COMMITTEE ON FINANCE
UNITED STATES SENATE
Harry Flood Byrd, *Chairman*

BRIEF SUMMARY OF MAJOR PROVISIONS OF AND DETAILED COMPARISON SHOWING CHANGES MADE IN THE SOCIAL SECURITY ACT BY H.R. 11865 AS REPORTED BY THE COMMITTEE ON FINANCE

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SUMMARY OF MAJOR PROVISIONS OF THE BILL

Old-age, survivors, and disability insurance

I. Five percent across-the-board increase in insurance benefit payments

The bill would increase the insurance benefit payments under present law by 5 percent for all persons now on the benefit rolls and for all future beneficiaries.

Number of beneficiaries and effective date.—The increase would be effective for the 20 million beneficiaries on the rolls in their benefit payments which are due for the second calendar month following the date of enactment.

For the first full year, 1965, it is estimated that $925 million in additional benefit amounts would be paid as a result of this increase.

Workers, dependents, and survivors benefits.—Monthly payments for workers who have retired at age 65 would range from $42 to $133.40 for primary beneficiaries as compared with $40 to $127 under present law. Maximum primary benefits would range up to $143.40 for people who retire in the future as the increase in the earnings base, also contained in the bill, makes possible the counting of up to $5,400 (now $4,800) of annual earnings toward benefits along with the 5-percent increase in payments. Survivors and dependents benefits would also be proportionately increased.

Family maximum.—Under present law, the ceiling on the total amount of family benefits payable on a worker's earnings record ranges from $60 to $254 a month, depending on the worker's average monthly earnings. The bill raises the minimum amount of monthly benefits for a family to $63 and the maximum would be $281.20 at the $400 average monthly earnings level, which is the highest possible under the present $4,800 earnings base. In the future, maximum family benefit amounts up to $300 would be payable as the $5,400 earnings base which the bill provides becomes effective and average monthly earnings rise above $400.

(See p. 11)

II. Payment of benefits to certain aged persons

The bill would provide limited benefits for certain aged individuals (now in their seventies or older) who have some social security coverage but not enough to meet the minimum required by existing law.

A special provision would liberalize the eligibility requirements so that some aged people who do not meet the minimum work requirements in present law of six quarters could qualify for benefits on the basis of as few as three quarters of coverage. Upon attaining age 72 or older, a worker or widow who qualifies under these provisions would get a monthly benefit of $35; a wife who qualifies would get a benefit of $17.50.

Persons affected, benefits, and effective date.—These provisions would become effective for the second month after the month of enactment. It is estimated that 400,000 individuals will be added to the social security benefit rolls by this provision, with such benefits totaling about $160 million in 1965.

Men and women workers.—A new concept of "transitional insured" status under the bill would provide that the oldest workers will receive benefits with as little as three quarters of coverage. For those workers who are not quite so old, the quarters of coverage requirement would increase until the requirement merges with the present minimum requirement of six quarters.

The following table illustrates the operation of the "transitional insured" status provision for workers:

Transitional insured status requirements for worker's benefits

Men		Women	
Age (in 1965)	Quarters of coverage required	Age (in 1965)	Quarters of coverage required
76 or over	3	73 or over	3.
75	4	72	4.
74	5	71	5.
73 or younger	6 or more	70 or younger	6 or more.

To be eligible for benefits an individual must both (1) meet the above age and coverage requirements, and (2) have attained age 72.

A wife's benefit would be payable at age 72 to the wife of a worker who qualified for benefits under the transitional provisions if she attains age 72 before 1968.

Widows.—Any widow who is age 72 or over in 1965, if her husband died or reached age 65 in 1954 or earlier, can get a widow's benefit if her husband had three quarters of coverage. Present law requires six quarters. If the husband died or reached 65 in 1955, the requirement is four quarters. If he died or reached 65 in 1956, the requirement would be five quarters. If he died or reached 65 in 1957 or later, the minimum requirement would be six quarters, the same as present law.

For widows reaching age 72 in 1966 and 1967, there is a grading-in of coverage requirement of four or five quarters of coverage, respectively. Widows reaching age 72 in 1968 or after would be subject to the requirements of existing law of six or more quarters of coverage.

The table below sets forth the requirements as to widows:

Transitional insured status requirements for widow's benefits

Year of husband's death (or attainment of age 65, if earlier)	Present quarters required	Proposed quarters required for widow attaining age 72 in—		
		1965 or before	1966	1967
1954 or before	6	3	4	5.
1955	6	4	4	5.
1956	6	5	5	5.
1957 or after	6 or more	6 or more	6 or more	6 or more.

(See pp. 12–13.)

III. Payment of child's insurance benefits to children attending school or college after attainment of age 18 and up to age 22

The bill would provide for the payment of child's insurance benefits until the child reaches age 22, provided the child is attending public or accredited schools, including a vocational school, or a college, as a full-time student after he reaches age 18. Children of deceased, retired, or disabled workers would be included. No mother's or wife's benefits would be payable on the basis of a child who has attained age 18 but is in school.

This provision will be effective for the month following the month of enactment. It is estimated that 275,000 children would benefit in the total amount of $175 million under this provision in 1965.

(See pp. 8–9.)

IV. Benefits for widows at age 60

The bill would provide the option to widows of receiving benefits beginning at age 60 with the benefits payable to those who claim them before age 62 actuarially reduced to take account of the longer period over which they will be paid. Under present law full widow's benefits and actuarially reduced worker's, wife's and husband's benefits are payable at age 62.

This provision would be effective for months after the month of enactment. In the first full year, 1965, it is estimated that 180,000 widows will take advantage of this provision and receive $150 million in benefits.

(See p. 8.)

V. Coverage extensions and improvements

Employees of States and localities

(1) *Division of retirement systems:* Alaska and Kentucky would be added to the list of 17 States which may cover State and local government employees under the divided retirement system provision. This provision allows existing members to elect coverage, but future members are covered compulsorily.

(2) *Extension of time for election of coverage:* Another opportunity would be provided, through 1965, for the election of coverage by people who originally did not choose coverage under the divided retirement system provision.

(3) *Certain hospital employees:* Coverage would be extended to certain hospital employees in California whose positions were removed from a State or local government retirement system. (See pp. 5–7.)

Computation of self-employment income from agriculture.—The maximum amount of gross farm income which farmers have the option of using in computing covered farm self-employment income would be increased.

Under the provision, persons with agricultural self-employment would have the following option in reporting their earnings: (*a*) if annual gross income from agricultural self-employment is not over $2,400, either actual net earnings or 66⅔ percent of gross income may be reported; (*b*) if gross income from agricultural self-employment is over $2,400 and actual net earnings are less than $1,600, either actual net earnings or $1,600 may be reported; and (*c*) if gross earnings are more than $2,400 and net earnings are more than $1,600, the actual net earnings must be reported. Under existing law the $2,400 and $1,600 figures are $1,800 and $1,200, respectively.

This amendment would be effective with respect to taxable years ending after December 31, 1964.

(See p. 5.)

VI. Automatic recomputation of benefits

The retirement benefits of people on the rolls would be recomputed automatically each year to take account of any covered earnings that the worker might have had in the previous year that would increase his benefit amount. Under existing law there are various requirements, including filing of an application and earnings of over $1,200 in a year after entitlement.

(See p. 10.)

VII. Filing proof of support

The bill eliminates the time limit for filing proof of support with applications for dependent husbands, widowers, and parents benefits and for lump-sum death benefits if good cause can be shown for failure to file within the initial 2-year period.

(See p. 9.)

VIII. Financing provisions

Increase in the earnings base.—The earnings base which establishes the amount of annual earnings for benefit and tax purposes would be increased so that earnings up to $5,400 would be taxed and credited beginning with 1965. The annual base is $4,800 under present law.

I. COVERAGE—Continued

Item	Present law	H.R. 11865
B. State and local government employees—Continued	Employees of any institution of higher learning (including a junior college or a teachers' college and employees of a municipal or county hospital) under a retirement system can, if the State so desires, be covered as a separate coverage group, and 1 or more political subdivisions may be considered as a separate coverage group even though its employees are under a statewide retirement system. In addition, employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees who are members or who have an option to join more than 1 State or local retirement system cannot be covered unless all such retirement systems are covered. Individuals in positions under retirement systems on Sept. 1, 1954, are precluded from obtaining coverage under the nonretirement system coverage provisions.	
	The 1960 amendments permit California to cover, before 1962, persons employed by a hospital in 1957, 1958, or 1959 in positions removed, after Sept. 1, 1954 and before 1960, from retirement system coverage for whom social security taxes were erroneously paid. Hospital employment before 1960 on which taxes were paid and all subsequent hospital employment of such persons could be covered.	Would modify provision so that service of persons first employed in such positions after 1959 would also be covered. Upon modification of agreement by the end of 6 months following the month of enactment, service performed on or after Jan. 1, 1962, would be covered. Services performed before Jan. 1, 1962, would be covered, if contribution in the proper amount was paid prior to date of enactment.
	Exceptions to general law concerning coverage in named States: (1) *Split-system provisions.*—Authorizes California, Connecticut, Florida, Georgia, Hawaii, Massachusetts, Minnesota, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, and Wisconsin, and all interstate instrumentalities, at their option, to extend coverage to the members of a State retirement system by dividing such a system into 2 divisions, 1 to be composed of those persons who desire coverage and the other of those persons who do not wish coverage, provided that new members of the retirement system coverage group are covered compulsorily. Also authorize similar treatment of political subdivision retirement systems of these States.	Adds Kentucky and Alaska to the list. Effective upon enactment.
	Those employees covered by a divided retirement system who did not elect coverage in the original agreement, may, nevertheless elect coverage until 1963, or, if later, until 2 years after the date on which coverage was approved for the group that originally elected coverage. Also provides that the coverage of persons electing under this amendment would begin	Extends the time in which such employees can elect to be covered until the end of 1965 (or, if later, the expiration of 2 years after the date on which coverage was approved for the group that originally elected coverage). Effective upon enactment.

	on the same date as coverage became effective for the group originally covered. Also provides that where an individual who has chosen not to be covered under the divided retirement system provision becomes a member of a different retirement system group which has elected coverage because of the annexation of the employing political subdivision by another political subdivision, or through some other action taken by a political subdivision, such individual will continue to be excluded from coverage.	
	(2) *Policemen and firemen.*—Allows the States of Alabama, California, Florida, Georgia, Hawaii, Kansas, Maine, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, and Washington and all interstate instrumentalities to make coverage available to policemen and firemen in those States, subject to the same conditions that apply to coverage of other employees who are under State and local retirement systems, except that where the policemen and firemen are in a retirement system with other classes of employees the policemen and firemen may, at the option of the State, hold a separate referendum and be covered as a separate group.	No change.

II. BENEFIT CATEGORIES

A. Worker—old age	Full benefit payable at age 65 to fully insured retired worker. Payable at age 62 to fully insured retired worker, but on an actuarially reduced basis. Benefit is reduced by 5/9 of 1 percent for each month worker is entitled to receive a benefit before age 65—the total reduction is 20 percent if worker begins drawing benefits at age 62. The reduced amount is permanent, continuing after worker reaches age 65.	No change.
Reduction where individual is entitled to a wife's benefit and an old-age benefit.	In the case where a woman is entitled to a reduced old-age insurance benefit and at the same time or subsequently becomes entitled to a wife's benefit, the wife's benefit would be reduced by the dollar reduction which was applicable to the old-age benefit, plus the regular reduction amount on the excess of the unreduced wife's benefit over the unreduced old-age benefit. A similar provision is applicable to men entitled reduced old-age and dependent husband's benefit.	No change.
B. Wife or dependent husband	A full benefit for a wife or dependent husband is 50 percent of spouse's primary benefit. Full benefit paid at age 65. Payable at age 62 to a wife or dependent husband, but on an actuarially reduced basis. Benefit is reduced by 25/36 of 1 percent for each month prior to age 65. An individual who takes benefit at 62 receives 75 percent of full benefit.	No change

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

II. BENEFIT CATEGORIES—Continued

Item	Present law	H.R. 11865
C. Widow, widower, or parent	Full benefit payable at age 62 to widow, dependent widower, or surviving dependent mother or father of the insured worker. Full benefit is 82.5 percent of deceased worker's primary benefit. (75 percent each in case of two parents.)	Widows would be allowed to elect an actuarially reduced benefit upon attaining age 60. Benefits would be reduced by ⅝ of 1 percent for each month she is entitled to receive a benefit prior to age 62. Thus the reduction for a widow who elects a benefit when she attains age 60 would be 13⅓ percent for the 24-month period—reducing her benefit from 82½ percent of her husband's benefit to 71½ percent of his benefit. In the case of a widow who is entitled to an old-age benefit in her own right, the old-age benefit will be reduced to take into account widow's benefits paid to her before age 62. Effective for benefits beginning with month after month of enactment on the basis of applications filed in or after month of enactment. No change as to widowers and parents.
D. Children	A child's benefit is paid to child of the insured worker who has died, reached retirement age, or become disabled if the child is unmarried and either— (a) is under age 18, or (b) is under a disability which began before age 18. The benefit paid to a child of a retired or disabled worker is ½ of the workers primary benefit. The benefit to the child of a deceased worker is ¾ of the worker's primary benefit, except a sole surviving child is entitled to the minimum benefit of $40 a month.	Adds a 3rd qualifying alternative: (c) is age 18 or over and under age 22 if he is a full-time student. Permits a child whose benefits have terminated because he has attained age 18 to become reentitled upon filing a new application if he is a full-time student and has not attained 22. Provision would prevent a wife, widow, or former wife divorced from getting benefits if the only child in her care has attained 18 and is getting benefits solely because he is a student. *Student and institution defined:* A full-time student is defined as an individual who is in full-time attendance as a student at an educational institution; whether or not the student was in full-time attendance would be determined by the Secretary in the light of the standards and practices of the school involved. Specifically excluded is a person who is paid by his employer while attending school at the request of his employer. Provides for benefits for any period of 4 calendar months or less in which a person does not attend school if the person shows to the satisfaction of the Secretary that he intends to continue in full-time school attendance immediately after the end of the period. An educational institution is defined so as to permit the payment of benefits to students taking vocational or academic courses and includes all public schools, colleges, and universities and all accredited private schools, colleges, or universities. An accredited school would be one approved by a State recognized or

		nationally recognized accrediting association. The Secretary also would be authorized to prescribe regulations defining the standards for schools for which no accrediting body exists or which are newly established and which have not been in existence for a long enough period to qualify for approval or accreditation by an accrediting agency. Effective for months after month in which bill enacted on basis of applications filed in or after month of enactment. For children currently on rolls, effective for months following month of enactment. (See fully insured status, pp. 12–13.)
E. "Transitional insured" benefit for certain aged workers, wives and widows.	--	
F. Proof of support by dependent husbands, widowers, and parents.	Dependent husbands, widowers, and parents must file proof of their support by the worker within 2 years after application for benefits or death of the worker, except that an additional 2-year period is allowed upon a showing that good cause existed for failure to file within the initial 2-year period.	Proof of support may be filed at any time upon a showing that good cause existed for failure to file within the intial 2-year period.

III. BENEFIT AMOUNTS

A. Creditable earnings------------------	Maximum amount of earnings which may be credited for benefit purposes is $4,800 a year.	Raises maximum amount to $5,400 a year, effective for employee wages after 1964 and for self-employment income for taxable years ending after 1964.
B. Average monthly wage---------------	In general, an individual's "average monthly wage" which determines his old-age insurance benefit amount (before reduction for retirement before age 65) is computed by dividing the total of his creditable earnings after the applicable starting date and up to the applicable closing date, by the number of months involved. Excluded from this computation are all months and all earnings in any year any part of which was included in a period of disability under the disability "freeze" (except that the months and earnings in the year in which the period of disability begins may be included if the resulting benefit would be higher).	No change except:
	The average monthly wage in retirement cases is computed on the basis of a constant number of years, regardless of when, before age 22, the person started to work or when he files application for benefits. The number of years for a person who had at least 6 quarters of coverage after 1950 would be equal to 5 less than the number of years (excluding years in periods of disability) elapsing after 1950 or after the year in which the individual attained age 21, whichever is later, and up to the year in which the person was first eligible for old-age insurance benefits and had attained retirement age (65 for men; 62 for women). In death and disability cases the number of years would be determined by the date of death or disability.	Worker may have average monthly wage computed entirely on years after 1950 regardless of whether he has 6 quarters of coverage after 1950, and may use closing date of the year of attainment of age 65 (62 for women) regardless of whether he is eligible (fully insured) in that year.
	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.	

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

III. BENEFIT AMOUNTS—Continued

Item	Present law	H.R. 11865
B. Average monthly wage—Continued	The earnings used in the computation are earnings in the highest years. Earnings in years prior to attainment of age 22 or after attainment of retirement age can be used if they are higher than earnings in intervening years. The span of years can never be less than 2. Generally, the span of years to be used for the benefit computation in retirement cases can not be less than 5—the number of years that would have to be used under the prior law by people who attained retirement age in 1960.	
C. Recomputations	After a person has become entitled to benefits, he may, under certain circumstances, have his "average monthly wage" recomputed if it will increase his monthly benefit:	Provides for automatic annual recomputation; beginning with 1964, earnings in and after the year of 1st entitlement will be taken into account regardless of whether the worker has 6 quarters of coverage after 1950, or earns over $1,200, or files an application to have his benefits recomputed. Individuals eligible for a recomputation under present law would be deemed to have applied for such recomputation on Jan. 1, 1965 (so that it would be made automatically).
	(1) Recalculation to correct errors in original computation.	
	(2) 1954 work recomputation: Where an individual who has 6 quarters of coverage after 1950 returns to work after becoming entitled to benefits and earns more than $1,200 in a year he may have his average monthly wage recomputed including such earnings. Survivors are also entitled to any increase in benefits which would result from such recomputation.	
	(3) Dropout recomputation: Beneficiary who became entitled to benefits prior to the amendment which allowed a dropout of 5 years of lowest earnings may have a recomputation using the dropout if he has 6 quarters of coverage after June 1953. Survivors are entitled to any increases which would result from such a recomputation.	
	(4) Current year recomputation: An individual becoming entitled to benefits after August 1954 may have a recomputation which will include earnings in the year he retires if such earnings were not included in the original calculation. Survivors are entitled to any increases which would result from such a recomputation.	
	(5) Recomputation of benefits at age 65 (the "round up"): If a reduced benefit has been withheld (most common reason would be earnings which caused benefit withholding under the retirement test) during the period of reduced benefit a person is entitled to a recomputation at age 65 which will readjust post-65 benefits to take into account the months in which the reduced benefit was withheld.	Provision also made applicable at age 62 to reduced benefits for widows who were aged 60–61 at time of claim.
	(6) Other recomputations: Provides several recomputations of limited application.	

D. Benefit formula	The law provides a consolidated benefit table which is used in determining benefit amounts for both future beneficiaries and those now on the benefit rolls. Though not specifically stated in the law the formula for the primary insurance amount is in effect, 58.85 percent of the 1st $110 of the average monthly wage, plus 21.40 percent of the next $290 of such wage (except that is some cases, for average monthly wages under $85, a slightly higher amount is payable so as to fit in with the minimum benefit).	The existing benefit table is amended so as to increase all primary insurance amounts by 5 percent. The existing benefit table is extended to reflect the new annual earnings base of $5,400 a year. For the resulting new average monthly wages (which run from $400 to $450 a month) primary insurance amounts are derived by applying the benefit formula underlying the old table and adding $6.40, which $6.40 is the same amount of increase for persons with average monthly wage of $400, the maximum under the existing table. The formula underlying the new table is approximately 61.79 percent of the first $110 of the average monthly wage, plus 22.47 percent of the next $290, plus 21.4 percent of the next $50.
E. Maximum primary insurance amount	$127 a month ($400 average monthly wage)	Increases to $133.40 ($400 average monthly wage) and eventually to $143.40 ($450 average monthly wage).
F. Minimum primary insurance amount	$40 a month	Increases minimum benefit to $42 per month.
G. Maximum family benefits	Family maximum monthly benefits are set by the table and range from $60 to $254. Though not specifically stated in the law, the maximum family benefit shown in the benefit table is 1½ times the primary insurance amount or approximately 80 percent of the average monthly wage, whichever is larger, up to an absolute maximum of $254—twice the maximum primary insurance amount of $127.	Family maximum will range from $63 to $300. Although not specifically stated in the bill, the formula used to determine the maximum family benefit shown in column V of the new benefit table is the larger of (*a*) 1½ times the primary insurance amount or (*b*) approximately 80 percent of the average monthly wage up to $300, plus 40 percent of the remainder of the average monthly wage. The $300 point at which the 40-percent part of the formula begins to operate is ⅔ of the maximum average monthly wage of $450. At the maximum average monthly wage of $450, the maximum family benefit would be ⅔ of the average monthly wage. (Because this new formula for determining the maximum family benefits would result in lower family benefits at a few earnings levels than under present law—namely, for average wages between $301 and $333—the present maximum benefits are retained at these earnings levels.) Effective for monthly benefits after the 1st month following month of enactment, for lump-sum death payments where death occurs after the 1st month.
H. Lump-sum death payment	3 times the primary insurance amount with a statutory maximum of $255.	No change.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

III. BENEFIT AMOUNTS—Continued

I. Illustrative monthly benefits payable under present law and H.R. 11865:

Average monthly wage	Old-age benefits [1]				Survivors benefits				
	Worker		Man and wife [2]		Widow aged 62, widower, or parent		Widow aged 60 [3]	Widow and 2 children	
	Present law	Bill	Present law	Bill	Present law	Bill	Bill	Present law	Bill [4]
$67 or less	$40.00	$42.00	$60.00	$63.00	$40.00	$42.00	$36.40	$60.00	$63.00
$100	59.00	62.00	88.50	93.00	48.70	51.20	44.40	88.50	93.00
$150	73.00	76.70	109.50	115.10	60.30	63.30	54.90	120.00	120.00
$200	84.00	88.20	126.00	132.30	69.30	72.80	63.10	161.70	161.70
$250	95.00	99.80	142.50	149.70	78.40	82.40	71.50	202.50	202.50
$300	105.00	110.30	157.50	165.50	86.70	91.00	78.90	236.40	240.00
$350	116.00	121.80	174.00	182.70	95.70	100.50	87.10	254.10	260.40
$400	127.00	133.40	190.50	200.10	104.80	110.10	95.50	254.10	281.40
$450	(5)	143.40	(5)	215.10	(5)	118.40	102.70	(5)	300.00

[1] Worker aged 65 or over at time of retirement, and wife aged 65 or over at the time when she comes on the rolls.
[2] Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as for a man and wife.
[3] Not applicable under present law.
[4] For families on the benefit roll in the month after the month of enactment who are affected by the maximum-benefit provisions, the amounts payable under the bill would, in some cases, be somewhat higher than those shown here (namely, for the cases where the average monthly wages are $150 through $350).
[5] Not applicable since maximum average monthly wage possible is $400.

IV. FULLY INSURED STATUS

Item	Present law	H.R. 11865
	To be fully insured an individual must have either: (1) 40 quarters of coverage; or (2) 1 quarter of coverage (acquired at any time after 1936) for every year elapsing after 1950 (or after the year in which he attained age 21, if that was later) and up to the year of disability, death, or attainment of age 65 for men (62 for women), but with a minimum of 6 quarters of coverage; or	No change in regular provision but adds a new concept of— *Transitional insured status worker:* Adds a provision for a special insured status for individuals who have attained 72 so that the 6-quarter minimum is reduced to 3 quarters. The following chart shows the "transitional" requirement for workers as compared with the regular requirement of existing law:

(3) 6 quarters of coverage if individual died before 1951.

Year of attainment of retirement age 62 (for women) or age 65 (for men)	Required quarters: Existing law	Required quarters: Proposed
1954 and earlier	6	3
1955	6	4
1956	6	5
1957	6	6

A worker who meets the above requirements (including attainment of 72) will be paid a benefit of $35 a month, and his wife a benefit of $17.50 at age 72 if she has attained age 72 before 1968.

Widows: Similarly the 6-quarter minimum would be reduced to insure certain workers who died (or attained age 65) before 1957 and whose widows have attained 72 or over by 1967. The quarters of coverage required will not be less than 3 and will vary with the year of the husband's death and the age of the widow. Widows who attain age 72 in 1965 or before would be eligible for benefits if their husband had 1 quarter of coverage for each year elapsing after 1950 and before the year of his death (or attainment of age 65, if earlier), with a minimum requirement of 3 quarters of coverage. Widows who attain age 72 in 1966 would be eligible for such benefits on the same basis except that the husband must have a minimum of 4 quarters of coverage, and similarly for widow attainments of age 72 in 1967, the minimum quarter-of-coverage requirement would be 5.

The following chart shows the "transitional" requirement for widows as compared with the regular requirements of existing law.

Year of husband's death (or attainment of age 65, if earlier)	Present requirements	Proposed special requirement for widow attaining age 72—			
		1965 or before	1966	1967	1968 or after
1954 or before	6	3	4	5	6
1955	6	4	4	5	6
1956	6	5	5	5	6
1957	6	6	6	6	6

Upon attaining age 72, an eligible widow will be paid a monthly benefit of $35.

Effective for monthly benefits for and after the second month following the month of enactment.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

V. RETIREMENT TEST

Item	Present law	H.R. 11865
A. Scope	Applies to covered as well as noncovered work	No change.
B. Test of earnings	Provides that benefits will be withheld from a beneficiary under age 72 (and from any dependent drawing on his record) at the rate of $1 in benefits for each $2 of annual earnings between $1,200 and $1,700 and $1 in benefits for each $1 of annual earnings above $1,700. Benefits not withheld for any month during which the individual neither rendered services for wages in excess of $100 nor rendered substantial services in a trade or business.	
C. Age exemption	Benefits are not suspended because of work or earnings if beneficiary is age 72 or over.	

VI. FINANCING

Item	Present law	H.R. 11865
A. Allocation between trust funds	The Federal old-age and survivors insurance trust fund receives all tax contributions other than those allocated for the disability benefit program, from which benefits and administrative expenses are paid for the old-age and survivors insurance program. The Federal disability insurance trust fund receives an amount equal to ½ of 1 percent of taxable wages plus ⅜ of 1 percent of self-employment income, from which benefit and administrative expenses are paid for the disability insurance program. These funds are administered by a Board of Trustees consisting of the Secretary of the Treasury, as managing trustee, the Secretary of Labor and the Secretary of Health, Education, and Welfare, all ex officio (with the Commissioner of Social Security as Secretary).	Provides that 0.15 percent of taxable wages and 0.1125 percent of taxable self-employment income that is allocated to the old-age and survivors insurance trust fund would be allocated to the disability insurance trust fund. Brings the total allocation to the disability insurance trust fund, for years beginning after 1964, to 0.65 percent of taxable wages and 0.4875 percent of taxable self-employment income.
B. Maximum taxable amount	$4,800 a year	Increases amount to $5,400 a year. Effective as to wages paid after December 1964 and self-employment income for taxable years ending after 1964.
C. Tax rate for self-employed	Taxable years beginning in—	Provides changes in tax rates for employees, employers, and the self-employed which will add additional revenue to the system equivalent to 0.30 percent of payroll. In 1966–1970, however, tax rates are decreased over schedule in existing law. The ultimate rate schedule will be moved back from 1968 to 1971 and is higher than under existing law.

D. Tax rate for employees and employers.	1965 .... 5.4 1966–67 .... 6.2 1968–70 .... 6.9 1971 and thereafter .... 6.9 Calendar years: 1965 .... 3.625 1966–67 .... 4.125 1968–70 .... 4.625 1971 and thereafter 4.625	Taxable years beginning in— 1965 .... 5.7 1966–67 .... 6.0 1968–70 .... 6.8 1971 and thereafter .... 7.2 Calendar years: 1965 .... 3.8 1966–67 .... 4.0 1968–70 .... 4.5 1971 and thereafter 4.8
E. Railroad retirement tax	The Railroad Retirement Tax Act provides that the railroad tax will automatically adjust in the same amount, and at the same time, to any future change in the OASDI tax rate.	No change.

VII. MISCELLANEOUS

A. RELATED RAILROAD RETIREMENT BENEFITS

Item	Present law	H.R. 11865
1. Benefit increase	The social security minimum guarantee provision of the Railroad Retirement Act provides that a railroad retirement annuity shall in no case be less than 110 percent of the amount an individual would receive under social security if his railroad employment after 1936 had been subject to the Social Security Act. The guarantee applies also to spouses and survivors.	The 5-percent social security benefit increase contained in the bill would increase the railroad retirement benefits of those on the railroad retirement rolls whose benefits are now determined by the minimum guarantee provision, or would be so determined because of the social security benefit increase contained in the bill.
2. Child's benefits	In order to be eligible for a child's benefit under the Railroad Retirement Act, the child must be— (*a*) Under age 18, or (*b*) Under a disability which began before age 18.	The bill would make changes in the Railroad Retirement Act similar to those it would make in the Social Security Act, providing for payment of benefits to a child who is over age 18 but less than age 22 who is a full-time student.

B. RELATED VETERANS' BENEFITS

1. Eligibility	The eligibility for and the amount of veterans' non-service-connected disability pensions are determined, after meeting other requirements, by the amount of an individual's annual income, including social security income.	The social security benefit increases provided by the bill would be excluded as income in establishing entitlement to, or amount of, veterans' non-service-connected disability pensions. The purpose of this amendment is to prevent certain VA pensioners from incurring a reduction in, or a complete loss of entitlement to, their pensions because of the social security benefit increases they would receive under the bill.

PUBLIC ASSISTANCE

I. INCREASE IN FEDERAL MATCHING FORMULA

Item	Present law	H.R. 11865
A. Payments for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, or the combined aged, blind, and disabled program.	Federal matching share is \$29.00 of the first \$35 ($^{29}/_{35}$ of the first \$35) with variable matching on the amount above \$35 up to a maximum of \$70 per recipient per month. Variable matching for States whose per capita income is at or above the national average is 50 percent, while for States below the national average it varies up to 65 percent. The "Federal percentages" as promulgated for the period July 1, 1963, through June 30, 1965, are as follows:	Effective Oct. 1, 1964, Federal matching share is increased on permanent basis to \$29 out of first \$35 ($^{29}/_{35}$ of the first \$35) up to a maximum of \$75 per recipient per month.

State:	*Federal percentage*
Alabama	65. 00
Alaska	50. 00
Arizona	58. 75
Arkansas	65. 00
California	50. 00
Colorado	50. 00
Connecticut	50. 00
Delaware	50. 00
District of Columbia	50. 00
Florida	60. 69
Georgia	65. 00
Hawaii	50. 00
Idaho	65. 00
Illinois	50. 00
Indiana	52. 06
Iowa	57. 63
Kansas	56. 63
Kentucky	65. 00
Louisiana	65. 00
Maine	65. 00
Maryland	50. 00
Massachusetts	50. 00
Michigan	50. 00
Minnesota	56. 42
Mississippi	65. 00
Missouri	50. 45
Montana	59. 69
Nebraska	55. 10
Nevada	50. 00
New Hampshire	56. 38
New Jersey	50. 00
New Mexico	65. 00
New York	50. 00
North Carolina	65. 00
North Dakota	65. 00
Ohio	50. 00
Oklahoma	65. 00
Oregon	50. 00
Pennsylvania	50. 00

Rhode Island	50.00
South Carolina	65.00
South Dakota	65.00
Tennessee	65.00
Texas	61.45
Utah	62.28
Vermont	64.75
Virginia	65.00
Washington	50.00
West Virginia	65.00
Wisconsin	52.50
Wyoming	50.00

(27 F.R. 9185)

Vendor medical payments.—For old-age assistance and for the combined aged, blind, and disabled program there is additional Federal matching as to medical vendor payments (i.e., payments directly to the providers of medical services) with respect to State expenditures for medical or remedial care, the larger of the following alternatives:

"Federal medical percentage" of vendor payment expenditures that are above $70 per month, up to $15 per recipient per month.

or

15 percent of vendor payment expenditures, up to $15 per recipient per month.

The "Federal medical percentage" is dependent on the relationship between State per capita income and the National per capita income. The percentage ranges from 50 percent for States at or above the national average to 80 percent for States with the lowest income. (See percentages, next page).

For States with average monthly payments over $70, the Federal Government participates at the rate of the "Federal medical percentage" in the expenditures over $70 except that such participation is limited to the amount of the average vendor medical payment up to $15 per recipient per month.

For States with average monthly payments of $70 per month or less, the Federal share in average vendor medical payments up to $15 per recipient per month is an additional 15 percentage points over and above the "Federal percentage" used to compute the Federal share of money payments.

Provision is also made that a State with an average payment over $70 per month can never receive less in additional Federal funds in respect to such medical service costs than if it had an average payment of $70 per month.

Permits Federal matching of State expenditures under all four public assistance programs for medical or remedial care furnished within 3 months before the month in which a person applies for assistance.

For those States which adopt the optional combined aged, blind, and disabled program the additional $15 matching for medical vendor payments will be applicable to the blind and disabled recipient under the combined program.

Formula also changed to reflect new matching maximum on assistance payments of $75.

Formula is restated so that amounts in which the Federal Government participates at the "Federal medical percentage" are counted before those in which participation is at this "Federal percentage".

I. INCREASE IN FEDERAL MATCHING FORMULA—Continued

Item	Present law	H.R. 11865
B. Payments for aid to dependent children	For money and medical vendor payments the Federal share is $14 out of the first $17 ($^{14}/_{17}$ of the first $17) per recipient per month with variable matching on the amount above $17 up to a maximum of $30 per recipient per month. Variable matching for the States is at the same percentages as old-age assistance money payment matching.	No change.
C. Payments for medical assistance for the aged.	The Federal share of expenditures for medical vendor payments is based on a variable matching formula which runs from 50 percent for States at and above the national per capita average up to 80 percent for the lowest per capita income States. Federal matching of State expenditures for medical or remedial care furnished within 3 months before the month in which a person applies for assistance is permitted. The Federal share (the Federal-medical percentage) for each State is as follows:	No change.
	Federal-medical percentages applicable for July 1, 1963 through June 30, 1965.	No change.

State:	*Percentage*
Alabama	78.29
Alaska	50.00
Arizona	58.75
Arkansas	80.00
California	50.00
Colorado	50.00
Connecticut	50.00
Delaware	50.00
District of Columbia	50.00
Florida	60.69
Georgia	73.69
Hawaii	50.00
Idaho	67.43
Illinois	50.00
Indiana	52.06
Iowa	57.63
Kansas	56.63
Kentucky	75.27
Louisiana	73.46
Maine	65.65
Maryland	50.00
Massachusetts	50.00
Michigan	50.00
Minnesota	56.42
Mississippi	80.00
Missouri	50.45
Montana	59.69
Nebraska	55.10
Nevada	50.00
New Hampshire	56.38
New Jersey	50.00

	New Mexico — 66.55 New York — 50.00 North Carolina — 74.99 North Dakota — 73.03 Ohio — 50.00 Oklahoma — 65.65 Oregon — 50.00 Pennsylvania — 50.00 Rhode Island — 50.90 South Carolina — 80.00 South Dakota — 68.87 Tennessee — 75.53 Texas — 61.45 Utah — 62.28 Vermont — 64.75 Virginia — 65.05 Washington — 50.00 West Virginia — 71.76 Wisconsin — 52.50 Wyoming — 50.00 Guam — 50.00 Puerto Rico — 50.00 Virgin Islands — 50.00 (27 F.R. 9230.)	
D. Special formula for Puerto Rico, Virgin Islands, and Guam. 1. Matching formula	Federal matching on a 50–50 basis on both money and vendor medical payments up to a maximum of $37.50 a month times the number of recipients on the old-age, blind, and disabled program with a maximum of $18 a month times the number of recipients on the program of aid to families with dependent children. Additional matching for vendor medical expenditures is available for up to $7.50 per month per recipient on old-age assistance or on the combined aged, blind, and disabled program rather than the additional $15 per month per recipient which applies to the States and the District of Columbia.	No change.
2. Dollar limitation	Total Federal payments for all 4 public assistance programs may not exceed— Puerto Rico — $9,800,000 Virgin Islands — 330,000 Guam — 450,000 In each case a portion of these amounts is only available if used to provide additional medical vendor payments on behalf of assistance recipients: Puerto Rico — $625,000 Virgin Islands — 18,750 Guam — 25,000 Federal payments for programs of medical assistance for the aged are excepted from dollar limitation provision.	No change.

PUBLIC ASSISTANCE—Continued

II. MENTAL AND TUBERCULOSIS EXCLUSION

Item	Present law	H.R. 11865
Exclusion of payments to, or on behalf of, aged persons in mental or tuberculosis institutions.	For cash payments on old-age assistance or for the combined aged, blind, and disabled program Federal matching will not be made as to patients in mental or tuberculosis institutions or in other medical institutions where the patient has a diagnosis of psychosis or tuberculosis. Same exclusion from Federal matching for vendor payments under medical assistance for the aged, old-age assistance, and combined program for persons in mental or tuberculosis institutions, but matching allowed for vendor payments for first 42 days for persons with a diagnosis of psychosis or tuberculosis in other medical institutions.	Eliminates all tuberculosis and mental exclusions as to persons age 65 and over.