State so agrees, the period specified in paragraph (2), or such period as extended pursuant to paragraph (4), shall be extended until such time as the Secretary notifies the State that such wage reports have been accepted.

(7) Notwithstanding the preceding provisions of this subsection, where there is an amount due by a State under an agreement pursuant to this section and there has been a fraudulent attempt on the part of an officer or employee of the State or any political subdivision thereof to defeat or evade payment of such amount due, the State shall be liable for such amount due without regard to the provisions of paragraph (2), and the Secretary may make an assessment of such amount due at any time.

Time Limitation on Credits and Refunds

(r)(1) No credit or refund of an overpayment by a State under an agreement pursuant to this section with respect to wages paid or alleged to have been paid to an individual as a member of a coverage group in a calendar quarter shall be allowed after the expiration of the latest of the following periods—

(A) three years, three months, and fifteen days after the year in which occurred the calendar quarter in which such wages were paid or alleged to have been paid, or

(B) three years after the date the payment which included such overpayment became due under such agreement with respect to the wages paid or alleged to have been paid to such individual as a member of such coverage group in such calendar quarter, or

(C) two years after such overpayment was made to the Secretary of the Treasury, or

(D) three years, three months, and fifteen days after the year following the year in which this subsection is enacted,

unless prior to the expiration of such period a claim for such credit or refund is filed with the Secretary of Health, Education, and Welfare by the State.

(2) A claim for a credit or refund filed by a State after the expiration of the period specified by paragraph (1) shall nevertheless be deemed to have been filed within such period if—

(A) before the expiration of such period (or, if it has previously been extended under this subparagraph, of such period as so extended) the State and the Secretary agree in writing to an extension of such period (or extended period) and the claim is filed with the Secretary by the State prior to the expiration of such extension; but any claim for a credit or refund valid because of this subparagraph shall be allowed only to the extent authorized by the conditions provided for in the agreement for such extension, or

(B) The Secretary deletes from his records an entry with respect to wages of an individual pursuant to the provisions of subparagraph (A), (B), or (E) of section 205(c)(5), but only with respect to the entry so deleted.

Review by Secretary

(s) Where the Secretary has made an assessment of an amount due by a State under an agreement pursuant to this section, disallowed a State's claim for a credit or refund of an overpayment under such agreement, or allowed a State a credit or refund of an overpayment under such agreement, he shall review such assessment, disallowance, or allowance if a written request for such review is filed with him by the State within 90 days (or within such further time as he may allow) after notification to the State of such assessment, disallowance, or allowance. On the basis of the evidence obtained by or submitted to the Secretary, he shall render a decision affirming, modifying, or reversing such assessment, disallowance, or allowance. In notifying the State of his decision, the Secretary shall state the basis therefor.

Review by Court

(t)(1) Notwithstanding any other provision of this title any State, irrespective of the amount in controversy, may file, within two years after the mailing to such State of the notice of any decision by the Secretary pursuant to subsection (s) affecting such State, or within such further time as the Secretary may allow, a civil action for a redetermination of the correctness of the assessment of the amount due, the disallowance of the claim for a refund or credit, or the allowance of the refund or credit, as the case may be, with respect to which the Secretary has rendered such decision. Such action shall be brought in the district court of the United States for the judicial district in which is located the capital of such State, or, if such action is brought by an instrumentality of two or more States, the principal office of such instrumentality. The judgment of the court shall be final, except that it shall be subject to review in the same manner as judgments of such court in other civil actions. Any action filed under this subsection shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.

(2) Notwithstanding the provisions of section 2411 of title 28, United States Code, no interest shall accrue to a State after final judgment with respect to a credit or refund of an overpayment made under an agreement pursuant to this section.

(3) The first sentence of section 2414 of title 28, United States Code, shall not apply to final judgments rendered by district courts of the United States in civil actions filed under this subsection. In such cases, the payment of amounts due to States pursuant to such final judgments shall be adjusted in accordance with the provisions of this section and with regulations promulgated by the Secretary.

EFFECTIVE DATE IN CASE OF PUERTO RICO

SEC. 219. If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210(h), 210(i), 210(j), 211(a)(6) and 211(b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.

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) or 223(c)) and of the day such disability began, and the determina-

tion 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 (as defined in section 216 (i) or 223 (c)) and, as a result of such review, may determine that such individual is not under a disability (as so defined) 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).

(e) Each State which has an agreement with the Secretary under this section shall be entitled to receive from the Trust Funds, 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 Funds at the time or times fixed by the Secretary, in accordance with such certification. Appropriate adjustments between the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund with respect to the payments made under this subsection shall be made in accordance with paragraph (1) of subsection (g) of section 201 (but taking into account any refunds under subsection (f) of this section) to insure that the Federal Disability Trust Fund is charged with all expenses incurred which are attributable to the administration of section 223 and the Federal Old-Age and Survivors Insurance Trust Fund is charged with all other expenses.

(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 Funds.

(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.

REHABILITATION SERVICES

Referral for Rehabilitation Services

SEC. 222. (a) It is hereby declared to be the policy of the Congress that disabled individuals applying for a determination of disability, and disabled individuals who are entitled to child's insurance benefits, 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 such individuals may be rehabilitated into productive activity.

Deductions on Account of Refusal to Accept Rehabilitation Services

(b) (1) Deductions, in such amounts and at such time or times as the Secretary, 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 sections 202 and 223 for any month in which such individual, if a child who has attained the age of eighteen and is entitled to child's insurance benefits or if an individual entitled to disability insurance benefits, refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act. Any individual who is a member or adherent of any recognized church or religious sect which teaches its members or adherents to rely solely, in the treatment and cure of any physical or mental impairment, upon prayer or spiritual means through the application and use of the tenets or teachings of such church or sect, and who, solely because of his adherence to the teachings or tenets of such church, or sect, refuses to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act, shall, for the purposes of the first sentence of this subsection, be deemed to have done so with good cause.

(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or from any mother's insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or such mother's insurance benefit or benefits under section 202 for any month in which such child or person entitled to mother's insurance benefits is married to an individual who is entitled to disability insurance benefits and in which such individual refuses to accept rehabilitation services and a deduction, on account of such refusal, is imposed under paragraph (1). If both this paragraph and paragraph (3) are applicable to a child's insurance benefit for any month, only an amount equal to such benefit shall be deducted.

(3) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to disability insurance benefits, to which a wife, husband, or child is entitled, until the total of such deductions equal such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month in which the individual, on the basis of whose wages and self-employment income such benefit was payable, refuses to accept rehabilitation services and deductions, on account of such refusal, are imposed under paragraph (1).

[Service Performed Under Rehabilitation Program

[(c) For purposes of sections 216(i) and 223, an individual shall not be regarded as able to engage in substantial gainful activity solely by reason of services rendered by him pursuant to a program for his rehabilitation carried on under a State plan approved under the Vocational Rehabilitation Act. This subsection shall not apply with respect to any such services rendered after the eleventh month following the first month during which such services are rendered.]

Period of Trial Work

(c) (1) The term "period of trial work", with respect to an individual entitled to benefits under section 223 or 202(d), means a period of months beginning and ending as provided in paragraphs (3) and (4).

(2) For purposes of sections 216(i) and 223, any services rendered by an individual during a period of trial work shall be deemed not to have been rendered by such individual in determining whether his disability has ceased in a month during such period. For purposes of this subsection the term "services" means activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.

(3) A period of trial work for any individual shall begin with the month in which he becomes entitled to disability insurance benefits, or, in the case of an individual entitled to benefits under section 202(d) who has attained the age of eighteen, with the month in which he becomes entitled to such benefits or the month in which he attains the age of eighteen, whichever is later. Notwithstanding the preceding sentence, no period of trial work may begin for any individual prior to the beginning of the month following the month in which this paragraph is enacted; and no such period may begin for an individual in a period of disability of such individual in which he had a previous period of trial work.

(4) A period of trial work for any individual shall end with the close of whichever of the following months is the earlier:

(A) the ninth month, beginning on or after the first day of such period, in which the individual renders services (whether or not such nine months are consecutive); or

(B) the month in which his disability (as defined in section 223 (c) (2)) ceases (as determined after application of paragraph (2) of this subsection).

(5) In the case of an individual who becomes entitled to benefits under section 223 for any month as provided in clause (ii) of subsection (a) (1) of such section, the preceding provisions of this subsection shall not apply with respect to services in any month beginning with the first

month for which he is so entitled and ending with the first month thereafter for which he is not entitled to benefits under section 223.

DISABILITY INSURANCE BENEFIT PAYMENTS

Disability Insurance Benefits

SEC. 223. (a) (1) Every individual who—

(A) is insured for disability insurance benefits (as determined under subsection (c) (1)),

(B) [has attained the age of fifty and] has not attained the age of sixty-five,

(C) has filed application for disability insurance benefits, and

(D) is under a disability (as defined in subsection (c) (2)) at the time such application is filed,

[shall be entitled to a disability insurance benefit for each month, beginning with the first month after his waiting period (as defined in subsection (c) (3)) in which he becomes so entitled to such insurance benefits] *shall be entitled to a disability insurance benefit (i) for each month, beginning with the first month after his waiting period (as defined in subsection (c) (3)) in which he becomes so entitled to such insurance benefits, or (ii) for each month, beginning with the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was entitled to disability insurance benefits which terminated, or had a period of disability (as defined in section 216(i)) which ceased, within the 60-month period preceding the first month in which he is under such disability,* and ending with the month preceding [the first month in which any of the following occurs: his disability ceases, he dies, or he attains the age of sixty-five] *whichever of the following months is the earliest: the month in which he dies, the month in which he attains the age of sixty-five, or the third month following the month in which his disability ceases.*

[(2) Such individual's disability insurance benefit for any month shall be equal to his primary insurance amount for such month determined under section 215 as though he became entitled to old-age insurance benefits in the first month of his waiting period].

(2) Such individual's disability insurance benefit for any month shall be equal to his primary insurance amount for such month determined under section 215 as though he had attained retirement age in—

(A) the first month of his waiting period, or

(B) in any case in which clause (ii) of paragraph (1) of this subsection is applicable, the first month for which he becomes entitled to such disability insurance benefits,

and as though he had become entitled to old-age insurance benefits in the month in which he filed his application for disability insurance benefits. For the purposes of the preceding sentence, in the case of a woman who both was fully insured and had attained retirement age in or before the first month referred to in subparagraph (A) or (B) of such sentence, as the case may be, the elapsed years referred to in section 215(b)(3) shall not include the first year in which she both was fully insured and had attained retirement age, or any year thereafter.[1]

[1] The amendment to sec 223(a)(2) as shown is effective with respect to individuals becoming entitled to disability insurance benefits after 1960; except that the portion of such amendment relating to computation of disability insurance benefits in cases of second disability is effective with respect to months after the month of enactment.

Filing of Application

(b) [No application for disability insurance benefits which is filed more than nine months before the first month for which the applicant becomes entitled to such benefits shall be accepted as a valid application for purposes of this section.] *No application for disability insurance benefits shall be accepted as a valid application for purposes of this section (1) if it is filed more than nine months before the first month for which the applicant becomes entitled to such benefits, or (2) in any case in which clause (ii) of paragraph (1) of subsection (a) is applicable, if it is filed more than six months before the first month for which the applicant becomes entitled to such benefits; and any application filed within such nine months' period or six months' period, as the case may be, shall be deemed to have been filed in such first month.* An individual who would have been entitled to a disability insurance benefit for any month after June 1957 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] *if he is continuously under a disability after such month and until he files application therefor, and he files such application* prior to the end of the twelfth month immediately succeeding such month.

Definitions

(c) For purposes of this section—

(1) An individual shall be insured for disability insurance benefits in any month if—

(A) he would have been a fully insured individual (as defined in section 214) had he attained retirement age and filed application for benefits under section 202(a) on the first day of such month, and

(B) he had not less than twenty quarters of coverage during the forty-quarter period ending with the quarter in which such first day occurred, not counting as part of such forty-quarter period 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.

(2) The term "disability" means 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. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required.

(3) The term "waiting period" means, in the case of any application for disability insurance benefits, the earliest period of six consecutive calendar months—

(A) throughout which the individual who files such application has been under a disability which continues until such application is filed, and

(B) (i) which begins not earlier than with the first day of the eighteenth month before the month in which such application is filed if such individual is insured for disability insurance benefits in such eighteenth month, or (ii) if he

is not so insured in such month, which begins not earler than with the first day of the first month after such eighteenth month in which he is so insured.

Notwithstanding the preceding provisions of this paragraph, no waiting period may begin for any individual before January 1, 1957 [; nor may any such period begin for any individual before the first day of the sixth month before the month in which he attains the age of fifty].

SEC. 224. [Repealed.]

SUSPENSION OF BENEFITS BASED ON DISABILITY

SEC. 225. If the Secretary, on the basis of information obtained by or submitted to him, believes that an individual entitled to benefits under section 223, or that a child who has attained the age of eighteen and is entitled to benefits under section 202(d), may have ceased to be under a disability, the Secretary may suspend the payment of benefits under such section 223 or 202(d) until it is determined (as provided in section 221) whether or not such individual's disability has ceased or until the Secretary believes that such disability has not ceased. In the case of any individual whose disability is subject to determination under an agreement with a State under section 221(b), the Secretary shall promptly notify the appropriate State of his action under this section and shall request a prompt determination of whether such individual's disability has ceased. For purposes of this section, the term "disability" has the meaning assigned to such term in section 223(c)(2). Whenever the benefits of an individual entitled to a disability insurance benefit are suspended for any month, the benefits of any individual entitled thereto under subsection (b), (c), or (d) of section 202, on the basis of the wages and self-employment income of such individual, shall be suspended for such month.

TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

APPROPRIATIONS

SECTION 301. For the purpose of assisting the States in the administration of their unemployment compensation laws, there is hereby authorized to be appropriated, for the fiscal year ending June 30, 1936, the sum of $4,000,000, for each fiscal year thereafter up to and including the fiscal year ending June 30, 1938, the sum of $49,000,000, and for the fiscal year ending June 30, 1939, and for each fiscal year thereafter, the sum of $80,000,000, to be used as hereinafter provided.

* * * * * * *

PROVISIONS OF STATE LAWS

SEC. 303. (a) The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by him under the Federal Unemployment Tax Act, includes provision for—

(1) Such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary of Labor shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due; and

(2) Payments of unemployment compensation solely through public employment offices or such other agencies as the Secretary of Labor may approve; and

(3) Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and

(4) The payment of all money received in the unemployment fund of such State (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 3305(b) of the Federal Unemployment Tax Act), immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and

* * * * * * *

TITLE V—GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

PART 1—MATERNAL AND CHILD HEALTH SERVICES

APPROPRIATION

SECTION 501. For the purpose of enabling each State to extend and improve, as far as practicable under the conditions in such State, services for promoting the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress, there is hereby authorized to be appropriated for each fiscal year beginning after June 30, [1958] *1960*, the sum of [$21,500,000] *$25,000,000*. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare, State plans for such services.

ALLOTMENTS TO STATES

SEC. 502. (a)(1). [Executed. Provided for alloting $7,500,000 for the fiscal year ending June 30, 1951, among the States on the same basis as is provided in paragraph (2).]

(2) Out of the sums appropriated pursuant to section 501 for each fiscal year beginning after June 30, [1958] *1960*, the Secretary shall allot [$10,750,000] *$12,500,000* as follows: He shall allot to each

State [$60,000] *$70,000* (even though the amount appropriated for such year is less than [$21,500,000] *$25,000,000*, and shall allot each State such part of the remainder of the [$10,750,000] *$12,500,000*, as he finds that the number of live births in such State bore to the total number of live births in the United States in the latest calendar year for which the Secretary has available statistics.

(b) Out of the sum appropriated pursuant to section 501 the Secretary shall allot to the States (in addition to the allotments made under subsection (a)) for each fiscal year beginning after June 30, [1958] *1960*, the sum of [$10,750,000] *$12,500,000*. Such sums shall be alloted *from time to time* according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of live births in such State; *except that not more than 25 per centum of such sums shall be available for grants to State health agencies (administering or supervising the administration of a State plan approved under section 503), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of maternal and child health.*

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 504 until the end of the second succeeding fiscal year. No payment to a State under section 504 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

APPROVAL OF STATE PLANS

SEC. 503. (a) A State plan for material and child-health services must (1) provide for financial participation by the State; (2) provide for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) provide that the State health agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for the extension and improvement of local maternal and child-health services administered by local child-health units; (6) provide for cooperation with medical, nursing, and welfare groups and organizations; and (7) provide for the development of demonstration services in needy areas and among groups in special need.

(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the State health agency of his approval.

PAYMENT TO STATES

SEC. 504. (a) From the sums appropriated therefor and the allotments available under section 502(a), the Secretary of the Treasury shall pay to each State which has an approved plan for maternal and child-health services, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary of Health, Education, and Welfare 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, and (B) such investigation as he may find necessary.

(2) The Secretary of Health, Education, and Welfare shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare 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, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health, Education, and Welfare 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 Secretary of Health, Education, and Welfare, the amount so certified.

(c) The Secretary of Health, Education, and Welfare shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotments available under section 502 (b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Health, Education, and Welfare. *Payments of grants for special projects under section 502(b) may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants.*

OPERATION OF STATE PLANS

SEC. 505. In the case of any State plan for maternal and child-health services which has been approved by the Secretary of Health,

Education, and Welfare, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 503 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

PART 2—SERVICES FOR CRIPPLED CHILDREN

APPROPRIATION

SEC. 511. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State, services for locating crippled children, and for providing medical, surgical, corrective, and other services and care, and facilities for diagnosis, hospitalization, and aftercare, for children who are crippled or who are suffering from conditions which lead to crippling, there is hereby authorized to be appropriated for each fiscal year beginning after June 30, [1958] *1960*, the sum of [$20,000,000] *$25,000,000*. The sums made available under this section, shall be used for making payments to States which have submitted and had approved by the Secretary of Health, Education, and Welfare, State plans for such services.

ALLOTMENTS TO STATES

SEC. 512. (a) (1) [Executed. Provided for allotting $6,000,000 for the fiscal year ending June 30, 1951, among the States on the same basis as is provided in paragraph (2).]

(2) Out of the sums appropriated pursuant to section 511 for each fiscal year beginning after June 30, [1958] *1960*, the Secretary shall allot [$10,000,000] *$12,500,000* as follows: He shall allot to each State [$60,000] *$70,000* (even though the amount appropriated for such year is less than [$20,000,000] *$25,000,000*) and shall allot the remainder of the [$10,000,000] *$12,500,000* to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

(b) Out of the sums appropriated pursuant to section 511 the Secretary shall allot to the States (in addition to the allotments made under subsection (a)) for each fiscal year beginning after June 30, [1958] *1960*, the sum of [$10,000,000] *$12,500,000*. Such sums shall be allotted *from time to time* according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of crippled children in each State in need of the services referred to in section 511 and the cost of furnishing such services to them *; except that not more than 25 per centum of such sums shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 513), and to public or other nonprofit*

institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of services for crippled children.

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 514 until the end of the second succeeding fiscal year. No payment to a State under section 514 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

APPROVAL OF STATE PLANS

SEC. 513. (a) A State plan for services for crippled children must (1) provide for financial participation by the State; (2) provide for the administration of the plan by a State agency or the supervision of the administration of the plan by a State agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for carrying out the purposes specified in section 511; and (6) provide for cooperation with medical, health, nursing, and welfare groups and organizations and with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children.

(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the State agency of his approval.

PAYMENT TO STATES

SEC. 514. (a) From the sums appropriated therefor and the allotments available under section 512(a), the Secretary of the Treasury shall pay to each State which has an approved plan for services for crippled children, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary of Health, Education, and Welfare 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, and (B) such investigation as he may find necessary.

(2) The Secretary of Health, Education, and Welfare shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare 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, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health, Education, and Welfare 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 Secretary of Health, Education, and Welfare, the amount so certified.

(c) The Secretary of Health, Education, and Welfare shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotment available under section 512(b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Health, Education, and Welfare. *Payments of grants for special projects under section 512(b) may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants.*

OPERATION OF STATE PLANS

SEC. 515. In the case of any State plan for services for crippled children which has been approved by the Secretary of Health, Education, and Welfare, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 513 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

PART 3—CHILD-WELFARE SERVICES

APPROPRIATION

SEC. 521. For the purpose of enabling the United States, through the Secretary, to cooperate with State public-welfare agencies in establishing, extending, and strengthening public-welfare services

(hereinafter in this title referred to as "child-welfare services") for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, [1959] *1961*, the sum of [$17,000,000] *$25,000,000*.

ALLOTMENTS TO STATES

SEC. 522. (a) The sums appropriated for each fiscal year under section 521 shall be allotted by the Secretary for use by cooperating State public-welfare agencies which have plans developed jointly by the State agency and the Secretary, as follows: He shall allot to each State such portion of [$60,000] *$70,000* as the amount appropriated under section 521 for such year bears to the amount authorized to be so appropriated; and he shall allot to each State an amount which bears the same ratio to the remainder of the sums so appropriated for such year as the product of (1) the population of such State under the age of 21 and (2) the allotment percentage of such State (as determined under section 524) bears to the sum of the corresponding products of all the States.

(b) (1) If the amount allotted to a State under subsection (a) for any fiscal year is less than such State's base allotment, it shall be increased to such base allotment, the total of the increases thereby required being derived by proportionately reducing the amount allotted under subsection (a) to each of the remaining States, but with such adjustments as may be necessary to prevent the allotment of any such remaining State under subsection (a) from being thereby reduced to less than its base allotment.

(2) For purposes of paragraph (1) the base allotment of any State for any fiscal year means the amount which would be allotted to such State for such year under the provisions of section 521, as in effect prior to the enactment of the Social Security Amendments of 1958, as applied to an appropriation of $12,000,000.

PAYMENT TO STATES

SEC. 523. (a) From the sums appropriated therefor and the allotment available under this part, the Secretary shall from time to time pay to each State with a plan for child-welfare services developed as provided in this part an amount equal to the Federal share (as determined under section 524) of the total sum expended under such plan (including the cost of administration of the plan) in meeting the costs of district, county, or other local child-welfare services, in developing State services for the encouragement and assistance of adequate methods of community child-welfare organization, in paying the costs of returning any runaway child who has not attained the age of eighteen to his own community in another State, and of maintaining such child until such return (for a period not exceeding fifteen days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child: *Provided*, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the States and local communities as may be authorized by the State.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of subsection (a).

(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this section was greater or less than the amount which should have been paid thereunder to the State for such prior period.

ALLOTMENT PERCENTAGE AND FEDERAL SHARE

SEC. 524. (a) The "allotment percentage" for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska); except that (A) the allotment percentage shall in no case be less than 30 per centum or more than 70 per centum, and (B) the allotment percentage shall be 50 per centum in the case of Alaska and 70 per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

(b) For the fiscal year ending June 30, 1960, and each year thereafter, the "Federal share" for any State shall be 100 per centum less that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska), except that (1) in no case shall the Federal share be less than 33⅓ per centum or more than 66⅔ per centum, and (2) the Federal share shall be 50 per centum in the case of Alaska and 66⅔ per centum in the case of Puerto Rico, the Virgin Islands, and Guam. For the fiscal year ending June 30, 1959, the Federal share shall be determined pursuant to the provisions of section 521 as in effect prior to the enactment of the Social Security Amendments of 1958.

(c) The Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the continental United States (excluding Alaska) for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation: *Provided*, That the Secretary shall promulgate such Federal shares and allotment percentages as soon as possible after the enactment of the Social Security Amendments of 1958, which promulgation shall be conclusive for each of the 3 fiscal years in the period ending June 30, 1961.

REALLOTMENT

SEC. 525. The amount of any allotment to a State under section 522 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in such section shall be available for reallotment from time to time, on

such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them under that section and (2) will be able to use such excess amounts during such fiscal year. Such reallotments shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallotted to a State shall be deemed part of its allotment under section 522.

RESEARCH OR DEMONSTRATION PROJECTS

SEC. 526. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine for grants by the Secretary to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare.

(b) Payments of grants for special projects under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants.

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TITLE IX—MISCELLANEOUS PROVISIONS RELATING TO EMPLOYMENT SECURITY

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AMOUNTS CREDITED TO FEDERAL UNEMPLOYMENT ACCOUNT

SEC. 902. Whenever any amount is transferred to the Unemployment Trust Fund under section 901(a), there shall be credited (as of the beginning of the succeeding fiscal year) to the Federal unemployment account so much of such amount as equals whichever of the following is the lesser:

(1) The total amount so transferred; or

(2) The amount by which [$200,000,000] *$500,000,000* exceeds the adjusted balance in the Federal unemployment account at the close of the fiscal year for which the transfer is made.

For the purposes of the preceding sentence, the term "adjusted balance" means the amount by which the balance in the Federal unemployment account exceeds the sum of the outstanding advances under section [1202(c)] *1203* to the Federal unemployment account.

AMOUNTS CREDITED TO STATES' ACCOUNTS

SEC. 903. (a) So much of any amount transferred to the Unemployment Trust Fund at the close of any fiscal year under section 901(a) as is not credited to the Federal unemployment account under section 902 shall be credited (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund. Each State's share of the funds to be credited under this subsection as of any July 1 shall be determined by the Secretary of Labor and certified by him to the Secretary of the Treasury on or before that date on the basis of reports furnished by the States to the Secretary of Labor by June 1 and shall bear the same ration to the total amount to be so credited as the amount of wages subject to contributions under such State unemployment compensation law during the preceding calendar year which have been reported to the State by May 1 bears to the total of wages subject to contributions under all State compensation laws during such calendar year which have been reported to the States by such May 1.

(b)(*1*) If the Secretary of Labor finds that on July 1 of any fiscal year—

[(1)](*A*) a State is not eligible for certification under section 303, or

[(2)](*B*) the law of a State is not approvable under section 3304 of the Federal Unemployment Tax Act,

then the amount available for crediting to such State's account shall, in lieu of being so credited, be credited to the Federal unemployment account as of the beginning of such July 1. If, during the fiscal year beginning on such July 1, the Secretary of Labor finds and certifies to the Secretary of the Treasury that such State is eligible for certification under section 303, that the law of such State is approvable under *such* section 3304, or both, the Secretary of the Treasury shall transfer such amount from the Federal unemployment account to the account of such State. If the Secretary of Labor does not so find and certify to the Secretary of the Treasury before the close of such fiscal year then the amount which was available for credit to such State's account as of July 1 of such fiscal year shall (as of the close of such fiscal year) become unrestricted as to use as part of the Federal unemployment account.

(*2*) *The amount which, but for this paragraph, would be transferred to the account of a State under subsection (a) or paragraph (1) of this subsection shall be reduced (but not below zero) by the balance of advances made to the State under section 1201. The sum by which such amount is reduced shall—*

(A) be credited to the Federal unemployment account, and

(B) be credited against, and operate to reduce—

(i) first, any balance of advances made before the date of the enactment of the Employment Security Act of 1960 to the State under section 1201, and

(ii) second, any balance of advances made on or after such date to the State under section 1201.

(c)(1) Amounts credited to the account of a State pursuant to subsection (a) shall, except as provided in paragraph (2), be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

(2) A State may, pursuant to a specific appropriation made by the legislative body of the State, use money withdrawn from its account in the payment of expenses incurred by it for the administration of its unemployment compensation law and public employment offices if and only if—

(A) the purposes and amounts were specified in the law making the appropriation,

(B) the appropriation law did not authorize the expenditure of such money after the close of the two-year period which began on the date of enactment of the appropriation law,

(C) the money is withdrawn and the expenses are incurred after such date of enactment, and

(D) the appropriation law limits the total amount which may be so used during a fiscal year to an amount which does not exceed the amount by which (i) the aggregate of the amounts credited to the account of such State pursuant to subsection (a) during such fiscal year and the four preceding fiscal years, exceeds (ii) the aggregate of the amounts used by the State pursuant to this paragraph and charged against the amounts credited to the account of such State during such five fiscal years.

For the purposes of subparagraph (D), amounts used by a State during any fiscal year shall be charged against equivalent amounts which were first credited and which have not previously been so charged; except that no amount used during any fiscal year may be charged against any amount credited during a fiscal year earlier than the fourth preceding fiscal year.

UNEMPLOYMENT TRUST FUND

SEC. 904. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the "Unemployment Trust Fund", hereinafter in this title called the "Fund". The Secretary of the Treasury is authorized and directed to receive and hold in the Fund all moneys deposited therein by a State agency from a State unemployment fund, or by the Railroad Retirement Board to the credit of the railroad unemployment insurance account or the railroad unemployment insurance administration fund, or otherwise deposited in or credited to the Fund or any account therein. Such deposit may be made directly with the Secretary of the Treasury, or with any Federal Reserve Bank or member bank of the Federal Reserve system designated by him for such purpose.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calnedar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then

forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Obligations other than such special obligations may be acquired for the Fund only on such terms as to provide an investment yield not less than the yield which would be required in the case of special obligations if issued to the Fund upon the date of such acquisition. Advances to the Federal unemployment account pursuant to section [1201(c)] *1203* shall not be invested.

(c) Any obligations acquired by the Fund (except special obligations issued exclusively to the Fund) may be sold at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to and form a part of the Fund.

(e) The Fund shall be invested as a single fund, but the Secretary of the Treasury shall maintain a separate book account for each State agency, the Federal unemployment account, the railroad unemployment insurance account, and the railroad unemployment insurance administration fund and shall credit quarterly (on March 31, June 30, September 30, and December 31, of each year[,]) to each account, on the basis of the average daily balance of such account, a proportionate part of the earnings of the Fund for the quarter ending on each date. For the purpose of this subsection, the average daily balance shall be computed—

(1) in the case of any State account, by reducing (but not below zero) the amount in the account by the aggregate of the outstanding advances under section 1201 from the Federal unemployment account, and

(2) in the case of the Federal unemployment account, (A) by adding to the amount in the account the aggregate of the reductions under paragraph (1), and (B) by subtracting from the sum so obtained the aggregate of the outstanding advances from the Treasury to the account pursuant to section [1202(c).] *1203*.

(f) The Secretary of the Treasury is authorized and directed to pay out of the Fund to any State agency such amount as it may duly requisition, not exceeding the amount standing to the account of such State agency at the time of such payment. The Secretary of the Treasury is authorized and directed to make such payments out of the railroad unemployment insurance account for the payment of benefits and out of the railroad unemployment insurance administration fund for the payment of administrative expenses, as the Railroad Retirement Board may duly certify, not esceeding the amount standing to the credit of such account or such fund, as the case may be, at the time of such payment.

(h) There is hereby established in the Unemployment Trust Fund a Federal unemployment account. There is hereby authorized to be appropriated to such Federal unemployment account a sum equal to (1) the excess of taxes collected prior to July 1, 1946, under title IX of this Act or under the Federal Unemployment Tax Act over the total unemployment administrative expenditures made prior to July 1, 1946, plus (2) the excess of taxes collected under the Federal Unemployment Tax Act after June 30, 1946, and prior to July 1,

1953, over the unemployment administrative expenditures made after June 30, 1946, and prior to July 1, 1953. As used in this subsection, the term "unemployment administrative expenditures" means expenditures for grants under title III of this Act, expenditures for the administration of that title by the Board or the Secretary of Labor, and expenditures for the administration of title IX of this Act, or of the Federal Unemployment Tax Act by the Department of the Treasury, the Board, or the Secretary of Labor. For the purposes of this subsection, there shall be deducted from the total amount of taxes collected prior to July 1, 1943, under title IX of this Act, the sum of $40,561,886.43 which was authorized to be appropriated by the Act of August 24, 1937 (50 Stat. 754), and the sum of $18,451,846 which was authorized to be appropriated by section 11(b) of the Railroad Unemployment Insurance Act.

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TITLE X—GRANTS TO STATES FOR AID TO THE BLIND

STATE PLANS FOR AID TO THE BLIND

SEC. 1002. (a) A State plan for aid to the blind must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act or aid to dependent children under the State plan approved under section 402 of this Act; [(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first $50 per month of earned income;] *(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that in making such determination, the State agency shall disregard either(i) the first $50 per month of earned income or (ii) the first $1,000 per annum of earned income plus one-half of earned income in excess of $1,000 per annum.*

NOTE: Effective July 1, 1961 clause (8) is amended to read as follows:

(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first $1,000 per annum of net earned income increased by one-half of that part of net earned income which is in excess of $1,000 per annum.

(9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the blind; (10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished with reasonable promptness to all eligible individuals; (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions; and (13) provide a description of the services (if any) which the State agency makes available to applicants for and recipients of aid to the blind to help them attain self-support or self-care, including a description of the steps taken to assure, in the provision of such services maximum utilization of other agencies providing similar or related services.

(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for aid to the blind under the plan—

(1) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for aid and has resided therein continuously for one year immediately preceding the application; or

(2) Any citizenship requirement which excludes any citizen of the United States.

TITLE XI—GENERAL PROVISIONS

* * * * * * *

LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 1108. The total amount certified by the Secretary of Health, Education, and Welfare under titles I (*other than section 3(a)(3)*), IV, X, and XIV, for payment to Puerto Rico with respect to any fiscal year, shall not exceed [$8,500,000] *$9,000,000, of which $500,000 may be used only for payments certified with respect to section 3(a)(2)(B);* the total amount certified by the Secretary under such titles for payment to the Virgin Islands in respect to any fiscal year shall not

exceed [$300,000] *$315,000, of which $15,000 may be used only for payments certified in respect to section 3(a)(2)(B);* and the total amount certified by the Secretary under such titles for payment to Guam with respect to any fiscal year shall not exceed [$400,000] *$420,000, of which $20,000 may be used only for payments certified in respect to section 3(a)(2)(B).*

MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED

SEC. 1112. In order to assist the States to extend the scope and content, and improve the quality, of medical care and medical services for which payments are made to or on behalf of needy and low-income individuals under this Act and in order to promote better public understanding about medical care and medical assistance for needy and low-income individuals, the Secretary shall develop and revise from time to time guides or recommended standards as to the level, content, and quality of medical care and medical services for the use of the States in evaluating and improving their public assistance medical care programs and their programs of medical assistance for the aged; shall secure periodic reports from the States on items included in, and the quantity of, medical care and medical assistance for which expenditures under such programs are made; and shall from time to time publish data secured from these reports and other information necessary to carry out the purposes of this section.

TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

[SECTION 1201. (a) If—

[(1) the balance in the unemployment fund of a State in the Unemployment Trust Fund at the close of September 30, 1953, or at the close of the last day in any ensuing calendar quarter, is less than the total compensation paid out under the unemployment compensation law of such State during the twelve-month period ending at the close of such day;

[(2) the Governor of such State applies to the Secretary of Labor during the calendar quarter following such day for an advance under this subsection; and

[(3) the Secretary of Labor finds that the conditions specified in paragraphs (1) and (2) have been met.

the Secretary of Labor shall certify to the Secretary of the Treasury such amounts as may be specified in the application of the Governor, but the aggregate of the amounts so certified pursuant to any such application shall not exceed the highest total compensation paid out under the unemployment compensation law of such State during any one of the four calendar quarters preceding the quarter in which such application was made. For the purposes of this subsection, (A), the application shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under this title, and (B) the term "compensation" means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.]

ADVANCES TO STATE UNEMPLOYMENT FUNDS

SEC. 1201. (a) (1) Advances shall be made to the States from the Federal unemployment account in the Unemployment Trust Fund as provided in this section, and shall be repayable, without interest, in the manner provided in sections 903(b)(2), and 1202. An advance to a State for the payment of compensation in any month may be made if—

(A) the Governor of the State applies therefor no earlier than the first day of the preceding month, and

(B) he furnishes to the Secretary of Labor his estimate of the amount of an advance which will be required by the State for the payment of compensation in such month.

(2) In the case of any application for an advance under this section to any State for any month, the Secretary of Labor shall—

(A) determine the amount (if any) which he finds will be required by such State for the payment of compensation in such month, and

(B) certify to the Secretary of the Treasury the amount (not greater than the amount estimated by the Governor of the State) determined under subparagraph (A).

The aggregate of the amounts certified by the Secretary of Labor with respect to any month shall not exceed the amount which the Secretary of the Treasury reports to the Secretary of Labor is available in the Federal unemployment account for advances with respect to such month.

(3) For purposes of this subsection—

(A) An application for an advance shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under this title,

(B) the amount required by any State for the payment of compensation in any month shall be determined with due allowance for contingencies and taking into account all other amounts that will be available in the State's unemployment fund for the payment of compensation in such month, and

"(C) the term 'compensation' means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.

(b) The Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of [any] *the* State in the Unemployment Trust Fund, the [amounts] *amount* certified under subsection (a) by the Secretary of Labor (but not exceeding that portion of the balance in the Federal unemployment account at the time of [such] *the* transfer which is not restricted as to use pursuant to section 903(b)(*1*)). [Any amount so transferred shall be an advance which shall be repaid (without interest) by the State to the Federal unemployment account in the manner provided in subsections (a) and (b)(1) of section 1202.]

REPAYMENT OF STATES OF ADVANCES TO STATE UNEMPLOYMENT FUNDS

SEC. 1202. [a] The Governor of any State may at any time request that funds be transferred from the account of such State to the Federal unemployment account in repayment of part or all of [any remaining] *that* balance of advances made to such State under section 1201, *specified in the request.* The Secretary of Labor shall certify to the Secretary of the Treasury the amount [stated] *and balance specified* in [such] *the* request; and the Secretary of the Treasury shall promptly transfer such amount *in reduction of such balance.*

[(b)(1) There are hereby appropriated to the Unemployment Trust Fund for credit to the Federal unemployment account, out of any moneys in the Treasury not otherwise appropriated, amounts equal to the amounts by which (A) 100 per centum of the additional tax received under the Federal Unemployment Tax Act by reason of the reduced credits provision of section 3302(c)(2) of such Act and covered into the Treasury, exceeds (B) the amounts appropriated by paragraph (2). Any amount so appropriated shall be credited against, and shall operate to reduce, the remaining balance of advances under section 1201 to the State with respect to which employers paid such additional tax.

[(2) Whenever the amount of such additional tax paid, received, and covered into the Treasury exceeds the remaining balance of advances under section 1201 to the State, there is hereby appropriated to the Unemployment Trust Fund for credit to the account of such State out of any moneys in the Treasury not otherwise appropriated, an amount equal to such excess.

[(3) The amounts appropriated by paragraphs (1) and (2) shall be transferred at the close of the month in which the moneys were covered into the Treasury to the Unemployment Trust Fund for credit to the Federal unemployment account or to the account of the State, as the case may be, as of the first day of the succeeding month.]

ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

[(c)] *SEC. 1203.* There are hereby authorized to be appropriated to the Federal unemployment account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of this title.

DEFINITION OF GOVERNOR

SEC. [1203] *1204.* When used in this title, the term "Governor" [shall include] *includes* the Commissioners of the District of Columbia.

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INTERNAL REVENUE CODE OF 1954

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CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

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SEC. 1402. DEFINITIONS.

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(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)(14)(B) performed by an individual who has attained the age of 18, service described in section 3121(b)(16), and service described in paragraph (4) of this subsection);]

(2) the performance of service by an individual as an employee, other than—

(A) service described in section 3121(b)(14)(B) performed by an individual who has attained the age of 18.

(B) service described in section 3121(b)(16),

(C) service described in section 3121(b)(11) or (12) performed in the United States (as defined in section 3121(e)(2)) by a citizen of the United States, and

(D) 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 doctor of medicine or Christian Science practitioner; 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. The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during the period for which a certificate filed by him under subsection (e) is in effect.

(d) EMPLOYEE AND WAGES.—The term "employees" 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, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—

(1) WAIVER CERTIFICATE.—Any individual who is (A) a duly ordained, commissioned, or licensed minister of a church or a

member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) or (B) a Christian Science practitioner may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that he elects to have the insurance system established by title II of the Social Security Act extended to service described in subsection (c)(4), or service described in subsection (c)(5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner as the case may be, performed by him.

(2) TIME FOR FILING CERTIFICATE.—Any individual who desires to file a certificate pursuant to paragraph (1) must file such certificate on or before whichever of the following dates is later: (A) the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed, in the case of an individual referred to in paragraph (1)(A), without regard to subsection (c)(4), and, in the case of an individual referred to in paragraph (1)(B), without regard to subsection (c)(5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner) of $400 or more, any part of which was derived from the performance of service described in subsection (c)(4), or from the performance of service described in subsection (c)(5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, as the case may be; or (B) the due date of the return (including any extension thereof) for his second taxable year ending after [1956] *1959*.

[(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. Notwithstanding the first sentence of this paragraph:

[(A) A certificate filed by an individual after the date of the enactment of this subparagraph but on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1956 shall be effective for the first taxable year ending after 1955 and all succeeding taxable years.

[(B) If an individual filed a certificate on or before the date of the enactment of this subparagraph which (but for this subparagraph) is effective only for the third or fourth taxable year ending after 1954 and all succeeding taxable years, such certificate shall be effective for his first taxable year ending after 1955 and all succeeding taxable years if such individual files a supplemental certificate after the date of the enactment of this subparagraph and on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1956.

[(C) A certificate filed by an individual after the due date of the return (including any extension thereof) for his second taxable year ending after 1956 shall be effective for the taxable year immediately preceding the taxable year with respect to which it is filed and all succeeding taxable years.]

(3) (A) EFFECTIVE DATE OF CERTIFICATE.—A certificate filed pursuant to this subsection shall be effective for the taxable year immediately preceding the earliest taxable year for which, at the time the certificate is filed, the period for filing a return (including any extension thereof) has not expired, and for all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable.

(B) Notwithstanding the first sentence of subparagraph (A), if an individual filed a certificate on or before the date of enactment of this subparagraph which (but for this subparagraph) is effective only for the first taxable year ending after 1956 and all succeeding taxable years, such certificate shall be effective for his first taxable year ending after 1955 and all succeeding taxable years if—

(i) such individual files a supplemental certificate after the date of enactment of this subparagraph and on or before April 15, 1962,

(ii) the tax under section 1401 in respect of all such individual's self-employment income (except for underpayments of tax attributable to errors made in good faith), for his first taxable year ending after 1955 is paid on or before April 15, 1962, and

(iii) in any case where refund has been made of any such tax which (but for this subparagraph) is an overpayment, the amount refunded (including any interest paid under section 6611) is repaid on or before April 15, 1962.

The provisions of section 6401 shall not apply to any payment or repayment described in this subparagraph."

(4) TREATMENT OF CERTAIN REMUNERATION PAID IN 1955 AND 1956 AS WAGES—If—

(A) in 1955 or 1956 an individual was paid remuneration for service described in section 3121(b)(8)(A) which was erroneously treated by the organization employing him (under a certificate filed by such organization pursuant to section 3121(k) or the corresponding section of prior law) as employment (within the meaning of chapter 21), and

(B) on or before the date of the enactment of this paragraph the taxes imposed by sections 3101 and 3111 were paid (in good faith and upon the assumption that the insurance system established by title II of the Social Security Act had been extended to such service) with respect to any part of the remuneration paid to such individual for such service.

then the remuneration with respect to which such taxes were paid, and with respect to which no credit or refund of such taxes (other than a credit or refund which would be allowable if such service had constituted employment) has been obtained on or before the date of the enactment of this paragraph, shall be deemed (for purposes of this chapter and chapter 21) to constitute remuneration paid for employment and not net earnings from self-employment.

(5) OPTIONAL PROVISION FOR CERTAIN CERTIFICATES FILED ON OR BEFORE APRIL 15, 1962.—In any case where an individual has derived earnings, in any taxable year ending after 1954 and before 1960, from the performance of service described in subsection (c)(4), or in subsection (c)(5) (as in effect prior to the enactment of this paragraph) insofar as it related to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, and has reported such earnings as self-employment income on a return filed on or before the date of the enactment of this paragraph and on or before the due date prescribed for filing such return (including any extension thereof)—

(A) a certificate filed by such individual (or a fiduciary acting for such individual or his estate, or his survivor within the meaning of section 205 (c)(1)(C) of the Social Security Act) after the date of the enactment of this paragraph and on or before April 15, 1962, may be effective, at the election of the person filing such certificate, for the first taxable year ending after 1954 and before 1960 for which such a return was filed, and for all succeeding taxable years, rather than for the period prescribed in paragraph (3), and

(B) a certificate filed by such individual on or before the date of the enactment of this paragraph which (but for this subparagraph) is ineffective for the first taxable year ending after 1954 and before 1959 for which such a return was filed shall be effective for such first taxable year, and for all succeeding taxable years, provided a supplemental certificate is filed by such individual (or a fiduciary acting for such individual or his estate, or his survivor within the meaning of section 205(c)(1)(C) of the Social Security Act) after the date of the enactment of this paragraph; and on or before April 15, 1962,

but only if—

(i) the tax under section 1401 in respect of all such individual's self-employment income (except for underpayments of tax attributable to errors made in good faith), for each such year ending before 1960 in the case of a certificate described in subparagraph (A) or for each such year ending before 1959 in the case of a certificate described in subparagraph (B), is paid on or before April 15, 1962, and

(ii) in any case where refund has been made of any such tax which (but for this paragraph) is an overpayment, the amount refunded (including any interest paid under section 6611) is repaid on or before April 15, 1962.

The provisions of section 6401 shall not apply to any payment or repayment described in this paragraph.

(f) PARTNER'S TAXABLE YEAR ENDING AS THE RESULT OF DEATH.—In computing a partner's net earnings from self-employment for his taxable year which ends as a result of his death (but only if such taxable year ends within, and not with, the taxable year of the partnership), there shall be included so much of the deceased partner's distributive share of the partnership's ordinary income or loss for the partnership taxable year as is not attributable to an interest in the partnership during any period beginning on or after the first day of the first calendar month following the month in which such partner died. For purposes of this subsection—

(1) in determining the portion of the distributive share which is attributable to any period specified in the preceding sentence, the ordinary income or loss of the partnership shall be treated as having been realized or sustained ratably over the partnership taxable year; and

(2) the term "deceased partner's distributive share" includes the share of his estate or of any other person succeeding, by reason of his death, to rights with respect to his partnership interest.

(g) TREATMENT OF CERTAIN REMUNERATION ERRONEOUSLY REPORTED AS NET EARNINGS FROM SELF-EMPLOYMENT.—If—

(1) an amount is erroneously paid as tax under section 1401, for any taxable year ending after 1954 and before 1962, with respect to remuneration for service described in section 3121(b)(8) (other than service described in section 3121(b)(8)(A)), and such remuneration is reported as self-employment income on a return filed on or before the due date prescribed for filing such return (including any extension thereof),

(2) the individual who paid such amount (or a fiduciary acting for such individual or his estate, or his survivor (within the meaning of section 205(c)(1)(C) of the Social Security Act) requests that such remuneration be deemed to constitute net earnings from self-employment,

(3) such request is filed after the date of the enactment of this paragraph and on or before April 15, 1962,

(4) such remuneration was paid to such individual for services performed in the employ of an organization which, on or before the date on which such request is filed, has filed a certificate pursuant to section 3121(k), and

(5) no credit or refund of any portion of the amount erroneously paid for such taxable year as tax under section 1401 (other than a credit or refund which would be allowable if such tax were applicable with respect to such remuneration) has been obtained before the date on which such request is filed or, if obtained, the amount credited or refunded (including any interest under section 6611) is repaid on or before such date,

then, for purposes of this chapter and chapter 21, any amount of such remuneration which is paid to such individual before the calendar quarter in which such request is filed (or before the succeeding quarter if such certificate first becomes effective with respect to services performed by such individual in such succeeding quarter), and with respect to which no tax (other than an amount erroneously paid as tax) has been paid under chapter 21, shall be deemed to constitute net earnings from self-employment and not remuneration for employment. For purposes of section 3121(b)(8)(B)(ii) and (iii), if the certificate filed by such organization pursuant to section 3121(k) is not effective with respect to services performed by such individual on or before the first day of the calendar quarter in which the request is filed, such individual shall be deemed to have become an employee of such organization (or to have become a member of a group described in section 3121(k)(1)(E)) on the first day of the succeeding quarter,

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CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

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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 of all remuneration paid in any medium other than cash; except that such term shall not include—

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[(9) any payment (other than vacation or sick pay) made to an employee after the month in which—

[(A) in the case of a man, he attains the age of 65, or

[(B) in the case of a woman, she attains the age of 62,

if such employee did not work for the employer in the period for which such payment is made; or]

(9) any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of 62, if such employee did not work for the employer in the period for which such payment is made; or

* * * * * * *

(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—

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(16) service performed by an individual under an arrangement with the owner or tenant of land pursuant to which—

(A) such individual undertakes to produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land,

(B) the agricultural or horticultural commodities produced by such individual, or the proceeds therefrom, are to be divided between such individual and such owner or tenant, and

(C) the amount of such individual's share depends on the amount of the agricultural or horticultural commodities produced; [or]

(17) service in the employ of any organization which is performed (A) in any quarter during any part of which such organi-

zation is registered, or there is in effect a final order of the Subversive Activities Control Board requiring such organization to register, under the Internal Security Act of 1950, as amended, as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization, and (B) after June 30, 1956[.];

(18) service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual under the age of sixteen.

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(k) EXEMPTION OF RELIGIOUS, CHARITABLE, AND CERTAIN OTHER ORGANIZATIONS.—

(1) WAIVER OF EXEMPTION BY ORGANIZATION.—

(A) 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 (*if any*) who concurs in the filing of the certificate. Such list may be amended at any time prior to the expiration of the twenty-fourth month following the calendar quarter in which the certificate is filed by filing with the prescribed official a supplemental list or lists containing the signature, address, and social secuirty 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.

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(E) If an organization described in subparagraph (A) employs both individuals who are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof and individuals who are not in such positions, the organization shall divide its employees into two separate groups. One group shall consist of all employees who are in positions covered by such a fund or system and (i) are members of such fund or system, or (ii) are not members of such fund or system but are eligible to become members thereof; and the other group shall consist of all remaining employees. [An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in one of the groups if at least two-thirds of the employees in such group concur in the filing of the certificate. The organization may also file such a certif-

icate with respect to the employees in the other group if at least two-thirds of the employees in such other group concur in the filing of such certificate.] *An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in either group, or may file a separate certificate pursuant to such subparagraph with respect to the employees in each group.*

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CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

SEC. 3302. CREDITS AGAINST TAX.

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[(c) LIMIT ON TOTAL CREDITS.—

[(1) The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.

[(2) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act, and if any balance of such advance or advances has not been returned to the Federal unemployment account as provided in that title before December 1 of the taxable year, then the total credits (after other reductions under this section) otherwise allowable under this section for such taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

[(A) in the case of a taxable year beginning with the fourth consecutive January 1 on which such a balance of unreturned advances existed, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

[(B) in the case of any succeeding taxable year beginning with a consecutive January 1 on which such a balance of unreturned advances existed, by an additional 5 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

For purposes of this paragraph, wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary or his delegate) to be attributable to such State.]

(c) *LIMIT ON TOTAL CREDITS.—*

(1) The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.

(2) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act before the date of the enactment of the Employment Security Act of 1960, then the total credits (after applying subsections (a) and (b) and paragraph (1) of this subsection) otherwise allowable under this

section for the taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

(A) in the case of a taxable year beginning with the fourth consecutive January 1 as of the beginning of which there is a balance of such advances, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

(B) in the case of any succeeding taxable year beginning with a consecutive January 1 as of the beginning of which there is a balance of such advances, by an additional 5 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

(3) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act on or after the date of the enactment of the Employment Security Act of 1960, then the total credits (after applying subsections (a) and (b) and paragraphs (1) and (2) of this subsection) otherwise allowable under this section for the taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

(A)(i) in the case of a taxable year beginning with the second consecutive January 1 as of the beginning of which there is a balance of such advances, by 10 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

(ii) in the case of any succeeding taxable year beginning with a consecutive January 1 as of the beginning of which there is a balance of such advances, by an additional 10 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State;

(B) in the case of a taxable year beginning with the third or fourth consecutive January 1 as of the beginning of which there is a balance of such advances, by the amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage (if any) by which—

(i) 2.7 percent, exceeds

(ii) the average employer contribution rate for such State for the calendar year preceding such taxable year; and

(C) in the case of a taxable year beginning with the fifth or any succeeding consecutive January 1 as of the beginning of which there is a balance of such advances, by the amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage (if any) by which—

(i) the 5-year benefit cost rate applicable to such State for such taxable year or (if higher) 2.7 percent, exceeds

(ii) the average employer contribution rate for such State for the calendar year preceding such taxable year.

(d) DEFINITIONS AND SPECIAL RULES RELATING TO SUBSECTION (c).—

(1) WAGES ATTRIBUTABLE TO A PARTICULAR STATE.—For purposes of subsection (c), wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary or his delegate) to be attributable to such State.

(2) ADDITIONAL TAXES INAPPLICABLE WHERE ADVANCES ARE REPAID BEFORE NOVEMBER 10 OF TAXABLE YEAR.—Paragraph (2) or (3) of subsection (c) shall not apply with respect to any State for the taxable year if (as of the beginning of November 10 of such year) there is no balance of advances referred to in such paragraph.

(3) AVERAGE EMPLOYER CONTRIBUTION RATE.—For purposes of subparagraphs (B) and (C) of subsection (c)(3), the average employer contribution rate for any State for any calendar year is that percentage obtained by dividing—

(A) the total of the contributions paid into the State unemployment fund with respect to such calendar year, by

(B) the total of the remuneration subject to contributions under the State unemployment compensation law with respect to such calendar year.

For purposes of subparagraph (C) of subsection (c)(3), if the average employer contribution rate for any State for any calendar year (determined without regard to this sentence) equals or exceeds 2.7 percent, such rate shall be determined by increasing the amount taken into account under subparagraph (A) of the preceding sentence by the aggregate amount of employee payments (if any) into the unemployment fund of such State with respect to such calendar year which are to be used solely in the payment of unemployment compensation.

(4) 5-YEAR BENEFIT COST RATE.—For purposes of subparagraph (C) of subsection (c)(3), the 5-year benefit cost rate applicable to any State for any taxable year is that percentage obtained by dividing—

(A) one-fifth of the total of the compensation paid under the State unemployment compensation law during the 5-year period ending at the close of the second calendar year preceding such taxable year, by

(B) the total of the remuneration subject to contributions under the State unemployment compensation law with respect to the first calendar year preceding such taxable year.

(5) ROUNDING.—If any percentage referred to in either subparagraph (B) or (C) of subsection (c)(3) is not a multiple of .1 percent, it shall be rounded to the nearest multiple of .1 percent.

(6) DETERMINATION AND CERTIFICATION OF PERCENTAGES.—The percentage referred to in subsection (c)(3) (B) or (C) for any taxable year for any State having a balance referred to therein shall be determined by the Secretary of Labor, and shall be certified by him to the Secretary of the Treasury before June 1 of such year, on the basis of a report furnished by such State to the Secretary of Labor before May 1 of such year. Any such State report shall be made as of the close of March 31 of the taxable year, and shall be made on

such forms, and shall contain such information, as the Secretary of Labor deems necessary to the performance of his duties under this section.

(7) *CROSS REFERENCE.—*

"For reduction of total credits allowable under subsection (c), see section 104 of the Temporary Unemployment Compensation Act of 1958."

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SOCIAL SECURITY ACT AMENDMENTS OF 1950

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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 Secretary 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, [1961] *1964.*

SOCIAL SECURITY ACT AMENDMENTS OF 1952

SEC. 5. (c)(1) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under section 202 of the Social Security Act for months after August 1952, and with respect to lump-sum death payments in the case of deaths occurring after August 1952, except that, in the case of any individual who is entitled, on the basis of the wages and self-employment income of any individual to whom section 217(e) of the Social Security Act applies, to monthly benefits under such section 202 for August 1952, such amendments shall apply (A) only if an application for recomputation by reason of such amendments is filed by such individual, or any other individual, entitled to benefits under such section 202 on the basis of such wages and self-employment income, and (B) only with respect to such benefits for months after whichever of the following is the later: August 1952 or the seventh month before the month in which such application was filed. Recomputations of benefits as required to carry out the provisions of this paragraph shall be made notwithstanding the provisions of section 215(f)(1) of the Social Security Act; but no such recomputation shall be regarded as a recomputation for purposes of section 215(f) of such Act. *Notwithstanding the preceding provisions of this paragraph, the primary insurance amount of an in-*

dividual shall not be recomputed under such provisions unless such individual files the application referred to in clause (A) of the first sentence of this paragraph prior to January 1961 or, if he dies without filing such application, his death occurred prior to January 1961.

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SOCIAL SECURITY ACT AMENDMENTS OF 1954

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INCREASE IN BENEFIT AMOUNTS

SEC. 102. (e)(5)(A) In the case of any individual who, upon filing application therefor before September 1954, would (but for the provisions of section 215(f)(6) of the Social Security Act) have been entitled to a recomputation under subparagraph (A) or (B) of section 215(f)(2) of such Act as in effect prior to the enactment of this Act, the Secretary shall recompute such individual's primary insurance amount, but only if he files an application therefor or, in case he died before filing such application, an application for monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income is filed. Such recomputation shall be made only as provided in subsection (a)(2) of section 215 of the Social Security Act, as amended by this Act, through the use of a primary insurance amount determined under subsection (d)(6) of such section in the same manner as for an individual to whom subsection (a)(1) of such section, as in effect prior to the enactment of this Act, is applicable; and such recomputation shall take into account only such wages and self-employment income as would be taken into account under section 215(b) of the Social Security Act if the month in which the application for recomputation is filed, or if the individual died without filing the application for recomputation, the month in which he died, were deemed to be the month in which he became entitled to old-age insurance benefits. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivor benefits becomes entitled to such benefits.

(B) In the case of—

(i) any individual who is entitled to a recomputation under subparagraph (A) of section 215(f)(2) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after August 1954, or who died after such month leaving any survivors entitled to a recomputation under section 215(f)(4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after

1950 was acquired after August 1954 or with respect to whom the twelfth month referred to in such subparagraph (A) occurred after such month, and

(ii) any individual who is entitled to a recomputation under section 215(f)(2)(B) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after August 1954, or who died after August 1954 leaving any survivors entitled to a recomputation under section 215(f)(4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or who did not attain the age of seventy-five prior to September 1954,

the recomputation of his primary insurance amount shall be made in the manner provided in section 215 of the Social Security Act, as amended by this Act, for computation of such amount, except that his closing date, for purposes of subsection (b) of such section 215, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for or, if he has died, in the month in which he died. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivors benefits becomes entitled to such benefits.

(C) An individual or, in case of his death, his survivors entitled to a lump-sum death payment or to monthly benefits under section 202 of the Social Security Act on the basis of his wages and self-employment income shall be entitled to a recomputation of his primary insurance amount under section 215(f)(2) or section 215(f)(4) of the Social Security Act as in effect prior to the date of enactment of this Act only if (i) he had not less than six quarters of coverage in the period after 1950 and prior to January 1, 1955, and (ii) either the twelfth month referrred to in subparagraph (A) of such section 215(f)(2) occurred prior to January 1, 1955, or he attained the age of 75 prior to 1955, and (iii) he meets the other conditions of entitlement to such a recomputation. No individual shall be entitled to a recomputation under subparagraph (A) or (B) of this paragraph is his primary insurance amount has previously been recomputed under either of such subparagraphs.

(D) Notwithstanding the provisions of subparagraphs (A), (B), and (C), the primary insurance amount of an individual shall not be recomputed under such provisions unless such individual files the application referred to in subparagraph (A) or (B) prior to January 1961 or, if he

dies without filing such application, his death occurred prior to January 1961.

* * * * * * *

(8) In the case of an individual who became (without the application of section 202(j)(1)) entitled to old-age insurance benefits or died prior to September 1954, the provisions of section 215(f)(3) as in effect prior to the enactment of this Act shall be applicable as though this Act had not been enacted *but only if such individual files the application referred to in subparagraph (A) of such section prior to January 1961 or (if he dies without filing such application) his death occurred prior to January 1961.*

(f)(1) The amendments made by the preceding subsections, other than subsection (b) and paragraphs (1), (2), (3), and (4) of subsection (e), shall (subject to the provisions of paragraph (2) and notwithstanding the provisions of section 215(f)(1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after, and in the case of monthly benefits under such section for months after, August 1954.

(2)(A) The amendment made by subsection (b)(2) shall be applicable only in the case of monthly benefits for months after August 1954, and the lump-sum death payment in the case of death after August 1954, based on the wages and self-employment income of an individual (i) who does not become eligible for benefits under section 202(a) of the Social Security Act until after August 1954, or (ii) who dies after August 1954, and without becoming eligible for benefits under such section 202 (a), or (iii) who is or has been entitled to have his primary insurance amount recomputed under section 215 (f)(2) of the Social Security Act, as amended by subsection (e)(2) of this section, or under subsection (e)(5)(B) of this section, or (iv) with respect to whom not less than six of the quarters elapsing after June 1953 are quarters of coverage (as defined in such Act), or (v) who files an application for a disability determination which is accepted as an application for purposes of section 216(i) of such Act, or (vi) who dies after August 1954, and whose survivors are (or would, but for the provisions of section 215(f)(6) of such Act, be) entitled to a recomputation of his primary insurance amount under section 215(f)(4)(A) of such Act, as amended by this Act. For purposes of the preceding sentence an individual shall be deemed eligible for benefits under section 202(a) of the Social Security Act for any month if he was, or would upon filing application therefor in such month have been, entitled to such benefits for such month.

(B) In the case of any individual entitled to old-age insurance benefits under section 202(a) of the Social Security Act who was or, upon filing application therefor, would have been entitled to such benefits for August 1954, to whom subparagraph (A) is inapplicable, and with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215(f)(1) of the Social Security Act, recompute the primary insurance amount of such individual but only upon the filing of an application, after August 1954, by him or, if he dies without filing

such an application, by any person entitled to monthly survivors benefits under section 202 of such Act on the basis of such individual's wages and self-employment income. Such recomputation shall be made in the manner provided in section 215 of the Social Security Act *as in effect prior to the enactment of the Social Security Amendments of 1960* for computation of such individual's primary insurance amount, except that the provisions of subsection (f) of such section (other than paragraph (3)(C) thereof) shall not be applicable for purposes of such computation, and except that his closing date, for purposes of subsection (b) of such section, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation or, if he died without filing such application, the month in which he died. Such recomputation shall be effective (i) if the application is filed by such individual, for and after the twelfth month before the [bond] *month* in which the application therefor was filed by such individual but in no case before the first month of the quarter which is such individual's sixth quarter of coverage acquired after June 30, 1953, or (ii) if such application was filed by a person entitled to monthly survivors benefits under section 202 of the Social Security Act on the basis of such individual's wages and self-employment income, for and after the first month for which such person was entitled to such survivors benefits. No such recomputation of an individual's primary insurance amount shall be effective unless it results in a higher primary insurance amount for him; nor shall any such recomputation of an individual's primary insurance amount be effective if such amount has previously been recomputed under this subsection.

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BENEFITS IN CERTAIN CASES OF DEATHS BEFORE SEPTEMBER 1950

SEC. 109. (a) * * *

(b) The provisions of subsection (a) shall be applicable only in the case of monthly benefits under section 202 of the Social Security Act for months after August 1954, on the basis of applications filed after such month *and in or prior to the month in which the Social Security Amendments of 1960 are enacted.*

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SERVICE FOR CERTAIN TAX-EXEMPT ORGANIZATIONS PRIOR TO ENACTMENT OF THE SOCIAL SECURITY AMENDMENTS OF 1956

SEC. 403. (a) In any case in which—

(1) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of the Social Security Amendments of 1956, by an organization which is described in section 501(c)(3) of the Internal Revenue Code of 1954 and which is exempt from income tax under section 501(a) of such Code but which did not have in effect during the entire period in which the individual was so employed, a valid waiver certificate under section 1426(l)(1) of the Internal Revenue Code of 1939 or section 3121(k)(1) of the Internal Revenue Code of 1954;

(2) the service performed by such individual as an employee of such organization during the period subsequent to 1950 and prior to 1957 would have constituted employment (as defined in

section 210 of the Social Security Act and section 1426(b) of the Internal Revenue Code of 1939 or section 3121(b) of the Internal Revenue Code of 1954, as the case may be, at the time such service was performed) if such organization had filed prior to the performance of such service such a certificate accompanied by a list of the signatures of employees who concurred in the filing of such certificate and such individual's signature had appeared on such list;

(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 or sections 3101 and 3111 of the Internal Revenue Code of 1954, as the case may be, have been paid with respect to any part of the remuneration paid to such individual by such organization for such service performed during the period in which such organization did not have a valid waiver certificate in effect;

(4) part of such taxes have been paid prior to the enactment of the Social Security Amendments of 1956;

(5) so much of such taxes as have been paid prior to the enactment of the Social Security Amendments of 1956 have been paid by such organization in good faith and without knowledge that a waiver certificate was necessary or upon the assumption that a valid waiver certificate had been filed by it under section 1426(l)(1) of the Internal Revenue Code of 1939 or section 3121(k)(1) of the Internal Revenue Code of 1954, as the case may be; and

(6) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual ([filed in such form and manner], *filed on or before the date of the enactment of the Social Security Amendments of 1960 and in such form and manner* and with such official, as may be prescribed by regulations under chapter 21 of the Internal Revenue Code of 1954), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426(b) of the Internal Revenue Code of 1939 or section 3121(b) of the Internal Revenue Code of 1954, as the case may be.

* * * * * * *

SOCIAL SECURITY ACT AMENDMENTS OF 1956

ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

SEC. 116. (a) There is hereby established an Advisory Council on Social Security Financing for the purpose of reviewing the status of the Federal Old-Age and Survivors Insurance Trust Fund and of the Federal Disability Insurance Trust Fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program.

(b) The Council shall be appointed by the Secretary after February 1957 and before January 1958 without regard to the civil-service laws and shall consist of the Commissioner of Social Security, as chairman, and of twelve other persons who shall, to the extent possible, represent employers and employees in equal numbers, and self-employed persons and the public.

(c)(1) The Council is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

(2) Members of the Council, while serving on business of the Council (inclusive of travel time), shall receive compensation at rates fixed by the Secretary, but not exceeding $50 per day; and shall be entitled to receive actual and necessary traveling expenses and per diem in lieu of subsistence while so serving away from their places of residence.

(d) The Council shall make a report of its findings and recommendations (including recommendations for changes in the tax rates in sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954) to the Secretary of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, such report to be submitted not later than January 1,1959, after which date such Council shall cease to exist. Such findings and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than March 1, 1959.

[(e) Not earlier than three years and not later than two years prior to January 1 of the first year for which each ensuing scheduled increase (after 1960) in the tax rates is effective under the provisions of sections 3101 and 3111 of the Internal Revenue Code of 1954, the Secretary shall appoint an Advisory Council on Social Security Financing with the same functions, and constituted in the same manner, as prescribed in the preceding subsections of this section. Each such Council shall report its findings and recommendations, as prescribed in subsection (d), not later than January 1 of the year preceding the year in which such scheduled change in the tax rates occurs, after which date such Council shall cease to exist, and such report and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than the March 1 following such January 1.]

(e) During 1963, 1966, and every fifth year thereafter, the Secretary shall appoint an Advisory Council on Social Security Financing, with the same functions, and constituted in the same manner, as prescribed in the preceding subsections of this section. Each such Council shall report its findings and recommendations, as prescribed in subsection (d), not later than January 1 of the second year after the year in which it is appointed, after which date such Council shall cease to exist, and such report and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than the March 1 following such January 1.

SOCIAL SECURITY AMENDMENTS OF 1958

TEACHERS IN THE STATE OF MAINE

SEC. 316. For the purposes of any modification which might be made after the date of enactment of this Act and prior to [July 1, 1960], *July 1, 1961* by the State of Maine of its existing agreement made under section 218 of the Social Security Act, any retirement system of such State which covers positions of teachers and positions of other employees shall, if such State so desires, be deemed (notwithstanding the provisions of subsection (d) of such section) to consist of a separate retirement system with respect to the positions of such teachers and a separate retirement system with respect to the positions of such other employees; and for the purposes of this sentence, the term "teacher" shall mean any teacher, principal, supervisor, school nurse, school dietitian, school secretary or superintendent employed in any public school, including teachers in unorganized territory.

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

SEC. 1. * * *

(q) The terms "Social Security Act" and "Social Security Act, as amended," shall mean the Social Security Act as amended in [1958] *1960*.

SECTION 104 OF THE TEMPORARY UNEMPLOYMENT TAX ACT

REPAYMENT

IN GENERAL

SEC. 104. (a) The total credits allowed under section 3302(c) of the Federal Unemployment Tax Act (26 U.S.C. 3302(c)) to taxpayers with respect to wages attributable to a State for the taxable year beginning on January 1, 1963, and for each taxable year thereafter, shall be reduced in the same manner as that provided by section 3302(c)(2) of the Federal Unemployment Tax Act for the repayment of advances made under title XII of the Social Security Act, as amended (42 U.S.C. 1321 et seq.), unless or until the Secretary of the Treasury finds that [by December 1] *before November 10* of the taxable year there have been restored to the Treasury the amounts of temporary unemployment compensation paid in the State under this Act (except amounts paid to individuals who exhausted their unemployment compensation under title XV of the Social Security Act and title IV of the Veterans' Readjustment Assistance Act of 1952 prior to their making their first claims under this Act), the amount of costs incurred in the administration of this Act with respect to the State, and the amount estimated by the Secretary of Labor as the State's proportionate share of other costs incurred in the administration of this Act.

REPAYMENTS IN EXCESS OF AMOUNT OWED

(b) Whenever the amount of additional tax paid, received, and covered into the Treasury under subsection (a) with respect to wages which are attributable to a State exceeds the sum of the amounts described in subsection (a), there is hereby appropriated to the Unemployment Trust Fund for crediting to the account of such State an amount equal to such excess. The amount so credited shall be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

REVENUE ACT OF 1951 (65 STAT. 569)

SECTION 618. PROHIBITION UPON DENIAL OF SOCIAL SECURITY ACT FUNDS

No State or any agency or political subdivision thereof shall be deprived of any grant-in-aid or other payment to which it otherwise is or has become entitled pursuant to title I (*other than section 3(a)(3) thereof*), IV, X, or XIV of the Social Security Act, as amended, by reason of the enactment or enforcement by such State of any legislation prescribing any conditions under which public access may be had to records of the disbursement of any such funds or payments within such State, if such legislation prohibits the use of any list or names obtained through such access to such records for commercial or political purposes.

MINORITY VIEWS ON HEALTH BENEFITS FOR THE AGED

Years of systematic study, intensive analysis, and debate have been devoted to the problem of financing the costs of medical care for the aged. Dozens of volumes of research reports, of hearings, of recommendations have laid a factual foundation for the following conclusions:

1. The aged have high potential and actual disability and heavy costs of medical care.
2. The aged—especially the retired—have markedly reduced incomes and limited liquid assets which are not replenishable.
3. Private insurance policies cannot meet their needs either in terms of costs or benefits.
4. The aged should not be required to undergo the humiliation of meeting medical costs through the charity approach.
5. The aged and the aging prefer to obtain medical benefits through an insurance system to which they themselves contribute and receive benefits as a matter of right.
6. The system of OASDI now covers 9 out of 10 working Americans; it has been tested by experience; it is the efficient, effective method, and should be extended to include the financing of the basic medical needs of the aged.

After all of this study and concentrated attention and in the face of increasing demand not only by America's senior citizens, but by their children as well, we are deeply perturbed and disappointed that the majority of the Senate Finance Committee rejected the sound, dignified way of meeting the cost of medical care for the aged. Have the American people labored so long only to receive so puny a mouse? We can only raise the question: Is this the way this major issue ends, "not with a bang, but a whimper?"

THE BASIC ISSUE BEFORE THE CONGRESS

The problems of the aged today are not the same as they were at the turn of the century. Today there are 16 million persons aged 65 and over; 10 million of them 70 or older. Life expectancy is rising. The aged population has increased, and will continue to increase, at a rate greater than any other age segment of our total society.

The "problems" of the aged in the second half of the 20th century are not an old and familiar story. New trends are emerging which call for a recognition by the people of the United States of the need for programs and policies appropriate to these trends. In 1960, men and women in their sixties—retired or about to retire—are faced with the potential or actual burden of supporting parents or other relatives aged 80 and over.

For every 100 Americans aged 60 to 64, there are 34 aged 80 and over—most of them women. By 1980, the latter age group will rise to 44 for every 100 aged 60–64—by the year 2000, 67.

The committee's bill does not reflect the implications of these and related trends.

As for the specific issue now under consideration, the question of financing adequate medical care, we all concur in the statement by Senator Gore, made on August 15 on the floor of the Senate:

> I believe there are still old people in America, and I hope that when my children are old there will still be old people in America, who have sufficient pride that they will not humble themselves by seeking public alms. *The committee bill follows the public-charity approach. The bill provides for public charity. It gives no old person an entitlement, a right.* Ours is a proud people. It erodes the pride of our people to place them in the ignominious position of having to take their hat in hand and go to a welfare agent and plead their poverty before receiving aid of which they are in need.
>
> One would gather, from several remarks made on the floor of the Senate this afternoon, that this country made a great mistake when it enacted the social security program. It was with considerable surprise that I heard in the Senate, one day after the 25th anniversary of this, the greatest step in social security that mankind ever made, that it was wrong to have a program of compulsory insurance.

Furthermore, the record of the past few decades is clear that medical care provided on a charity basis is of a low quality and worse, typically on the basis of a philosophy of medicine that rejects a preventive medicine approach.

The time has come when action must be taken by the Congress to meet the health needs of the aged on a dignified insurance basis. This action can be effective only if the long-established and successful social insurance system is made the basis for financing medical care for our senior citizens. The plan that would be provided by the bill approved by the other members of the committee is certainly not the answer.

No plan that is based on a humiliating and degrading means test can satisfactorily meet the problem of the health needs of the aged. It is unthinkable to subject older workers and their families to a pauper's oath in order that they can get the medical care they need. We are surprised that after the 25 years of successful operation of the social security system there are those who would still have us rely on poor relief and public assistance methods as the sole governmental approach to meeting a major economic hazard of universal occurrence.

The 70 million workers covered under social security should be given the opportunity to contribute now, while working, toward paid-up medical-care protection in old age for themselves, their wives, and widows, so that the greatest threat to the economic security of the retired aged would be met on a planned and orderly basis—without being a drain on the general revenues of Federal, State, and local governments and in a way that supports the rights, dignity and freedom of the individual citizen.

It is not true, as implied by some, that only a small proportion of wage earners and salaried persons would contribute to such a program. All—we repeat, all—70 million would be participating, up to the first

$4,800 of their wages and salaries. Thus, for a maximum of $1 a month, they would be prepaying for their health protection in old age.

When asked the question in proper terms, the majority of all Americans prefer this logical and practical solution.

We do not oppose the changes in the bill which improve the program of old-age assistance under title I of the Social Security Act. But we believe the committee, in addition to these improvements they would accept for these groups, should have recommended a new program of health benefits for the aged through the old-age, survivors, and disability insurance system.

The problem of insecurity arising from the high cost of medical care during the years of retirement is not primarily the problem of the very poor or the medically indigent. The objective should be to remove for all the aged (and their adult children) the haunting fear that an expensive illness will wipe out a lifetime accumulation of savings, threaten the ownership of a home, or make a person, after a lifetime of independence, submit to the humiliation of a test of need.

Our goal is, so far as possible, to prevent dependency rather than to deal with it at the expense of the general taxpayer after it has occurred. By contributing additional small amounts from their earnings to the nearly universal social security system, workers could gain insurance protection against medical care costs in retirement and their possible future dependency could be prevented. Since about 95 percent of the American labor force, including farmers and self-employed, will get retirement benefits under the self-financed contributory social security program, and since the wives and widows of workers are also covered, the addition of this type of protection to social security would mean that in the future almost all elderly people would be protected. The need for protection against the costs of medical care is not restricted to those aged persons who are destitute or who have practically no resources. But under the plan approved by the committee many persons in need of medical protection would be denied such protection because (*a*) States would not be able to finance their medical needs, or (*b*) the standard for eligibility as determined by each of the 50 separate States would make them ineligible. In contrast, the social insurance approach has the distinct advantage of providing medical care insurance to almost all the aged. No other plan can offer this important advantage.

We wish to remind the Senate of the public position taken on June 29, 1960, by 30 Governors whose States represent more than two-thirds of our national population. In their resolution, they cited the inadequacy of the Federal-State matching formula as a basic solution to the need for financing health insurance for the aged, and instead urged the Congress to adopt the social insurance approach.

The Senate should give full weight to the views of these Governors as to the financial resources of their States which are available for the purpose of meeting this problem.

TEXT OF RESOLUTION APPROVED BY GOVERNORS' CONFERENCE, JUNE 29, 1960, ON THE SUBJECT "PROBLEMS OF THE AGING"

Whereas the Governors' conference for many years has been acutely aware of the growing number and complexity of problems faced by our increasing population of senior citizens,

including health and medical care, employment and income maintenance, provision of suitable housing, and enrichment of leisure time activities; and

Whereas the most pressing of these problems is the financing of adequate health and medical care: Now, therefore, be it

Resolved by the 52d annual meeting of the Governor's conference, That Congress be urged to enact legislation providing for a health insurance plan for persons 65 years of age and over to be financed principally through the contributory plan and framework of the old-age survivors and disability insurance system; and be it further

Resolved, That the States support and participate actively in the forthcoming White House Conference on Aging to the end that public and private agencies be stimulated and encouraged to develop approaches to all the problems of the aging.

Voted for (30): Patterson, Alabama; Egan, Alaska; Fannin, Arizona; Faubus, Arkansas; Brown, California; McNichols, Colorado; Ribicoff, Connecticut; Collins, Florida; Docking, Kansas; Combs, Kentucky; Reed, Maine; Furcolo, Massachusetts; Williams, Michigan; Freeman, Minnesota; Blair, Missouri; Aronson, Montana; Brooks, Nebraska; Sawyer, Nevada; Meyner, New Jersey; Burroughs, New Mexico; Rockefeller, New York; Di Salle, Ohio; Edmondson, Oklahoma; Del Sesto, Rhode Island; Herseth, South Dakota; Ellington, Tennessee; Daniel, Texas; Stafford, Vermont; Rossellini, Washington; Nelson, Wisconsin.

Voted against (13): Boggs, Delaware; Vandiver, Georgia; Smylie, Idaho; Stratton, Illinois; Handley, Indiana; Powell, New Hampshire; Hodges, North Carolina; Hollings, South Carolina; Clyde, Utah; Almond, Virginia; Underwood, West Virginia; Coleman, American Samoa; Merwin, Virgin Islands.

Absent or not voting (11): Quinn, Hawaii; Loveless, Iowa; Davis, Louisiana; Tawes, Maryland; Barnett, Mississippi, Davis, North Dakota; Hatfield, Oregon; Lawrence, Pennsylvania; Hickey, Wyoming; Boss (Acting Governor), Guam; Muñoz-Marín, Puerto Rico.

We the undersigned attending the 52d Annual Governors' Conference urge that you and your committee amend H.R. 12580 to provide health benefits under the provisions of the old-age, survivors, and disability insurance system. Such a program would enable the citizens of our country to contribute small amounts during their working lives and have as a matter of right a paid-up health insurance policy to protect them during retirement years when their medical needs are likely to be greatest and income lowest.

Governors signing: James T. Balir, Jr., Governor of Missouri; Edmund G. Brown, Governor of California; LeRoy Collins, Governor of Florida; Bert Combs, Governor of Kentucky; Michael V. Di Salle, Governor of Ohio; George Docking, Governor of Kansas; William A. Egan, Governor of Alaska; Orval E. Faubus, Governor of Arkansas; Orville L. Freeman, Governor of Minnesota; Foster Furcolo, Governor of Massachusetts; Ralph Herseth, Governor of South Dakota; Luther H. Hodges, Governor of North Carolina; Herschel C. Loveless, Governor of Iowa; Steve McNichols, Governor of Colorado; Robert B. Meyner, Governor of New Jersey; Gaylord A. Nelson, Governor of Wisconsin; Abraham A. Ribicoff, Governor of Connecticut; Albert D. Rosellini, Governor of Washington; Grant Sawyer, Governor of Nevada; G. Mennen Williams, Governor of Michigan; John Burroughs, Governor of New Mexico; Buford Ellington, Governor of Tennessee; and John Patterson, Governor of Alabama.

THE SOCIAL INSURANCE APPROACH IS A PROVEN ONE

Contributory social insurance has been applied with great success to the need for income maintenance in retirement, for survivors after the death of the chief breadwinner in the family, and for the family after the disability of the worker. The general taxpayer has been saved billions of dollars a year, and the self-respect and independence of American workers have been greatly strengthened by this approach to the problem of security planning.

There is every reason to take the same approach with regard to the expenses of medical care after retirement. The cash benefit alone is not enough to provide security. The monthly amounts paid under social security are quite inadequate (the average worker's benefit is now $73 a month) and most retired people have barely enough to meet everyday living expenses. The cash benefit, designed to meet everyday living expenses, needs to be coupled with protection against the unforeseeable costs of illness. The retirement plan cannot give security if retired persons have no protection against the cost of medical care and have to face the costs currently at a time when their incomes are greatly reduced and the incidence and cost of illness greatly increased.

The social insurance approach would assure that benefits would definitely be available, that the individual could count on his eligibility for them, and that these benefits would be supported by adequate, advance financing.

Insofar as individuals have the resources to purchase private insurance, they would then be able to build such individual protection around the basic social insurance program. Contrary to fears that have been expressed, the development of social insurance has not interfered with the growth of commercial insurance; a tremendous growth of private protection has accompanied the development of the

old-age, survivors, and disability insurance system. We anticipate a similar result if medical care benefits are added to the OASDI program.

FREEDOM OF CHOICE WOULD BE PRESERVED

The tax that would support medical benefits under the social insurance plan would be compulsory, of course, as are all taxes, including existing social security taxes. Any program financed, in whole or in part, by Government will require tax revenues.

Under any amendment, individuals would continue to exercise whatever choice they now have in regard to the persons or institutions from whom they obtain care. Our amendment would in no way impair the freedom of physicians to practice as they choose. Nor would it affect their responsibility for recommending and certifying the type of care necessary, whether in a hospital, a skilled nursing home, or the patient's own home. On both physicians and hospitals would continue to rest responsibility for developing improved methods of caring for aged persons, utilizing less expensive forms of care when they would prove constructive, and speeding rehabilitation so as to avoid permanent invalidism.

PUBLIC ASSISTANCE IS NOT THE PROPER ANSWER

Only the social security system can provide medical care insurance for the aged in a satisfactory manner. If medical care costs are not met by social insurance, increasingly they will have to be met through the less satisfactory method of relief. Almost $400 million a year is now being spent by Federal, State, and local governments for medical care under the old-age assistance program; the committee bill would increase this to close to about a billion dollars, and this would be just the beginning. In the absence of social insurance protection the present drain on general revenues will more than double in the next several years. A total of $2 billion to $2.5 billion in Federal and State funds would be required to meet the total need.

We wonder if the majority has adequately considered this particular implication of an aging population: The category of "medical indigents," if not buttressed by a social insurance program for health care for the aged, will continue to mount at a rapid pace and will constitute—as it already does in many communities—the major portion of State and local relief programs.

Although we support improvements in medical care assistance under title I, we believe that the method of assistance is greatly inferior to social insurance and that the need for such assistance should be reduced as much as possible, instead of being increased. It is necessary to recognize the inadequacies of any approach based on an income or means test, using 50 separate and different State laws, and financing the cost out of general revenues, with a large part of the burden placed upon the States, which are already burdened with heavy costs for education and other public services.

The committee bill will result in a large burden remaining on the States and on the State welfare programs for the care of the aged.

An official study by the Department of Health, Education, and Welfare of the estimated increased amount needed for medical care for old-age assistance recipients in 1958, showed that this was about

$268 million. (Source: "Report of the Advisory Council on Public Assistance," S. Doc. 93, 86th Cong., 2d sess., Mar. 28, 1960, p. 69.) Since the majority recommendation makes available only $140 million additional under their proposal, their plan will still result in a shortage of about $128 million in necessary funds. Moreover, there is also an additional shortage of between $774 million to $786 million in funds to bring the money payments for old-age assistance recipients up to a decent minimum level. Together, these shortages amount to over $900 million annually. These estimates are only for aged persons presently on the old-age assistance rolls; they do not include the medically needy.

The provisions approved by the committee would not prevent or even significantly reduce insecurity. On the other hand, if protection against medical care costs were provided under the OASI system, eligibility for such benefits would go along with eligibility for monthly cash benefits under the system, and each person would know where he stands. Thus, the distress and anxiety caused by periods of illness would not be aggravated by uncertainty about eligibility as it would be under a public assistance type of program.

The public assistance approach is much more expensive to administer than is social insurance. Each application for medical assistance would have to be checked in relation to the income, resources, and living requirements of the individual. This would throw a tremendous additional load on the State and local welfare agencies who would administer the new program along with their existing relief programs. The task of checking on income, resources, and living requirements would be especially difficult in the case of the large number of persons who move from State to State.

The present wording of title I of the Social Security Act permits the States to set their own standards of need. It is their own decision which has made them severe and restrictive as to assistance levels. The recommended increase in Federal matching grants will make it easier for some States to expand their aid to public assistance recipients. But experience indicates that in many States those who want to liberalize public assistance programs have great difficulty in securing liberalizing amendments and necessary State appropriations.

The provisions of the pending bill, although putting a big additional burden on general revenues, will in our opinion satisfactorily resolve the problem. Few States are in a position to raise the large amounts of money necessary to meet their share of the costs under the matching formula set up in the proposal.

An analysis of the present provisions for providing payments to the suppliers of medical care under State old-age assistance plans shows that—

1. There are only 16 States which pay for all essential medical items.
2. Eight States make no direct payments for medical services for needy aged persons.
3. Most other States have limited medical care programs.

Table 1 presents the list of States showing the extent to which they do or do not provide direct payments for medical services to needy aged persons. Table A summarizes the provisions of the State plans for medical care for the needy aged. Table B presents the State expenditures for direct payments for medical care for old-age assist-

ance. These tables indicate the grossly inadequate situation as far as the States are concerned.

SUMMARY OF PROVISIONS OF OUR PROPOSED AMENDMENT

The amendment we will support on the floor of the Senate adds hospital and related health benefits to old-age survivors and disability insurance for persons aged 68 or more. The provisions are directed to keeping within a long-range level-premium cost of 0.5 percent of payrolls, and contributions are increased sufficiently to meet estimated costs.

Social insurance is utilized as the first line of defense, in accordance with a quarter century of congressional practice. No means or income test would be required, nor any contributions after retirement, so that the dignity and the meager incomes of the aged would be protected. The burden on public assistance and general funds of the States would be diminished, and they would be able to provide more generous aid as the last resort of those for whom social insurance is unavailable or insufficient.

All financing would be through contributions during years of employment on earnings up to $4,800 a year, equal to one-quarter of 1 percent each by employers and employees and three-eighths of 1 percent by the self-employed. The great majority of the American people would thus be enabled to contribute during their working years for health protection in their old age.

TABLE 1.—*Medical care provisions of State old age assistance plans*

(Source: Bureau of Public Assistance, Social Security Administration, June 1960)

No direct payments made for medical care (8):

- Alabama
- Alaska
- Arizona
- Delaware
- Georgia
- Kentucky (to be changed Jan. 1, 1961)
- South Dakota
- Texas

Direct payments for hospital care only (3):

- Missouri
- North Carolina
- Tennessee

Direct payments for nursing-home care only (2):

- Idaho
- Vermont

(New Jersey also makes vendor payments for nursing home care.)

Direct payments for hospital care and nursing-home care only (4):

- Maine
- Nebraska
- South Carolina
- Virginia

Direct payments for other items—no more than 2 (4):

- Florida (hospital care and drugs)
- Hawaii (hospital care and other, not specified)
- Iowa (practitioner and drugs)
- Montana (practitioner and drugs)

More than 2 but less than comprehensive medical care through direct payments (13):

- Arkansas
- California [1]
- Colorado
- Louisiana [1]
- Michigan
- Nebraska
- Nevada
- New Mexico [2]
- Oklahoma
- Pennsylvania [1]
- Utah [2]
- West Virginia [2]
- Wyoming

[1] Hospital care provided through public hospitals.
[2] *Scope* of services defined broadly, but *quantity* very low.

Direct or money payments for all essential items (16):

- Connecticut
- Illinois
- Indiana
- Kansas
- Maryland
- Massachusetts
- Minnesota
- New Hampshire
- New Jersey
- New York
- North Dakota
- Ohio
- Oregon
- Rhode Island
- Washington
- Wisconsin

TABLE A.—*Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)*

State	Vendor payment method used	Vendor payments					Other resources for medical care available to old-age assistance (OAA) recipients
		Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other	
Alabama	No	No	No	No	No	No	Maximum OAA money payment of $75 may be exceeded up to $110 for nursing home care. Recipient in hospital continues to receive money payment. State has program of hospitalization for medically indigent, administered by State health department.
Alaska	No	No	No	No	No	No	Maximum OAA money payment of $100 available for nursing home care. For nonnatives, State program of general assistance is used to meet medical needs, including hospitalization and nursing-convalescent home care not met in the money payment to the recipient. For natives, Bureau of Indian Affairs is a resource for medical care including hospitalization.
Arizona	No	No	No	No	No	No	Nursing home care provided through money payment up to maximum of $80 for OAA recipients. Recipients in hospital continue to receive money payment. Hospitalization and general medical care are county responsibility. For reservation Indians, Indian Health Service is a resource.
Arkansas	Yes	Yes [1]	As recommended by physician for all acute illnesses and injuries. General rule: 30 days a year; extension possible.	No [2]	$90 maximum, plus $5 in money payment for personal needs.	Yes	
California	Yes	Yes	No (vendor payments for OAA recipients in public medical institutions after 1st 60 days).	Yes	No	Yes	Nursing home care provided through money payment of $115 or $95 maximum (depending on recipients income). Hospitalization available in all locations from county hospitals.

See footnotes on p. 285.

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TABLE A.—*Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)*—Continued

State	Vendor payment method used	Vendor payments					Other resources for medical care available to old-age assistance (OAA) recipients
		Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other	
Colorado	Yes	Yes	All recommended by physician, except for purpose of diagnosis only. General rule: 30 days; extension possible.	Yes	Money payment $106, plus $20 to $95 vendor payment based on patient's needs.	Yes	
Connecticut	Yes	Yes	All recommended by physician for definitive medical treatment. No limitation on number of days.	Yes	No	Yes	Nursing home care provided through money payment to recipient. Pay budgetary deficit up to approved rate. Maximum rate: $212.33.
Delaware	No	No	No	No	No	No	Nursing home care provided through money payment. Maximum of $75 may be supplemented up to approved rate. Hospitalization for indigent persons reported as provided by county governments.
District of Columbia	Yes	Yes	All essential surgical and medical care and treatment. No limitation on number of days.	No [3]	No	Yes [3]	Nursing home care provided through money payment to $100 maximum, plus $10 for personal needs. Drugs available through District of Columbia Public Health.
Florida	Yes	No	Limited to acute injuries and illness. Maximum: 30 days a year.	Yes	No	No	Nursing home care provided through money payment to $66 maximum, which may be supplemented from other sources up to rate determined for community.

Georgia	No	No	No	No	No	No	Nursing home care provided through money payment to $65 maximum, which may be supplemented from other sources up to maximum rate. Limited hospitalization through board of commissioners. Hospital care for medically indigent enacted in 1958, but not in operation.
Guam	No	No	No	No	No	No	Hospitalization and other medical care available through Government hospital.
Hawaii	Yes	No	All recommended by physician except Hansen's disease (leprosy). No day limitation.	No	No	Yes	Nursing home care provided through money payment. State agency and medical care provisions being reorganized. Outpatient care provided by State paid physicians who also dispense drugs to limited extent.
Idaho	Yes	No	No	No	$150 maximum, plus money payment for personal needs; maximum may be exceeded.	No	Hospitalization furnished under annual contract with private hospitals in some counties; general assistance used primarily for medical care. Public assistance recipient in a public medical institution can continue to receive assistance grant.
Illinois	Yes	Yes	All recommended by physician. General rule: 2 weeks, with provision for extension	Yes	To meet need for care, not to exceed "going rate" in community.	Yes	
Indiana	Yes	Yes	Limited to nonelective surgery, injuries, acute illness, diagnosis. No day limitation.	Yes	Money payment or vendor, as determined by county. Rates negotiated in each county.	Yes	Scope of medical care determined by individual counties in line with content recommended by State agency.
Iowa	Yes	Yes	No	Yes	No	No	Nursing home care provided through money payment to meet rate for needed care; basic rate $80, plus amounts for additional care needed. Hospitalization available through general assistance and Iowa University Hospital.
Kansas	Yes	Yes	All recommended by physician. No day limitation.	Yes	No	Yes	Nursing home care provided through money payment to meet budgetary deficit of recipient up to the local rate. No statewide rates or ranges.

[1] Applicable only if surgery is authorized by remedial eye services section for cooperating ophthalmologist.

[2] Some drugs provided by vendor payment when dispensed by hospital for continuation of treatment after discharge of a patient who has received inpatient care for the same condition.

[3] Vendor payments may be made for drugs, appliances, dental services, and optical supplies recommended by physician, hospital, or clinic when such are not available without cost to the agency through other services.

TABLE A.—*Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)*—Continued

State	Vendor payment method used	Vendor payments					Other resources for medical care available to old-age assistance (OAA) recipients
		Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other	
Kentucky	No	No	No	No	No	No	Nursing home care provided through money payment up to $66 (for total needs). New legislation to start in 1961. Covers all types of medical care to limited amount. Some counties make contributions to local hospitals for care of needy.
Louisiana	Yes	Yes	No	Yes	$110 maximum, plus $17 money payment for personal needs. $105 money payment in home not subject to license.	Yes	Practitioner services paid by vendor payment in nursing home cases only; in other circumstances, provided through money payment. Hospitalization available through State hospital program.
Maine	Yes	No	All recommended by physician. Maximum: 45 days a year.	No	$65 maximum money payment, remainder by vendor payment up to $130 or $165.	No	Other medical care must be met by recipient from money payment. OAA maximum is $65.
Maryland	Yes	Yes	All recommended by physician; 21 days for illness, exception possible upon medical recommendation.	Yes	No	Yes	Nursing home care provided through money payment up to $115.50 for total care. Maximums of $190, $200, $210 (according to group into which county is classified) on total money payment for total needs of recipient.
Massachusetts	Yes	Yes	All recommended by physician. No day limitation.	Yes	$6.50 maximum a day; may be exceeded. All other medical needs are met.	Yes	

Michigan	Yes	Applicable only if connected with hospitalization.	do	Applicable only if connected with hospitalization.	No	Applicable only if connected with hospitalization.	Nursing home care provided through money payment, $90 maximum; may be supplemented from State and local general assistance funds to maximum regional rate ($150 to $175). Practitioner services are in money payment. OAA maximum $80.
Minnesota	Yes	Yes	All recommended by physician. Maximum: 30 days; extension on recommendation of county medical advisory committee.	Yes	$60 by money payment, plus vendor up to $150, may be exceeded.	Yes	
Mississippi	No	No	No	No	No	No	Nursing home care provided through money payment, $33 administrative maximum; may be supplemented from local or private funds to $150 maximum. Some hospitalization available through State subsidies. Some counties contribute.
Missouri	Yes	No	For acute illness and injury when recommended by physician. Maximum: 14 days per hospital admission.	No	No	No	Nursing home care provided through money payment, $65 maximum, except $100 for "completely bedfast and totally disabled." Other medical care by money payment. Provisions being revised.
Montana	Yes	Yes	Limited to remedial eye care.	Yes	No	No	Nursing home care and all other medical care provided through money payment, $85 maximum. "Medical component" of nursing home care paid through general assistance. Vendor payment method limited to prevention of blindness and restoration of sight.
Nebraska	Yes	No	All recommended by physician. General rule: 31 days; extension possible.	No	Meet budgetary deficit up to fee range negotiated in each county.	No	Practitioner services and other medical services are in money payment up to $70 maximum for OAA.
Nevada	Yes	Yes	No	Yes	No	Yes	Nursing home care provided through money payment, $130 maximum, plus $8 for personal needs. Hospitalization is responsibility of county commissioners. Hospitalized recipients may continue to receive money payments to $75 maximum.

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TABLE A.—*Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)*—Continued

State	Vendor payment method used	Vendor payments					Other resources for medical care available to old-age assistance (OAA) recipients
		Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other	
New Hampshire	Yes	Yes	All recommended by physician. General rule: 14 days; extension possible.	Yes	No	Yes	Nursing home care provided through money payment, $150 maximum; may be exceeded in unusual circumstances.
New Jersey	Yes	No	No	No	$180 basic; $190, including physician and prescriptions. Cash payment for personal use.	No	All medical care except nursing home provided through money payment. No maximum.
New Mexico	Yes	Yes	All except elective. No maximum; 7 days with reauthorization required.	Yes	$55 maximum on money payment, plus vendor to $150.	Yes	
New York	Yes	Yes	All recommended by physician. No day limitation.	Yes	Rates set locally. Personal needs met by money payment.	Yes	Counties have option as to method of payment for each of the services provided subject to State approval.
North Carolina	Yes	No	All recommended by physician. Maximum: 180 days.	No	No	No	Nursing home care provided through money payment, $175 maximum, applicable only to need for skilled nursing service following hospitalization; limited to 3 months; may be extended 3 times. All other medical care provided through money payment. No maximum. Average OAA payment, $40.
North Dakota	Yes	Yes	All recommended by physician. Maximum: 60 days.	Yes	Meet budgetary deficit up to maximum rates from $100 to $175.	Yes	

Ohio	Yes	Yes	All recommended by physician; nonelective surgery only, except after special review; 10 days each admission with possible extension.	Yes	No	Yes	Nursing home care provided through money payment to meet budgetary deficit for care needed up to approved rates, $65 to $160.
Oklahoma	Yes	Yes	Limited to life endangering conditions and conditions producing or alleviating blindness; 21 days per admission.	No	$66 maximum on money payment, plus $69 vendor payment.	Yes	Hospitalization limited; no specific items of medical care provided in budgeting for money payment.
Oregon	Yes	Yes	All recommended by physician. No maximum; reauthorization every 7 days.	Yes	$124 to $184 according to care needed. Personal items in money payment.	Yes	In lieu of nursing-home care, housekeeping or nursing service in own home provided in special payment directly to recipient.
Pennsylvania	Yes	Yes	No	Yes	No	Yes	Nursing-home care provided through money payment, $100 to $165 maximum, according to type of care; plus $5 for personal needs in money payment. Hospitalization through State-owned and State-aided hospitals.
Puerto Rico	No	No	No	No	No	No	Medical services of all types available from resources of public health department.
Rhode Island	Yes	Yes	All recommended by physician. General rule: 21 days with provision for extension.	Yes	No	Yes	Nursing-home care provided through money payment, $182 maximum, depending on type of care, plus $6 for clothing and personal needs.
South Carolina	Yes	No	Acute illness and injury. 30 days maximum.	No	(1) For continuing care, money payment to $60, plus supplement to $150 from other sources; (2) for persons who have been hospitalized, up to $94 vendor payment, plus $60 money payment.	No	Medicine provided through money payment; OAA maximum, $60.

TABLE A.—*Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)*—Continued

State	Vendor payment method used	Vendor payments					Other resources for medical care available to old-age assistance (OAA) recipients
		Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other	
South Dakota	No	No	No	No	No	No	Nursing home care provided through money payment of $75 to $165 depending on type of care needed. Hospitalization provided by county poor relief fund, financed in part by return to county of portion of State taxes earmarked for this purpose. Specified drugs and appliances provided in money payment. No maximum except for nursing home.
Tennessee	Yes	No	Acute illness or injury, and illnesses and injuries requiring hospitalization; 10-day maximum.	No	No	No	Nursing home care provided through money payment of $60 maximum; may be supplemented from other sources to $150, plus allowance for personal needs. No other items of medical care specified in provisions for money payment OAA maximum, $55.
Texas	No	No	No	No	No	No	Nursing home care provided through money payment, $67 maximum; may be supplemented from county funds up to $100 for nursing care, plus $64.50 for maintenance. Limited medical care through money payment. County commissioners generally maintain county hospitals or make payment to private hospitals.
Utah	Yes	Yes	All recommended by physician, except elective surgery. General rule: 30 days; extension possible.	Yes	No	Yes	Nursing home care provided through money payment of $87.50, $110 maximum, which may be supplemented from other sources to $200; $5 allowance for personal items.
Vermont	Yes	No	No	No	$165 for skilled nursing care; $135 for personal nursing service; $5 money pay-	No	Hospitalization provided by "town" general assistance; other medical needs included in money payment. OAA maximum, $75.

					ment for personal needs.		
Virgin Islands	Yes	No	No	Yes	No	No	Other medical treatment through department of health. Hospitalization available under system of municipal hospitals.
Virginia	Yes	No	Extension of vendor payment provisions to hospital care effective July 1, 1960.	No	$150 maximum, plus $6 money payment for personal items.	No	Other medical care provided through money payment; average OAA money payment, $37. (To July 1, 1960, hospitalization provided through State-local payments, not part of public assistance program.)
Washington	Yes	Yes	All recommended by physician. No day limitation.	Yes	$102 to $192 according to type of home. Personal items through money payment.	Yes	
West Virginia	Yes	Yes	Limited to acute illness, immediate surgery, diagnostic services; exceptions if will increase capacity for self-care. Maximum 30 days.	Yes	No	Yes	Nursing home care provided through money payment, $60 maximum a person, $165 a household, supplemented by general assistance under specified conditions. Practitioner services through money payment.
Wisconsin	Yes	Yes	All recommended by physician. No day limitation; reauthorization stipulated.	Yes	Pay budgetary deficit to meet rate for care needed; rates negotiated in each county. Allowance for personal needs in money payment.	Yes	
Wyoming	Yes	Yes	All recommended by physician. No day limitation.	No	$85 maximum money payment for maintenance, plus vendor payment up to $100.	No	Other medical services are responsibility of counties.

TABLE 3.—*Old-age assistance: Payments for vendor medical bills: Total amount, amount for which type of service was not reported, and amount in all States reporting for specified type of service, by State, fiscal year 1959 (supplied by the Bureau of Public Assistance)* [1]

State	Total	Type of service not reported	In all States reporting for specified type of service				
			Practitioners' services	Hospitalization	Drugs and supplies	Nursing and convalescent home care	Other
Total	$220,749,925	$24,953,705	$21,344,694	$71,879,997	$31,877,084	$56,944,998	$13,749,447
Alabama	17,473		2,329	15,144			
Alaska							
Arizona							
Arkansas	2,989,720		21,393	1,671,037		1,294,030	3,260
California	22,140,019		6,649,307		13,100,862		2,389,850
Colorado	7,739,663		1,097,093	4,878,353	77,096	1,624,167	62,954
Connecticut	3,710,081		453,372	2,259,290	940,438	1,494	55,487
Delaware							
District of Columbia	202,936			196,454			6,482
Florida	1,390,427				1,390,427		
Georgia							
Hawaii	99,977	99,977					
Idaho	24,130					24,130	
Illinois	24,788,904		2,022,275	6,612,511	2,722,576	12,541,541	890,001
Indiana	5,807,135		1,277,606	1,619,147	872,201	1,849,526	188,655
Iowa	667,938		315,954		334,334		17,650
Kansas	3,913,454		622,473	1,366,940	795,779		1,128,262
Kentucky							
Louisiana	2,394,230		32,935		115,304	2,239,448	6,543
Maine	1,354,849			625,785		729,064	
Maryland	463,099	463,099					
Massachusetts	29,654,045		683,863	10,306,418	4,640,549	13,030,875	992,340
Michigan	4,985,744	4,985,744					
Minnesota	14,723,821		1,419,212	6,027,400	1,536,242	5,354,227	386,740
Mississippi							
Missouri							
Montana	17,855		6,916	9,878	17		1,044
Nebraska	3,391,745			1,044,795		2,346,950	
Nevada	229,642		79,443		82,553		67,646
New Hampshire	1,222,136		178,044	709,419	274,920	32,661	27,092
New Jersey	5,800,800	5,800,800					
New Mexico	914,908		143,955	420,400	120,940	190,197	39,416
New York	26,050,471			14,766,084		4,918,973	6,365,414
North Carolina	832,317			832,317			
North Dakota	2,027,898		243,415	1,086,083	219,043	421,484	57,873
Ohio	9,402,926		1,543,879	5,747,637	1,753,514	17,721	340,175
Oklahoma	11,233,765		1,688,688	4,346,185		5,182,308	16,584

Oregon	4,335,246		170,611	912,817	404,232	2,805,116	42,470
Pennsylvania	2,708,931		588,050		1,197,393	687,050	236,438
Puerto Rico							
Rhode Island	980,836	980,836					
South Carolina							
South Dakota							
Tennessee	1,394,994			1,394,994			
Texas							
Utah	593,496		71,664	130,380	264,556	88,099	38,797
Vermont							
Virgin Islands	3,657	3,657					
Virginia	445,582					445,582	
Washington	8,326,489		1,843,036	4,113,408	913,708	1,071,204	385,133
West Virginia	745,866		113,924	591,393	19,758		20,791
Wisconsin	12,619,592	12,619,592					
Wyoming	403,128		75,257	178,078	100,642	49,151	

[1] In some instances, figures are presented where no federally aided vendor payments are made; in others, no figures are presented where vendor payment programs are now in existence. These discrepancies are generally the result of the method and of the timing of the State reports. For example, Alabama, although it has no federally approved plan for vendor method payment, reports total payments of $17,473. This amount, however, represents payments from local funds only. New York, which has a vendor program for all types of services, reported its payments for practitioners' services and drugs and supplies under the heading designated "Other." Another example is the fact that no hospitalization payments are listed for Florida, because the program did not go into effect until October 1959.

Nearly three out of four persons 68 years or older would automatically be entitled to the new benefits next year. Other groups could be covered by separate legislation, with special financing.

1. Persons eligible

All persons eligible for old-age, survivors, and disability insurance benefits who are aged 68 or more would receive lifetime health service protection, without any means or income test. Nine million persons would be eligible next year, or nearly three out of five of all persons over age 65. Table 2 presents the number eligible for health service benefits by States.

2. Health service benefits

The cost of four important types of health service is covered, subject to certain limits within 1 year:

(*a*) Hospital inpatient services, for up to 120 days. The individual pays the first $75 each year.

(*b*) Skilled nursing home recuperative care, up to 240 days.

(*c*) Home health services by a nonprofit or public agency, up to 365 visits.

(*d*) Diagnostic outpatient hospital services, including X-ray and laboratory services.

(*e*) The first three types of benefits have interchangeable features with an overall ceiling. A total of 180 units of services are available in 1 year. A unit of service is equal to 1 day of inpatient hospital care, 2 days of skilled nursing home care, or three home health visits. This provision is intended to keep down costs and encourage use of other facilities than a hospital.

3. Costs and financing

The program would be fully financed and actuarially sound, according to Robert J. Myers, the Chief Actuary of the Social Security Administration. It would require no appropriations from general revenues nor any contributions by the aged after they have retired and stopped working.

(*a*) The level-premium or long-range cost is estimated as 50 percent of taxable payrolls.

(*b*) Contribution rates would be increased in 1961 as follows: one-fourth of 1 percent for employers and employees and three-eighths of 1 percent for the self-employed on earnings up to $4,800 a year.

(*c*) These additional contributions would be set apart in a separate account in the OASI trust fund, from which all payments for medical services would be made.

4. Administration

(*a*) The Secretary of HEW would consult with a representative advisory council on policy and regulations, thus assuring full consultation with medical and consumer groups affected.

(*b*) Agreements relating to the provision of services would be made with the provider of service or with its authorized representative. Any qualified provider of services would have the right to participate, and individuals could choose among them. Payments would be based on the reasonable cost of rendering services.

(*c*) There is a specific provision that nothing in the act shall be construed to give the Secretary supervision or control of the practice

of medicine or the manner in which medical services are provided, or over the administration of participating institutions.

(*d*) The Secretary is to carry on studies and make recommendations on problems related to the operation and improvement of the program.

TABLE 2.—*Estimated number of persons aged 68 and over eligible for health service benefits under the monthly OASDI program, by State, July 1, 1961*

[In thousands]

State of residence: [1]	*Number*	State of residence [1]—Cont.	*Number*
Total [2]	9,185		
Alabama	120	Montana	37
Alaska	3	Nebraska	89
Arizona	45	Nevada	9
Arkansas	93	New Hampshire	42
California	736	New Jersey	345
Colorado	77	New Mexico	22
Connecticut	151	New York	1,004
Delaware	21	North Carolina	166
District of Columbia	31	North Dakota	32
Florida	298	Ohio	517
Georgia	125	Oklahoma	109
Hawaii	16	Oregon	114
Idaho	34	Pennsylvania	674
Illinois	554	Puerto Rico	46
Indiana	272	Rhode Island	58
Iowa	181	South Carolina	72
Kansas	128	South Dakota	39
Kentucky	154	Tennessee	149
Louisiana	93	Texas	332
Maine	66	Utah	33
Maryland	119	Vermont	26
Massachusetts	342	Virgin Islands	1
Michigan	398	Virginia	151
Minnesota	193	Washington	163
Mississippi	85	West Virginia	99
Missouri	263	Wisconsin	244
		Wyoming	14

[1] Distribution by State estimated.
[2] Excludes persons residing outside the United States.

The actuarial and financial soundness of our proposal is attested to by the Chief Actuary of the Social Security Administration in the following letters.

AUGUST 15, 1960.

Mr. ROBERT J. MYERS,
Social Security Administration,
Washington, D.C.

DEAR MR. MYERS: Would you kindly give me estimates on the cost of the attached proposal for providing health benefits for the aged as part of the old-age, survivors, and disability insurance system?

My objective is to provide a constructive program which can be adequately financed by additional contributions of one-fourth percent by employers, one fourth percent by employees, and three-eighths percent by the self-employed on earnings up to $4,800. These contributions would start in 1961, and benefits would be payable July 1.

I would appreciate knowing (1) the level premium cost by item, and the early-year cost in percent of payrolls and in dollars; (2) whether the proposal can be considered actuarially sound.

With best wishes,

Faithfully yours,

PAUL H. DOUGLAS.

(Enclosure to letter follows:)

PROPOSAL ON HEALTH BENEFITS TO COST 0.5 PERCENT OF PAYROLLS

Persons eligible: OASDI eligibles at age 68.

1. Hospital care up to 120 days with an initial deductible of $75.
2. Skilled nursing-home recuperative care upon transfer from the hospital up to 120 days with an additional 1½ days for each day of unused day of hospital care but not to exceed 240 days.
3. Home health services by nonprofit or public home health service agency up to 120 visits with 2 visits for each unused day of hospital care but not to exceed 360 visits.
4. Diagnostic outpatient hospital services.

Financing: One-fourth percent contribution by employers and employees, and three-eighths percent by the self-employed, starting in 1961, with a special account or trust fund.

AUGUST 15, 1960.

Hon. PAUL H. DOUGLAS,
U.S. Senate, Washington, D.C.

DEAR SENATOR DOUGLAS: This is in response to your letter of August 15 requesting actuarial cost estimates for a proposal for providing health benefits for all eligibles of the old-age, survivors, and disability insurance program aged 68 and over. This would be financed by an increase in the combined employer-employee contribution rate of one-half percent (and a corresponding increase in the contribution rate for the self-employed), to go into a special account or trust fund.

Under the proposal, benefits would first be available for July 1961, while the additional contributions would begin in January 1961. The first benefit would be hospital care up to a maximum of 120 days per year, with an initial deductible of $75; this has a level-premium cost, according to the intermediate-cost estimate, of 0.43 percent of payroll. The second benefit would be skilled nursing home recuperative care upon transfer from hospital up to a maximum of 240 days per year (but with the maximum being reduced by 1½ days for each of the first 80 days of hospital care used—or in other words, this maximum could never fall below 120 days); the level-premium cost is 0.01 percent. The third benefit would be home health services (by a nonprofit or public agency) for a maximum of 360 visits per year (but with the maximum being reduced by 2 visits for each day of hospital care used); the level-premium cost is 0.01 percent. The fourth benefit would be diagnostic outpatient hospital services (without any limits prescribed); the level-premium cost is 0.05 percent.

The total level-premium cost for the above proposal is thus 0.50 percent of payroll, which is exactly the same as the additional contributions provided, so that the proposal as it stands can be considered to be fully financed and thus actuarially sound. The total cost of the proposal in the first full year of operation is estimated at $690 million, which is equivalent to 0.33 percent of payroll.

Sincerely yours,

ROBERT J. MYERS,
Chief Actuary.

PRIVATE INSURANCE CANNOT MEET THE PROBLEM

Private insurance cannot meet the problems of the great majority of the aged. Basically the problem for private insurance is that the costs of medical care for the aged are high and retired people cannot afford to pay the necessary premiums. Persons aged 65 and over are sick in bed an average of more than 16 days per year. Persons under 65 average only 7 days. Six times as many persons aged 65 and over have serious chronic conditions as does the population below that age.

A program based on contributions over a working lifetime for paid-up protection in retirement is not offered by private insurance. The possibility of inflation and also the possibility of changes in medical costs arising from other factors, make it impracticable for private insurers to undertake to insure against actual expenses at some future date. On the other hand, a contract providing for protection in terms of a fixed number of dollars would not give the protection needed. Moreover a requirement that commercial premiums be paid over a working lifetime means that no one obtains protection until several decades have gone by.

But little of the medical costs of the aged are now paid through insurance. Only one-fourth of the aged have even as complete medical insurance coverage as a Blue Cross policy would provide. Most of this group are little over the age of 65 and are still employed, with their protection based on such employment. Another 15 percent or so have medical insurance of a less adequate nature—usually a policy, which, for example, pays only $10 a day toward a hospital room which costs $20 or more. Even very inadequate protection costs an aged couple something like $13 per month.

THE ADMINISTRATION'S PLAN IS UNSATISFACTORY

We also want to take this opportunity to join the committee in rejecting the plan submitted by Secretary Flemming for the administration (S. 3784).

In 1958 the House Committee on Ways and Means requested the Secretary of Health, Education, and Welfare to report on methods of providing insurance against the cost of hospital and nursing-home care for old-age, survivors, and disability insurance beneficiaries. A substantial report on the matter was submitted to the House committee on April 3, 1959. Testimony from a wide variety of witnesses was heard in 1958 and in July 1959. On July 13, 1959, the Secretary of Health, Education, and Welfare assured us that he would continue studying possible approaches and would report the results of his studies as soon as possible. No recommendations were received from him, however, until May 4, 1960. The House committee had by then been considering health problems of the aged and other social security amendments for more than a month.

The proposals of the administration were discussed by the House committee at some length but did not win its support, nor were they ever embodied in legislative language until after the Senate Committee on Finance had concluded its public hearings. The administration plan is unsatisfactory for the following reasons:

1. The idea on which this plan is based, that protection against medical care costs for the aged is necessary only for persons with

incomes of less than $2,500 a year is completely untenable. A single illness may cost several thousand dollars, and meeting such costs would be completely beyond the means of most retired persons who have income enough to bar them from help under the plan.

2. The plan would place a huge additional burden on the general budgets of local, State, and Federal Governments amounting to over a billion dollars to begin with and several billion dollars later. All this without consideration of where the money will come from and at a time when it is widely recognized that the services of many State and local governments are badly outmoded and tax resources for their improvement severely limited and uncertain.

3. Although putting a large additional burden on the general taxpayer, the plan would nevertheless leave the first $250 of medical care costs each year to the retired person and require him to pay 20 percent of all costs above this amount. Such a large deductible plus coinsurance, while perhaps appropriate for employed persons of middle income, offers little if any security to people living on the low income typical of the retirement years.

4. The administration has taken as a basic principle that a plan must be voluntary. But there is really nothing voluntary about the plan which they have proposed. Under that plan the general taxpayer is compelled to pay huge costs (except for the premium or enrollment fee paid by the beneficiary) and yet the old person will not be allowed to participate in the benefit side of the plan unless he submits to and meets an income test of $2,500 a year. For people with retirement incomes above $2,500, therefore, there is no choice but to have paid taxes, with no opportunity for benefits. The only sense in which the plan is voluntary is that those who have retirement incomes below $2,500 a year can refuse to take the benefits for which they and other taxpayers in their earlier years have paid the costs. For these unfortunates it is "compulsory" dependence upon public charity.

5. The proposed premium or enrollment fee, covering about one-fifth or so of the costs of this so-called voluntary insurance, and the option of electing a private insurance contract, would mislead many people into failing to act in their own best interests. Because of the fee some would not participate and thus would refuse the benefits which had been paid for by their own taxes. At the same time the $24 fee would be a barrier to voluntary election by the very lowest income groups. This too has a "compulsory" earmark.

6. There is no way to know when, if ever, the aged of the Nation would finally get protection under the plan. Nothing could be done until a State was able to find revenue resources to pay its share of the costs. Thus in many States it might take years before ways were found to raise the necessary revenues to permit the State to enter the plan.

ADVANTAGES OF THE OASDI APPROACH AS COMPARED WITH THE VOLUNTARY APPROACH

The OASDI approach in our amendment has a number of very important advantages over the voluntary approach. These advantages are as follows:

1. *Contributions are collected from nearly all persons who work for a living under the bill.*—This results in a large number of persons contributing, without the adverse selection that tends to accompany voluntary community plans. This reduces the cost per person and assures a strong financial base to the whole program.

2. *Contributions are payable under our amendment only while the individual is employed.*—Since contributions are payable in relation to earnings, an individual does not pay for any period in which he has no earnings or is not working. In voluntary plans, contributions must be paid for individuals whether they are earning or not.

3. *Contributions under our amendment are levied in some measure with ability to pay.*—In voluntary plans, contributions customarily are on a flat basis in relation to number of dependents. Thus, in a voluntary plan, an individual earning $2,000 a year and an individual earning $6,000 a year both pay the same premium. Unequals are treated equally. In our amendment, since contributions are a uniform percentage of earnings up to a limit of $4,800 a year, the $2,000 individual would pay only two-fifths the amount the $4,800 or higher individual would pay.

4. *Contributions in our amendment are levied over the individual's working lifetime and are not paid during the period when he is not earning and is retired.*—Under most voluntary plans, the individuals must continue to pay their premiums after they retire and until they die. Where employers contribute toward the cost of voluntary protection prior to retirement, such contributions usually cease on termination of employment. This is burdensome to many older people whose incomes are sharply reduced when they retire. The result is that as people grow older they may drop their voluntary insurance in order to conserve their limited funds. If they retain their voluntary insurance, the flat rate premium takes a very high proportion of a small income. Our amendment aims to solve these difficulties by requiring individuals and their employers to pay small amounts, in relation to their earnings, over an entire working lifetime and then to forgo any contributions when the individual has no earnings and is retired. The result is a financing arrangement better adapted to the lifetime earning pattern.

5. *Contributions in our amendment are not related to the number of dependents.*—In voluntary plans, the contributions usually increase with the number of dependents. Thus, in a typical plan, there is one uniform rate for an individual, a higher rate for an individual and spouse, and a still higher rate for a family. The result is that the individual with the family has to pay a higher proportion of income for his protection than the individual without a family. From a social point of view, this is not only undesirable, but unnecessary. The individual with the family has the cost of maintaining and educating his family and, since his health costs rise in relation to the size of his family but not in relation to his earnings, he is doubly penalized. In

our amendment since contributions are a uniform percentage of earnings, there is no such double penalty on the family earner.

6. *The employer is required by our amendment to pay one-half of the cost.*—Under many voluntary plans, the employer pays part of the cost, and in some voluntary plans the employer pays all of the cost. However, this trend is spotty. In many plans the employer makes no contribution. Under our amendment, the employer would be required to pay one-half of the cost. The existing law permits employers to pay a larger proportion—or all of the cost—if the employer wishes, or if this is agreed to by the employer and employee by contract or collective bargaining. Thus, where the employer now pays all the cost, this would not be disturbed by the bill.

7. *Benefits are not cancelable under our amendment.*—In many private plans benefits are cancelable at the option of the insurance carrier or the employer. They can be terminated by action of the insured when sufficient income is not available to pay the premiums. Whatever may be the reasons for these actions, they inevitably result in public agencies having to bear the cost of the care of those persons who cannot finance their medical care. This is undesirable. Our amendment provides for a paidup policy with the backing of the Federal Government. It gives patients and hospitals assurance of payment and protection superior to that of most private plans.

8. *Benefits under our amendment are not limited during a person's lifetime.*—Under many private plans benefits are limited not only in terms of days of hospitalization per year but also in terms of total dollars over a person's lifetime. This completely undermines the security provided in the plan. Under our amendment no such lifetime limit is provided nor is it necessary. Thus, the OASDI approach is much superior to the private plan.

9. *Benefits under our amendment in many cases are more adequate than under many private plans.*—In many voluntary plans, hospital insurance benefits are limited to 30 to 50 days or have a fixed dollar limit on payments per day of hospital care.

10. *The cost of administering the plan in our amendment would be less than the administrative costs under existing private insurance plans.*—Since contributions would be collected as a part of the regular social security contributions, it would not require any new machinery. There would be no salesmen or acquisition costs as in private insurance. The savings in administrative costs would make it possible to pay the same benefits as private insurance at less cost, or more adequate benefits at the same cost.

SUMMARY

In summary, it is very clear that—

1. There is a great need for protection against medical costs for the aged.
2. The provisions in the proposed bill will not meet this need.
3. The logical and certain method for meeting the need is through the contributory social insurance provisions of the social security system.
4. We believe that the American people favor this additional protection.
5. They will gladly pay the modest amounts involved during their working years in order not only to provide protection for those now old but to spread the costs of that protection over workers and employers as a group rather than having it fall unevenly on those young people who have retired parents and other relatives who get sick.
6. Most of all we believe it is in the best American tradition to make prior provision for the future by having those now young start buying paid-up insurance protection to be added to their cash benefit when they retire.

Therefore, we support the Anderson-Kennedy amendment insuring health costs of the aged on the dignified social insurance basis.

CLINTON P. ANDERSON.
PAUL H. DOUGLAS.
ALBERT GORE.
EUGENE J. MCCARTHY.
VANCE HARTKE.

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