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COMMITTEE PRINT

MATERIAL RELATED TO H.R. 1:

SOCIAL SECURITY CASH BENEFITS AND SOCIAL SECURITY FINANCING

JULY 14, 1971

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COMMITTEE ON FINANCE

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CHARTS AND DESCRIPTION OF H.R. 1

CHART I

DISTRIBUTION OF BENEFIT INCREASES

The House-passed bill provides that about 43 percent of the long-range costs would go toward increased benefits to everyone who is entitled to social security benefits and that about 57 percent would go toward increasing the benefits of specified groups such as widows, working wives, people who continue to work after 65, children who are adopted, blind people, etc. The bill reported by the Committee on Finance last year allocated the total cost roughly equally between increases for all beneficiaries and increases for categories of beneficiaries.

On a long-range basis,

–43% of the social security cash benefit increases in H.R. 1 will apply across the board to all beneficiaries ($2.1 billion in first year, $3.6 billion on an average annual basis)

–57% will apply to widows, working wives, persons working after age 65, and other categories of beneficiaries ($1.6 billion in first year, $4.8 billion on an average annual basis)

CHART 2

SOCIAL SECURITY CASH BENEFITS

A 5-percent general benefit increase with a $74 minimum benefit, effective July 1972, would be provided. The increase would also apply to special payments to certain persons age 72 and older, raising these payments from $48.30 to $50.80 for an individual and from $72.50 to $76.20 for a couple. These increases are in addition to the increase which was enacted in March 1971, effective January 1971. The Social Security Administration estimates the cost of the increase at $2.1 billion in the first year. The long-range average annual cost, based on current taxable payroll, would be about $2.6 billion.

H.R. 1 would provide a new special minimum benefit of $5 times the number of years a person worked in covered employment. The benefit would range from $75 for a person who had 15 years of coverage, to $100 for a person with 20 years of coverage, to $125 for a person with 25 years of coverage, up to a maximum of $150 for a person with 30 years of coverage. The Social Security Administration estimates that the provision would cost $30 million in the first year. The long-range average annual cost, based on current taxable payroll, would be approximately $600 million.

An automatic cost-of-living benefit increase would be provided effective in January of each year, starting January 1974. However, no increase would go into effect in any January if in the prior year legislation providing a general benefit increase had been either enacted or had become effective. Each time that an automatic benefit increase went into effect, the social security tax base would be increased and the exempt amount under the retirement test would be increased, both according to the increase in average wages taxable for social security purposes. In general, except for the financing, the provision is quite similar to the provision passed by the Senate last year.

Social Security Cash Benefits

- 5% across the board increase with a $74 minimum benefit (cost of $2.1 billion in first year, $2.6 billion on average annual basis)
- Special minimum benefit of up to $150, equal to $5 for each year of covered employment up to 30 years (cost of $30 million in first year, $600 million on average annual basis)
- Automatic cost of living benefit increases if Congress fails to act

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CHART 3

FINANCING AUTOMATIC BENEFIT INCREASES

While the automatic cost-of-living benefit increase provision in H.R. 1 is generally similar to the provision passed by the Senate last year, the method of financing is quite different.

The Senate-passed bill provided that one-half of the cost would be paid by increasing the tax base. As a result, this part of the cost would have been met by people earning more than $9,000 a year. The remaining one-half of the cost would have been paid by all workers through increased social security tax rates. In addition, none of the cost would have been met from the year-by-year surpluses that are generated when earnings levels rise.

The automatic benefit increases under H.R. 1, on the other hand, would be financed by a method unrelated to the cost of the increased benefits. The full cost would be paid by people earning more than $10,200 a year, based on a formula related to rising wage levels. (Because there would be no increased tax rates, none of the cost would be paid by workers earning less than $10,200 a year.)

In material developed by the Social Security Administration Office of the actuary last year (see pages 44–45), the impact of three different wage and price rise assumptions was projected. Under all three assumptions, the cash benefit trust funds would have rapidly built up over the next decade rising to about a $150 billion level by 1980.

Financing Automatic Benefit Increases

1970 Senate Bill	H. R. 1
• Financed half from increase in taxable wages, half from increase in tax rates	• Financed entirely from increase in taxable wages
• Financing tailored to amounts needed to pay for the benefit increases	• Financing unrelated to cost of benefit increases; based on rise in average taxable earnings

CHART 4

CASH BENEFIT PROVISIONS PRIMARILY AFFECTING WOMEN

Several major provisions in the bill primarily affect benefits paid to women. The principal increase in payments to women would result from increasing the widows' benefit from 82½ percent of the benefit that would be paid to her husband to the full amount that he would be paid. This provision is generally the same as the provision passed by the Senate last year in that most widows would be paid an amount equal to what would be paid to the husband as a retirement benefit. A widow, however, would have her benefits actuarily reduced and, therefore, could be paid less than her husband if her benefits began at an earlier age than the husband's did. The Social Security Administration estimates that in the first full year the provision would cost $764 million. The long-range cost, based on current taxable payroll, would be about $1 billion a year.

A new provision would permit a married couple to have their benefits based on their combined earnings. The provision would apply only to couples who:

(1) have been married for at least 20 years;
(2) have worked at least 20 years after their marriage; and
(3) reach age 62 after 1971.

The provision would not apply to:

(1) current beneficiaries;
(2) dependents' benefits; and
(3) survivors' benefits generally.

The provision would be an alternative to present law and while the provision would not apply generally to survivors, a woman who was getting a benefit based on combined earnings while her husband was alive would be guaranteed a widow's benefit equal to the amount she was paid while her husband was alive. Benefits would be combined only if both the husband and wife wanted them combined and a larger total payment resulted. For any year in which earnings were combined, the maximum total earnings for the couple would be limited by the maximum tax base in effect for that year. The Social Security Administration estimates that about $11 million in benefits would be paid in the first year and that the long-range cost, based on current taxable payroll, would be about $850 million.

The present law requires that benefits be reduced when they begin before age 65. A provision of the House bill would eliminate this actuarial reduction for a working woman who received a reduced benefit as either a retired worker or a wife before 65 and who became entitled to the other benefit after age 65. A similar provision was in the House-passed bill last year but was not retained in the Senate-passed bill. The Social Security Administration estimates that the provision would cost $20 million in the first year. The long-range cost, based on current taxable payroll, would be about $650 million.

Cash Benefit Provisions Primarily Affecting Women

- Widow's benefit increased from 82½% to 100% of deceased husband's benefit (cost of $764 million in first year, $1 billion on average annual basis)
- Benefits for married couple based on their combined earnings up to taxable wage base (cost of $11 million in first year, $850 million on average annual basis)
- For working woman receiving reduced benefits based on her own earnings, actuarial reduction eliminated if she applies for wife's benefits after reaching age 65 (cost of $20 million in first year, $650 million on average annual basis)

CHART 5

PROVISIONS AFFECTING CASH BENEFITS FOR DISABLED BENEFICIARIES

Under the House bill, the present 6-month period throughout which a person must be disabled before he can be paid disability payments would be reduced to a 5-month period. The bill passed by the Senate last year would have reduced the waiting period to 4 months. The Social Security Administration estimates the cost of the House provision at $4 million in the first year. The long-range average annual cost, based on current taxable payroll, would be approximately $100 million.

The present law provides that disabiltiy benefits are generally payable only to people who have worked in approximately 5 years out of the 10 years immediately before they became disabled. The House bill would eliminate this requirement for blind people so that benefits would be paid to blind people who were fully insured, that is those who had worked about 1 quarter of the time from age 21, or after 1950, and up to the time they became disabled, whichever was smaller. Last year, the Senate bill modified this provision so that benefits would be payable to all blind people who had at least 6 quarters of coverage and regardless of ability to work. The first year cost of the provision would be about $29 million and the long-range average annual cost, based on current taxable payroll, would be about $40 million.

Childhood disability benefits would be paid to the disabled child of a retired, deceased, or disabled worker if the disability began before age 22, rather than before 18 as under present law. In addition, a person who had been entitled to childhood disability benefits could become reentitled to benefits if he again became disabled within 7 years after his previous benefit had stopped. The provision is similar to the provision in last year's Senate bill. The Social Security Administration estimates that the provision would cost $14 million in the first year. The long-range average annual cost, based on current taxable payroll, would be about $35 million.

Under present law, a disability insurance beneficiary who also receives workmen's compensation will have his social security benefits reduced if the total compensation and social security benefits is more than 80 percent of (1) the average monthly earnings on which his social security benefits is based, or (2) the average monthly earnings for the 5 consecutive years of highest earnings after 1950. H.R. 1 would provide a third alternative under which the benefits would be limited to the average monthly earnings for the year of highest earnings in the 6-year period ending with the year the worker became disabled. Last year's House-passed bill would have raised the limitations on the combined benefits from 80 percent to 100 percent of average earnings. The provision was not included in last year's Finance Committee bill but was added as a floor amendment to the Senate-passed bill.

The Social Security Administration estimates that the provision in H.R. 1 would cost $4 million in the first year. The long-range average annual cost, based on current taxable payroll, would be about $15 million.

Provisions Affecting Cash Benefits for Disabled Beneficiaries

- Waiting period for disability benefits reduced from 6 to 5 months (cost of $4 million in first year, $100 million on average annual basis)
- For blind persons, test of recent attachment to covered employment eliminated (cost of $29 million in first year, $40 million on average annual basis)
- Childhood disability benefits paid if disability began before age 22 rather than 18 (cost of $14 million in first year, $35 million on average annual basis)
- Limitation on combined social security - workmen's compensation benefits liberalized (cost of $4 million in first year, $15 million on average annual basis)

CHART 6

OTHER MAJOR CASH BENEFIT PROVISIONS

The formula in present law for calculating retirement benefits for men is different and less advantageous than the formula for calculating women's benefits. The period used to determine the number of years of earnings on which a man's benefit is based ends with the beginning of the year in which he is 65, while for a woman the period ends at the beginning of the year in which she reaches 62. In addition, the number of quarters of coverage that a man needs to qualify for benefits is based on the year in which he is 65 while for a woman the period is based on the year in which she reaches age 62. The bill would provide that a man's benefit and the number of quarters of coverage he needs would be determined under the same rules that now apply to women. The change to the new rules would take place over a 3-year transitional period. This provision is the provision that was adopted by the Senate last year. The Social Security Administration estimates that about $6 million in additional benefits would be paid in the first full year. However, in future years the cost would increase greatly so that over the long-run future the average annual cost, based on current taxable payroll, would be about $350 million.

The present law provides that in calculating a person's benefit up to 5 years of low earnings can be dropped from the benefit computation. The bill would permit 1 additional year of low earnings to be dropped for each 15 years that a person works under social security. Because the provision would apply only to people who become eligible for benefits after 1971, the first year cost is estimated at only $17 million. With the passage of time, the cost would increase so that over the long run the average annual cost, based on current taxable payroll, would be approximately $1 billion.

Benefits for a person who delays retirement until after age 65 would be increased by 1 percent for each year in which he could not receive any benefits. In applying the provision, credit would be given for each month the benefits are not paid. Thus a person would receive an additional one-twelfth of 1 percent for each month that no benefit was payable. The provision would apply both to new entitlements and to recomputations made after 1971. The Social Security Administration estimates that the provision would cost about $11 million in the first year. The long-range average annual cost, based on current taxable payroll, would be about $350 million.

Other Major Cash Benefit Provisions

- Computation of average wages for men and women equalized (cost of $6 million in first year, $350 million on average annual basis)
- One additional year of low earnings disregarded for each 15 years of covered employment (cost of $17 million in first year, $950 million on average annual basis)
- Benefits for persons delaying retirement beyond age 65 increased 1% for each year individual does not receive benefits because he is working (cost of $11 million in first year, $350 million on average annual basis)
- Earnings limitation raised from $1,680 to $2,000, with $1 benefit reduction for each $2 earned above $2,000 (cost of $484 million in first year, $800 million on average annual basis)

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CHART 7

NUMBER OF PEOPLE 65 AND OLDER AFFECTED BY THE SOCIAL SECURITY RETIREMENT TEST

Under H.R. 1, the amount that a beneficiary under age 72 could earn and still be paid all of his social security benefits would be increased from the present $1,680 to $2,000 a year. In addition, the bill would provide that earnings above $2,000 would reduce benefits by $1 for each $2 of earnings, regardless of how much a person earns. As a result, the provision of the present law which limits the $1-for-$2 reduction to the first $1,200 above the exempt amount would be eliminated. In addition, the present rules that apply to earnings in the year in which a person reaches 72 would be modified so that earnings in and after the month in which he reaches 72 would not reduce his benefits.

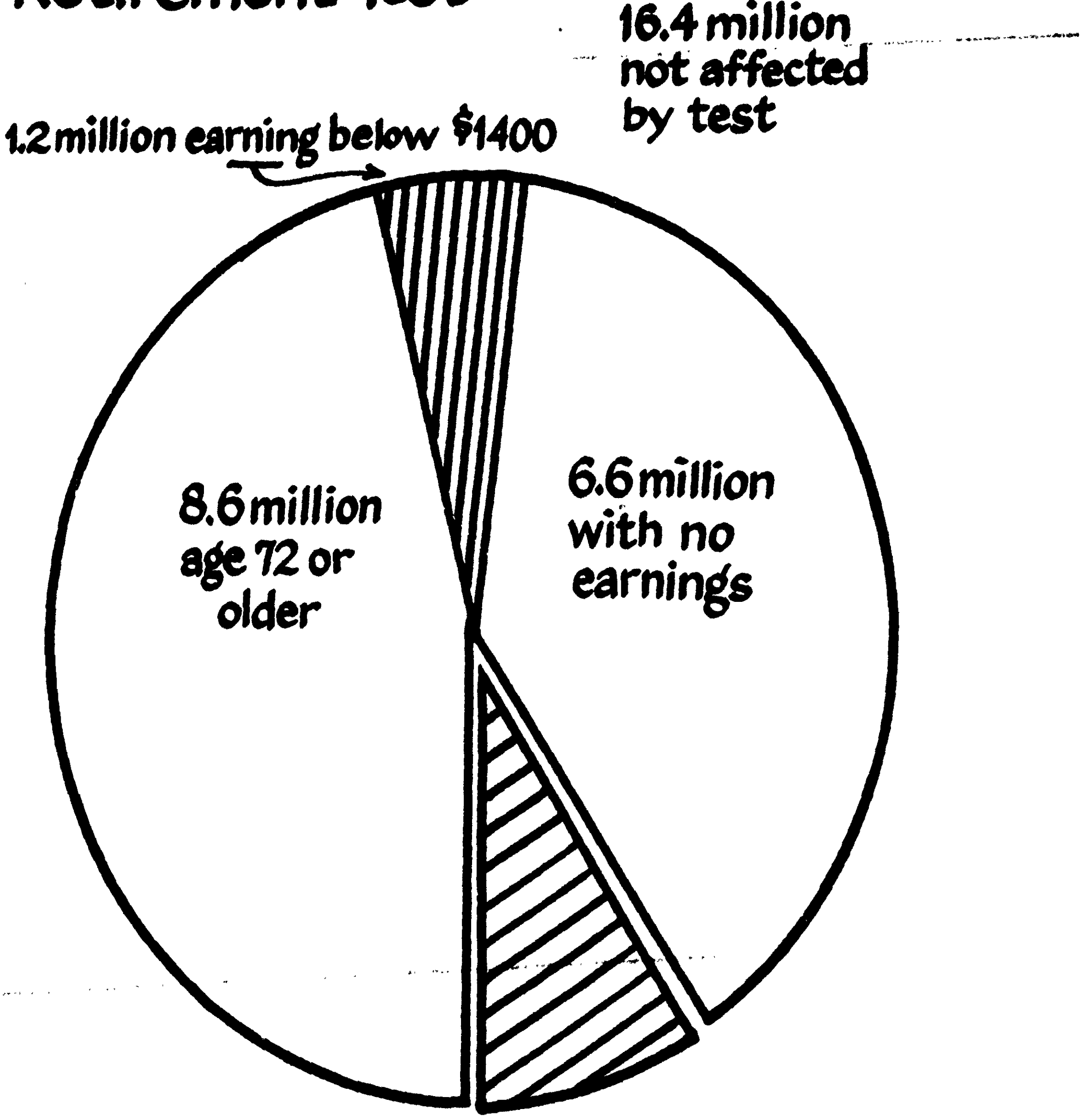
The Social Security Administration estimates that the provision would cost about $484 million in the first year. The long-range average annual cost, based on current taxable payroll, would be about $800 million.

Last year, the Senate bill that did not go to conference would have increased the retirement test exempt amount to $2,400 a year, and the Senate floor amendment to the Public Debt Ceiling bill which increased benefits by 10 percent retroactive to January also would have increased the exempt amount to $2,400. The latter provision, however, was dropped in conference.

This chart shows the number of people affected by the Social Security Retirement test on the basis of the latest data furnished by the Social Security Administration.

The main point illustrated by the chart is that the vast majority of older social security beneficiaries are not affected by the retirement test, and that the bulk of the people who do work have relatively low annual earnings.

Number of People 65 and Older Affected by the Social Security Retirement Test



1.9 million affected by test:

- 0.3 mil. earning $1400-$1600
- 0.1 mil. earning over $1680 and getting all benefits for months entitled
- 0.7 mil. getting reduced benefits
- 0.8 mil. getting no benefits

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SOCIAL SECURITY CASH BENEFITS

Major Provisions in H.R. 1 which were not in 1970 Senate Social Security Bill

1. *Benefit increase.*—An additional 5 percent social security benefit increase, effective June 1972, with a $74 minimum benefit.

2. *Special minimum.*—A special minimum benefit of $5 times the number of years of covered employment, up to $150.

3. *Higher benefits for delayed retirement.*—Increases benefits 1 percent for each year past age 65 in which an individual does not receive benefits.

4. *Additional dropout years.*—Allows a beneficiary to disregard one additional year of low earnings (for purposes of computing average monthly wages on which benefits are based) for each 15 years of coverage.

5. *Combined earnings for couple.*—Allows couples married at least 20 years to combine wage credits (up to maximum taxable wages for any one year) for benefit computation purposes.

6. *Actuarially reduced benefits.*—Eliminates the provision in present law under which the actuarial reduction made in one benefit (for example, a widow's benefit) lowers the amount of another type of benefit taken later based on another earnings record (for example, a retirement benefit based on one's own earnings).

Major Provisions of 1970 Senate Social Security Bill Modified in H.R. 1

1. *Financing of cost-of-living increases.*—Last year's Senate bill required financing tailored to the amounts needed to pay for the benefit increases; half of the needed revenues would be raised by increasing the limitation on wages taxable and half would derive from higher tax rates. H.R. 1 instead provides for automatic increases in the limitation on wages taxable, without regard to the amounts actually needed to pay for the benefit increases.

2. *Earnings limitation (retirement test).*—Last year's Senate bill (as well as this year's Senate floor Social Security Amendment to the debt limit increase bill) would have increased the earnings limitation from $1,680 to $2,400; H.R. 1 raises the limitation to $2,000.

3. *Waiting period for disability insurance benefits.*—H.R. 1 would reduce the waiting period for disability benefits from 6 months to 5 months; last year's Senate bill would have reduced the waiting period to 4 months.

4. *Disability benefits for the blind.*—Under present law a disabled person must generally have 5 years of work in employment covered under social security during the 10 years preceding his disability. H.R. 1 would make a blind person eligible for disability benefits if he had one quarter of coverage for each year elapsed

after he reached age 21 or after 1950 whichever requirement is lower. Last year's Senate bill would have made blind persons eligible for disability benefits if they had 6 quarters of coverage, regardless of their ability to perform substantial gainful activity.

5. *Workmen's Compensation offset.*—Under present law, social security disability benefits must be reduced when workmen's compensation is also payable if the combined payments exceed 80 percent of the worker's average current earnings before disablement. Average current earnings for this purpose can be computed on two different bases and the larger amount will be used. H.R. 1 adds a third alternative under which a worker's average current earnings can be based on the one year of his highest earnings in a period consisting of the year of disablement and the five preceding years. Last year's Senate bill would not have provided a third alternative but instead would have raised the limitation on combined earnings from 80 percent to 100 percent of average current earnings.

SOCIAL SECURITY CASH BENEFITS: SUMMARY OF MAJOR PROVISIONS IN H.R. 1

Five Percent Increase in Benefits

Under the House bill social security benefits would be increased by 5 percent, effective June 1972. The minimum benefit would also be increased by 5 percent, from the present $70.40 to $74 a month (see page 20 for special minimum benefit provision). The average old-age benefit for June would rise from an estimated $133 to $141 a month while the average benefit for aged couples would rise from an estimated $222 to $234 a month. Special monthly payments to people over 72 who are not insured under social security would be increased 5 percent from $48.30 to $50.80 for an individual and from $72.50 to $76.20 for a couple.

Under the provision, about 27.4 million people would get higher benefits and about $2.1 billion in additional benefits would be paid in fiscal year 1973 (the first full year).

Automatic Increases in Benefits, Taxes and Retirement Test (Earnings Limitation)

Benefit Increase.—The House bill would require the Secretary of Welfare to make cost-of-living increases in benefits each January if the consumer price index had risen by at least 3 percent over a period specified in the law. However, no increase would go into effect in any January if in the prior year legislation increasing benefits had either been enacted or become effective. Under the bill, the first cost-of-living increase could be no earlier than January 1974.

The rise in the consumer price index would be measured generally from the second calendar quarter of a year to the second calendar quarter of the next year. However, when the previous increase came about as the result of specific legislation, the rise in the consumer price index would be measured from the calendar quarter in which the increase was effective. The amount of the automatic increase would be equal to the percentage rise in the consumer price index.

The Secretary of Health, Education, and Welfare would be required to notify the Committees on Ways and Means and Finance whenever the consumer price index rose by 2.5 percent.

This part of the provision is similar to the provision passed by the Senate last year.

Tax increase.—Under the House bill, each time an automatic cost-of-living benefit increase went into effect the limitation on wages taxable under social security (currently $7,800, scheduled to rise to $9,000 in 1972) would be increased according to the rise in average taxable wages.

The provision passed by the Senate last year would have required financing, half through an increase in the limitation on wages taxable and half through an increase in the tax rate, sufficient to meet the full cost of each cost-of-living increase without reducing or increasing any actuarial imbalance that existed at the time.

Automatic increase in retirement test (earnings limitation).—Under H.R. 1, each time an automatic cost-of-living increase went into effect the earnings limitation under the retirement test would be increased in proportion to the increase in average covered wages.

The provision passed by the Senate last year would have increased the exempt amount every two years, regardless of whether benefits were increased.

Special Minimum Benefits

The House bill would provide a special minimum benefit for people who worked for 15 or more years under social security. This benefit, effective January 1972, would be equal to $5 multiplied by the number of years of coverage the person had under the social security program, up to a maximum of 30 years. Thus the highest special minimum benefit would be $150, for a person who had 30 or more years of coverage. The special minimum would not be raised under the automatic benefit increase provisions.

Last year's Senate bill provided for a $100 minimum benefit but did not include a special minimum benefit provision.

About 300,000 people would get increased benefits on the effective date and $30 million in additional benefits would be paid in fiscal 1973. The long-range cost of this provision is substantial—0.12 percent of payroll (about $600 million annually).

Increase in Widow's Benefits

Under present law, a widow applying for benefits at age 62 or later is eligible for a monthly payment equal to 82½ percent of the amount her deceased husband would have received had he become entitled to benefits at age 65 (his Primary Insurance Amount). Under the House-passed bill, the benefit for a widow eligible for benefits for the first time at or after age 65 would be increased from 82½ percent to 100 percent of the amount her deceased husband would have been paid had he been alive. The benefits for widows becoming entitled to benefits between ages 62 and 65 would be actuarilly reduced similar to the way her husband's benefits would have been reduced had he applied for benefits before age 65. The same provision would apply to dependent widowers.

The provision is generally similar to the provision passed by the Senate last year.

About 3.4 million widows would receive increased benefits for January 1972 and about $764 million in additional benefits in fiscal year 1973. The long-range cost of this provision is 0.20 percent of payroll, about $1 billion annually.

Increased Benefits for Persons Delaying Retirement Beyond Age 65

Under the House-passed bill, a worker's old-age benefit would be increased by 1 percent for each year (1/12 of 1 percent for each month) in which the worker between ages 65 and 72 did not receive benefits because he was working after age 65. No increased benefit would be paid under the provision to the worker's dependents or survivors. The provision would be effective prospectively only.

There was no similar provision in last year's Senate bill.

About 400,000 people would receive increased benefits and $11 million in additional benefits would be paid in fiscal 1973. The long-range cost of this provision is substantial—0.07 percent of payroll (about $350 million annually).

Equalizing Computation of Average Wages for Men and Women

Social security benefits are based on a formula related to average wages. Under present law, a woman may have three more years of low earnings disregarded than a man in calculating her average wages. The House bill would apply the same rules for calculating benefits to men as now apply to women. The provision is similar to the provision passed by the Senate last year and would become effective over a 3-year transition period. The number of years used in computing benefits for men would be reduced in three steps. Men who reach age 62 in 1972 would be able to disregard one additional year of low earnings; men who reach age 62 in 1973 would be able to disregard two additional years of low earnings; and men reaching age 62 in 1974 or later would be able to disregard three additional years of low earnings. The number of quarters of coverage needed for insured status for men would also be reduced in three steps, with the first step in the reduction effective for January 1972 and subsequent reductions in 1973 and 1974.

About $6 million in additional benefits would be paid in fiscal 1973. The long-range cost of this provision is substantial—0.07 percent of payroll (about $350 million annually).

Additional Dropout Years

In addition to the provision discussed above, one additional year of low earnings for each 15 years of work under the social security program could be disregarded in computing the average monthly wage on which benefit amounts are based.

The provision would be effective only for persons becoming eligible for benefits after December 1971.

There was no similar provision in last year's Senate bill.

About $17 million in additional benefits would be paid in fiscal 1973. The long-range cost of the provision, however, is 0.19 percent of payroll, close to $1 billion annually.

Elimination of Actuarial Reduction for Certain Spouses

Under present law, when a woman applies before age 65 for retirement benefits based on her own earnings, the benefits are actuarially reduced. If she subsequently applies for a wife's benefit after reaching age 65, her wife's benefit is also actuarially reduced to reflect the fact that she began receiving benefits before age 65. The House bill would eliminate the actuarial reduction in such cases.

About 100,000 beneficiaries would be affected by this provision, effective six months after enactment of the bill, and about

$20 million in additional benefits would be paid in fiscal 1973. The long-range cost of this provision is 0.13 percent of payroll, about $650 million annually.

The provision was included in last year's House bill, but was deleted in the Senate bill.

Computation of Benefits Based on the Combined Earnings of a Married Couple

Under the House bill, a married couple, each of whom had at least 20 years of covered earnings after marriage, could have their earnings for each year combined up to the maximum amount of taxable earnings for that year. If they elected to have their earnings combined, each would receive a benefit equal to 75 percent of the amount determined on the basis of their combined earnings. Payments to the surviving spouse would continue at the 75 percent rate. Dependents' and other survivors' benefits would not be affected. The provision would be an alternative to present law and would apply only if higher total monthly payments could result.

The provision would be effective prospectively only for people who attained age 62 after 1971.

About $11 million in additional benefits would be paid in fiscal 1973. The long-range cost of this provision, however, is 0.17 percent of payroll, about $850 million annually.

Liberalization of the Retirement Test (Earnings Limitation)

The amount that a beneficiary under age 72 may earn in a year and still be paid full social security benefits for the year would be increased, effective for taxable years ending after 1971, from the present $1,680 to $2,000. Under present law, benefits are reduced by $1 for each $2 of earnings between $1,680 and $2,880 and for each $1 of earnings above $2,880. The bill would provide for a $1 reduction for each $2 of all earnings above $2,000; there would be no $1-for-$1 reduction as under present law. Also, in the year in which a person attained age 72, his earnings in and after the month in which he attains age 72 would not be included, as under present law, in determining his total earnings for the year.

In the first year, 700,000 people would receive increased payments and 390,000 people who get no payments under present law could get some payments. Additional benefits amounting to $484 million would be paid in fiscal 1973. The long-range cost is 0.16 percent of payroll, about $800 million annually.

The provision is similar to the provision reported by the Committee on Finance last year. On the Senate floor, however, the exempt amount was increased to $2,400. The Senate floor amendment to the debt ceiling bill in March 1971, which increased social security benefits by 10 percent, also increased the exempt amount to $2,400. The $2,400 exempt amount, however, was dropped in conference.

Childhood Disability Benefits

Under the House bill, childhood disability benefits would be paid to the disabled child of an insured retired, deceased, or disabled worker, if the disability began before age 22, rather than before 18 as under present law. In addition, a person who was entitled to childhood disability benefits could become re-entitled if he again became disabled within 7 years after his prior entitlement to such benefits was terminated.

The provision is similar to the provision passed by the Senate last year.

About 13,000 additional people would become immediately eligible for benefits on the effective date, and, $14 million in additional benefits would be paid in the first full year.

Benefit Eligibility Requirements for a Child Adopted by an Old-Age or Disability Insurance Beneficiary

The House bill would modify the provisions of present law relating to eligibility requirements for child's benefits in the case of adoption by old-age and disability insurance beneficiaries. A child adopted after a retired or disabled worker became entitled to benefits would be eligible for child's benefits based on the worker's earnings if the child was the natural child or stepchild of the worker or if (1) the adoption was decreed by a court of competent jurisdiction within the United States, (2) the child lived with the worker in the United States for the year before the worker became disabled or entitled to an old-age or disability insurance benefit, (3) the child received at least one-half of his support from the worker for that year, and (4) the child was under age 18 at the time he began living with the worker.

A similar provision was included in last year's Senate bill.

Elimination of the Support Requirements for Divorced Women

Under present law, benefits are payable to a divorced wife age 62 or older and a divorced widow age 60 or older if her marriage lasted 20 years before the divorce, and to a surviving divorced mother. In order to qualify for any of these benefits a divorced woman is required to show that: (1) she was receiving at least one-half of her support from her former husband, or (2) she was receiving substantial contributions from her former husband pursuant to a written agreement, or (3) there was a court order in effect providing for substantial contributions to her support by her former husband. The bill would eliminate these support requirements for divorced wives, divorced widows and surviving divorced mothers.

A similar provision was passed by the House last year but was not included in the Senate bill.

About 10,000 women could become entitled to benefits in January, 1972, and about $18 million in benefits would be paid in fiscal year 1973.

Eligibility of Blind Persons for Disability Insurance

Under present law, a disabled person must meet a test of recent work under social security to be eligible for disability benefits—generally five years' worth of work in employment covered under social security during the ten years preceding disablement. The House bill would eliminate for blind persons this test of recent attachment to covered work. Under the bill, a blind person would be insured for disability benefits if he had one quarter of coverage for each year elapsed after he reached age 21 or after 1950, whichever requirement is lower.

Last year's Senate bill modified this provision so that benefits would to payable to blind people who had six quarters of coverage and regardless of their ability to perform substantial services.

Wage Credits for Members of the Uniformed Services

Present law provides for a gratuitous social security wage credit, generally equal to $300 for each calendar quarter of military service after 1967, in addition to credit for basic pay from which social security taxes are deducted. The House bill would provide similar gratuitous wage credits for military service between January 1957 (when military service came under contributory social security coverage) through December 1967. A similar provision was included in last year's Senate bill.

The cost of additional social security benefits under this provision would be financed with general revenues, on the same basis as the benefits from the gratuitous wage credits for service after 1967.

Reduction in Waiting Period for Disability Benefits

Under the House bill, the present 6-month period throughout which a person must be disabled before he can be paid disability benefits would be reduced by one month to 5 months.

The bill passed by the Senate last year would have reduced the waiting period to 4 months.

950,000 persons would receive increased benefits totaling $105 million in the first full year.

Disability Benefits Affected by the Receipt of Workmen's Compensation

Under present law, social security disability benefits must be reduced when workmen's compensation is also payable if the combined payments exceed 80 percent of the worker's average current earnings before disablement. Average current earnings for this purpose can be computed on two different bases and the larger amount will be used. The House bill adds a third alternative under which a worker's average current earnings can be based on the one year of his highest earnings in a period consisting of the year of disablement and the five preceding years.

65,000 people would receive increased benefits on the effective date, and $4 million in additional benefits would be paid in the first full year.

In lieu of a third alternative method of calculating average wages, last year's House bill would have raised the limitation on combined benefits from 80 percent to 100 percent of average current earnings. This provision was deleted in last year's Finance Committee bill but reinstated in the bill on the Senate floor.

Other Social Security Cash Provisions

The bill contains a number of other provisions affecting the Social Security cash program. These provisions would: permit payment of disability insurance benefits and dependents' benefits based on a worker's entitlement to disability benefits if an application is filed within three months after the worker's death; permit self-employed persons an additional optional method of reporting income; exclude from social security taxes amounts earned by an employee which are paid after the year of his death to his survivors or his estate; extend social security coverage to members of religious orders who have taken a vow of poverty under certain circumstances; end the exclusion for social security purposes of the first $20,000 of self-employment income of certain individuals living temporarily outside the United States; provide criminal penalties for furnishing false information to obtain a social security number; increase the amount of social security trust fund monies that may be used to pay for the costs of rehabilitating beneficiaries; extend social security coverage of policemen and firemen in Idaho and certain public hospital employees in New Mexico, Federal Home Loan Bank employees, employees of the Government of Guam, and students employed by certain nonprofit organizations; provide retroactive payments for certain disabled people; ensure that a child entitled on the earnings record of more than one worker receives the highest benefits to which he is entitled; provide benefits for certain dependent grandchildren; provide for recomputation of benefits to survivors of a deceased worker who was entitled to both social security and railroad retirement benefits; authorize the Managing Trustee of the social security trust funds to accept money gifts or bequests; and preserve the amount of a family's benefit when the worker's benefit is increased.

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TAX CREDIT FOR THE ELDERLY

Problem

Under present tax law, a retirement income credit of 15 percent is allowed for taxpayers age 65 or over. The maximum amount of retirement income of a single person which may qualify for the 15 percent credit is $1,524. Further, the retirement income must be from such passive income sources as pensions, dividends, interest, and rent. Earned income, such as salary or wages, will not qualify. Under present law, however, this credit is available only if the individual in at least 10 prior years had earned income above $600. Further, any retirement income eligible for the credit must be reduced by social security, railroad retirement or other tax-exempt pension income which he receives. Also, retirement income eligible for the credit must be reduced by 50 percent of any earnings of the taxpayer over $1,200 and by 100 percent of any earnings over $1,700 if the individual is under age 72.

For married couples a credit equal to 1½ times the credit allowable for a single individual is generally available under present law. However, if both the husband and wife can qualify for the tax credit, then a credit of up to twice that allowed for a single individual is available. The maximum tax savings for a single person is $228.60 and $342.90 for a married couple (if only one spouse qualifies).

For individuals who are under age 65, the retirement income credit is also available for retirement income received from a government pension. In this case, however, the credit is reduced on a dollar-for-dollar basis for any earnings of the individual above $900. If the individual is between age 62 and 65 then the earnings test for a person age 65 or over applies.

The maximum limit of the credit for an individual has not been increased since 1962, although, in 1964, an increase in the maximum limit of the credit for a married couple was provided.

House Bill

The House bill provides that the maximum income eligible for the credit for a single person will be $2,500 instead of the present $1,524. Further, the House bill provides that there will no longer be a distinction between "retirement income" and other types of income. Thus, under the House bill, all types of taxable income received by the aged would be eligible for the credit. Nevertheless, income eligible for the credit would still be reduced by the amount of any social security, railroad retirement, or other tax-exempt pension income which the individual receives. If the individual is under age 72, then the amount of income eligible for the credit must also be reduced by 50 percent of any earnings above $2,000. If the individual is 72 or over, the earnings limitation does not apply, as under present law.

For a married couple, both over age 65, the maximum amount of taxable income eligible for the credit is $3,750. For single individuals below age 65, or a married couple below age 65 who are filing a joint return where only one spouse is receiving Government pension income, the $2,500 maximum income limit is applicable but only with respect to Government pension income. In the case of a married couple below age 65 who are filing a joint return where both spouses are receiving government pension income, no more than $2,500, of this type of income may be taken into account with respect to each spouse and the total for each such couple is limited to $3,750. For individuals under age 62, any pension income eligible for the credit must be reduced on a dollar-for-dollar basis for any earnings above $1,000. If the individual is between age 62 and 65, then the same earnings limitation rule for individuals between age 65 and 72 applies, that is, the pension income eligible for the credit must be reduced for 50 percent of any earnings above $2,000.

The maximum tax savings for a single person under the House bill is $375.00 and $562.50 for a married couple. The annual revenue cost of these changes is expected to be $375 million. Under existing law, approximately 1.9 million tax returns claim the retirement income credit. Under the provisions of the House bill, approximately 3.8 million tax returns would be expected to claim the expanded credit.

FINANCING OF SOCIAL SECURITY AND MEDICARE

Increase in Tax Rates.—Under present law, social security tax rates are scheduled to increase from a total of 10.4 percent in 1971 (the rate for employers and employees combined) to 12.1 percent beginning in 1987. Within this total, the combined rate for the cash benefit programs is scheduled to rise from 9.2 percent in 1971 to 10 percent in 1973 and to 10.3 percent in 1976 and thereafter. The combined employer-employee Medicare tax rate is scheduled to rise gradually from 1.2 percent in 1971 to 1.8 percent by 1987.

Under the House bill, the tax rate would rise to an ultimate rate of 14.8 percent compared with 12.1 percent under present law. Because of the increase in revenues from the rise in the wage base, the House bill would reduce the scheduled tax rate increases for the cash benefit programs from 1972 through 1974. On the other hand, it would increase the Medicare tax rate in 1972 from the presently scheduled 1.2 percent to 2.4 percent; it would remain at 2.4 percent until 1977, when it would rise to 2.6 percent and remain at that level thereafter.

$10,200 Wage Base; Automatic Increases in Wage Base.—The House-passed bill would increase the wages taxed under social security from the presently scheduled $9,000 to $10,200, beginning January 1972. Thereafter, the House bill would provide for an increase in the amount of wages taxed whenever an automatic benefit increase became effective.

Tables 2 and 3 in the appendix show the projected wage base, tax rates, and maximum taxes under present law and under H.R. 1.

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APPENDIX

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TABLE 1.—SOCIAL SECURITY TAX RATES AND MAXIMUM ANNUAL SOCIAL SECURITY TAXES FOR EMPLOYEES, EMPLOYERS, AND SELF-EMPLOYED PERSONS

	Maximum wages taxable	OASDI, percent	HI, percent	Total, percent	Maximum tax
Employers and Employees					
Present law:					
1971	$7,800	4.6	0.6	5.2	$405.60
1972	9,000	4.6	.6	5.2	468.00
1973–75	9,000	5.0	.65	5.65	508.50
1976–79	9,000	5.15	.7	5.85	526.50
1980–86	9,000	5.15	.8	5.95	535.50
1987 and after	9,000	5.15	.9	6.05	544.50
H.R. 1 (excluding effect of the automatic adjustment provisions):					
1971	7,800	4.6	.6	5.2	405.60
1972–74	10,200	4.2	1.2	5.4	550.80
1975–76	10,200	5.0	1.2	6.2	632.40
1977 and after	10,200	6.1	1.3	7.4	754.80
Self-employed Persons					
Present law:					
1971	7,800	6.9	.6	7.5	585.00
1972	9,000	6.9	.6	7.5	675.00
1973–75	9,000	7.0	.65	7.65	688.50
1976–79	9,000	7.0	.7	7.7	693.00
1980–86	9,000	7.0	.8	7.8	702.00
1987 and after	9,000	7.0	.9	7.9	711.00
H.R. 1 (excluding effect of the automatic adjustment provisions):					
1971	7,800	6.9	.6	7.5	585.00
1972–74	10,200	6.3	1.2	7.5	765.00
1975–76	10,200	7.0	1.2	8.2	836.40
1977 and after	10,200	7.0	1.3	8.3	846.60

TABLE 2.—PROJECTED WAGE BASE AND EMPLOYER-EMPLOYEE COMBINED TAX RATE

Year	Present law				H.R. 1			
		In percent				In percent		
	Wage base	Cash benefit tax rate	Medicare tax rate	Total tax rate	Wage base	Cash benefit tax rate	Medicare tax rate	Total tax rate
1971	$7,800	9.2	1.2	10.4	$7,800	9.2	1.2	10.4
1972	9,000	9.2	1.2	10.4	10,200	8.4	2.4	10.4
1973	9,000	10.0	1.3	11.3	10,200	8.4	2.4	10.4
1974	9,000	10.0	1.3	11.3	10,800	8.4	2.4	10.4
1975	9,000	10.0	1.3	11.3	10,800	10.0	2.4	12.4
1976	9,000	10.3	1.4	11.4	11,700	10.0	2.4	12.4
1977	9,000	10.3	1.4	11.4	11,700	12.2	2.6	14.8
1978–79	9,000	10.3	1.4	11.4	12,900	12.2	2.6	14.8
1980–81	9,000	10.3	1.6	11.9	14,100	12.2	2.6	14.8
1982–83	9,000	10.3	1.6	11.9	15,300	12.2	2.6	14.8
1984–85	9,000	10.3	1.6	11.9	16,800	12.2	2.6	14.8
1986–87	9,000	10.3	1.8	12.1	18,300	12.2	2.6	14.8
1988–89	9,000	10.3	1.8	12.1	20,100	12.2	2.6	14.8
1990–91	9,000	10.3	1.8	12.1	21,900	12.2	2.6	14.8
1992–93	9,000	10.3	1.8	12.1	24,000	12.2	2.6	14.8
1994–95	9,000	10.3	1.8	12.1	26,100	12.2	2.6	14.8

TABLE 3.—PROJECTED MAXIMUM EMPLOYER-EMPLOYEE COMBINED TAXES

Year	Present law				H.R. 1			
	Wage base	Cash benefit	Medicare	Total	Wage base	Cash benefit	Medicare	Total
1971	$7,800	$717.60	$93.60	$811.20	$7,800	$717.60	$93.60	$811.20
1972	9,000	828.00	108.00	936.00	10,200	856.80	244.80	1,101.60
1973	9,000	900.00	117.00	1,017.00	10,200	856.80	244.80	1,101.60
1974	9,000	900.00	117.00	1,017.00	10,800	907.20	259.20	1,166.40
1975	9,000	900.00	117.00	1,017.00	10,800	1,080.00	259.20	1,339.20
1976	9,000	927.00	126.00	1,053.00	11,700	1,170.00	280.80	1,450.80
1977	9,000	927.00	126.00	1,053.00	11,700	1,427.40	304.20	1,731.60
1978–79	9,000	927.00	126.00	1,053.00	12,900	1,573.80	335.40	1,909.20
1980–81	9,000	927.00	144.00	1,071.00	14,100	1,720.20	366.60	2,086.80
1982–83	9,000	927.00	144.00	1,071.00	15,300	1,866.60	397.80	2,264.40
1984–85	9,000	927.00	144.00	1,071.00	16,800	2,049.60	436.80	2,486.40
1986	9,000	927.00	144.00	1,071.00	18,300	2,232.60	475.80	2,708.40
1987	9,000	927.00	162.00	1,089.00	18,300	2,232.60	475.80	2,708.40
1988–89	9,000	927.00	162.00	1,089.00	20,100	2,445.20	522.60	2,974.80
1990–91	9,000	927.00	162.00	1,089.00	21,900	2,671.80	569.40	3,241.20
1992–93	9,000	927.00	162.00	1,089.00	24,000	2,928.00	624.00	3,552.00
1994–95	9,000	927.00	162.00	1,089.00	26,100	3,184.20	678.60	3,862.80

TABLE 4.—1ST-YEAR BENEFIT COSTS AND NUMBER OF PERSONS AFFECTED BY OLD-AGE, SURVIVORS, DISABILITY, AND MEDICARE PROVISIONS OF H.R. 1

[Amounts in millions; numbers of persons in thousands]

Provision	1st-year benefit costs [1]	Present-law beneficiaries immediately affected [2]	Newly eligible persons [2]
Total	$5,438	....	....
Cash benefit changes applicable to both present and future beneficiaries:			
5 percent benefit increase—effective June 1972	2,073	27,400	16
Other cash benefit changes—generally effective January 1972:			
Retirement test changes:			
$2,000 exempt amount; 1 for 2 above $2,000	473	680	390
Earnings in year of attainment of age 72	11	20	....
Increased benefits for widows and widowers to 100 percent of PIA (limited to OAIB)	764	3,400	....
Children disabled at ages 18 to 21	14	....	13
Noncontributory credits for military service after 1956	39	130	....
Election to receive larger future benefits by certain beneficiaries eligible for more than 1 actuarially reduced benefit	20	100	....
Eliminate support requirement for divorced wives and surviving divorced wives	18	....	10
Student child's benefits continued after age 22 to end of semester	16	55	....
Special minimum PIA up to $150	30	300	....
Liberalized workmen's compensation offset (80 percent of high 1 year)	4	65	....
Liberalized disability insured status provision for the blind (drop 20/40 requirement)	29	....	30

See footnotes at end of table, p. 37.

TABLE 4.—1ST-YEAR BENEFIT COSTS AND NUMBER OF PERSONS AFFECTED BY OLD-AGE, SURVIVORS, DISABILITY, AND MEDICARE PROVISIONS OF H.R. 1—Continued

[Amounts in millions; numbers of persons in thousands]

Provision	1st-year benefit costs [1]	Present-law beneficiaries immediately affected [2]	Newly eligible persons [3]
Cash benefit changes etc—Con.			
Other cash benefit etc—Con.			
Increased allowance for vocational rehabilitation expenditures	$17		
Subtotal	3,508	(4)	459
Cash benefit changes applicable only to future beneficiaries—effective January 1972:			
Age 62 computation point for men	6		
Benefits based on combined earnings of husband and wife	11		
Credit for delayed retirement	11	400	
Additional drop-out year for every 15 years of coverage	17		
Reduce disability waiting period to 5 months	105	950	
Subtotal	150	(4)	
Total, cash benefit changes	3,658	(4)	459
Medicare benefit changes:			
Hospital insurance for disabled beneficiaries [5]	1,500		1,500
Supplementary medical insurance for disabled beneficiaries [5]	350		1,500
Change in supplementary medical insurance deductible—effective Jan. 1, 1972	–70	19,800	
Total, Medicare changes	1,780	19,800	1,500

[1] Represents additional benefit payments in the 12-month period beginning July 1, 1972.

[2] For cash benefits, present-law beneficiaries whose benefit for the effective month would be increased under the provision; for Medicare, persons with insurance protection.

[3] For cash benefits, persons who cannot receive a benefit under present law for the effective month, but who would receive a benefit for such month under the provision; for Medicare, persons who gain insurance protection.

[4] Figures not additive because a person may be affected by more than 1 provision.

[5] Effective July 1, 1972.

TABLE 5.—CHANGES IN ACTUARIAL BALANCE OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, EXPRESSED IN TERMS OF ESTIMATED LEVEL-COST AS PERCENTAGE OF TAXABLE PAYROLL, BY TYPE OF CHANGE, LONG-RANGE COST, ESTIMATE, PRESENT LAW AND H.R. 1

[In percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present system	−0.06	−0.04	−0.10
Effect of using 1971 earnings	+.19	+.02	+.21
Increase in earnings base	+.22	+.02	+.24
Additional dropout years (prospective)	−.17	−.02	−.19
Age-62 point for men (prospective)	−.07	(1)	−.07
Earnings test changes	−.16	(2)	−.16
Widow's benefits of 100 percent PIA at 65	−.20	(2)	−.20
Special minimum benefit	−.11	−.01	−.12
Election of actuarial reduction changes	−.13	(2)	−.13
Combined earnings (prospective)	−.17	(1)	−.17
Delayed retirement increment (prospective)	−.07	(2)	−.07
5-month disability waiting period	(1)	−.02	−.02
Miscellaneous changes [3]	−.02	−.01	−.03
Benefit increase of 5 percent	−.47	−.06	−.53
Revised contribution schedule	+1.16	+.10	+1.26
Total effect of changes in bill	.00	+.02	+.02
Actuarial balance under bill	−.06	−.02	−.08

[1] Less than 0.005 percent.
[2] Not applicable to this program.
[3] Includes the following: workmen's compensation offset based on 80 percent of highest earnings; child's benefits to children disabled at ages 18 to 21; disabled-child 7 years re-entitlement; broaden definition of adopted child; student's benefits to end of attainment of age 22; child's benefits on grandparent's account if full orphan and supported by him; elimination of support requirement for divorced wife's and widow's benefits; reduced widower's benefits at age 60, and liberalization of insured status requirements for disability benefits with respect to blind persons.

TABLE 6.—SOCIAL SECURITY GENERAL REVENUE COSTS

[In millions of dollars]

	Fiscal year—				
	1973	1974	1975	1976	1977
Present law:					
Military service credits (cash benefit programs)	$189	$191	$192	$194	$196
Special payments to certain persons age 72 and over	335	293	243	204	167
Hospital insurance for uninsured beneficiaries	658	676	681	682	676
Military service credits (hospital insurance program)	48	48	48	48	48
General fund share of supplementary medical insurance premium	1,358	1,681	1,881	2,061	2,485
Subtotal, present law	2,588	2,889	3,045	3,189	3,572
Increases under H.R. 1:					
Military service credits (cash benefit programs)				14	89
Special payments to certain persons age 72 and over			27	24	26
Medical insurance coverage for long-term disabled	400	458	500	558	617
Increase in supplementary medical insurance deductible	–88	–91	–95	–99	–103
Limitation on supplementary medical insurance premium rate	30	60	90	110	130
Subtotal, increases	342	427	522	607	759
Total under H.R.1	2,930	3,316	3,567	3,796	4,331

TABLE 7.—SOCIAL SECURITY BENEFICIARIES IN CURRENT-PAYMENT STATUS AT END OF DECEMBER 1970, BY TYPE OF BENEFICIARY AND BY STATE

State [1]	Number of beneficiaries						
				Dependents of—			
	Total	Retired workers	Disabled workers [2]	Retired workers	Disabled workers	Survivors	Special age 72 beneficiaries
Total...	26,228,629	13,349,175	1,492,948	3,210,402	1,172,047	6,470,433	533,624
Alabama	467,615	193,713	35,108	65,946	33,143	135,034	4,671
Alaska	12,354	4,953	619	1,128	599	4,971	84
Arizona	222,344	113,162	13,970	28,331	11,577	52,184	3,120
Arkansas	325,297	148,189	23,673	50,481	23,280	73,268	6,406
California	2,282,200	1,230,146	151,017	243,513	99,726	511,936	45,862
Colorado	234,349	120,087	11,742	29,580	9,815	57,931	5,194
Connecticut	346,660	195,240	15,917	34,143	9,012	83,795	8,553
Delaware	60,055	30,633	3,488	5,997	2,390	16,361	1,186
District of Columbia	77,920	40,640	5,314	5,686	2,725	21,243	2,312
Florida	1,170,817	668,172	60,502	149,606	43,666	230,845	18,026
Georgia	526,303	224,687	44,767	55,448	37,615	153,494	10,292
Hawaii	66,488	33,517	3,529	9,001	2,992	15,729	1,720
Idaho	93,062	48,508	4,904	12,658	4,139	21,088	1,765
Illinois	1,322,386	705,309	62,863	147,510	38,954	335,899	31,851
Indiana	640,564	334,426	30,834	77,580	24,781	161,191	11,752
Iowa	417,267	224,650	15,953	60,852	12,176	92,606	11,030
Kansas	312,062	167,316	12,278	43,819	9,045	70,003	9,601
Kentucky	471,795	208,076	32,089	69,886	37,936	116,800	7,008
Louisiana	429,402	165,525	32,816	56,862	37,785	128,499	7,915
Maine	149,715	82,319	7,600	16,949	6,080	34,173	2,594
Maryland	376,986	189,391	20,485	37,848	12,816	106,469	9,977
Massachusetts	727,488	413,223	32,895	70,112	20,996	173,499	16,763
Michigan	1,049,517	526,343	58,131	130,447	43,793	272,378	18,425
Minnesota	495,312	270,155	17,515	70,383	13,637	109,560	14,062
Mississippi	323,560	135,025	24,345	48,809	24,952	86,776	3,653

Missouri	679,263	359,244	36,433	87,207	28,009	155,045	13,325
Montana	92,933	47,033	4,999	11,791	4,334	22,689	2,087
Nebraska	212,921	116,173	7,639	30,704	5,663	45,830	6,912
Nevada	42,850	22,839	2,742	3,660	1,739	11,244	626
New Hamsphire	99,417	58,318	4,311	9,715	2,929	22,004	2,140
New Jersey	860,267	465,217	44,757	87,126	26,404	218,009	18,754
New Mexico	111,232	46,141	7,215	15,718	9,840	30,295	2,023
New York	2,377,874	1,320,102	126,145	244,405	74,341	555,242	57,639
North Carolina	623,494	281,270	46,308	71,929	36,398	174,051	13,538
North Dakota	86,911	44,381	3,303	14,402	3,104	19,448	2,273
Ohio	1,258,673	627,806	65,868	156,175	50,451	335,021	23,352
Oklahoma	367,461	180,953	23,519	52,372	20,434	84,409	5,774
Oregon	295,899	166,998	16,239	33,471	11,764	61,893	5,534
Pennsylvania	1,590,087	810,798	87,981	187,246	52,979	416,074	35,009
Rhode Island	127,480	72,789	7,299	11,348	4,242	28,954	2,848
South Carolina	306,772	126,331	27,267	30,052	22,311	94,276	6,535
South Dakota	101,297	52,266	3,847	15,840	3,834	22,722	3,238
Tennessee	528,633	241,300	36,251	72,180	32,832	134,076	11,994
Texas	1,276,977	598,175	70,706	183,104	63,329	341,436	20,227
Utah	102,016	51,639	4,685	13,689	4,129	26,408	1,466
Vermont	61,223	32,595	3,186	7,216	2,501	14,252	1,473
Virginia	510,696	232,396	36,293	58,130	30,438	139,125	14,314
Washington	412,310	228,973	20,413	46,253	14,693	93,744	8,234
West Virginia	301,500	118,003	26,058	43,211	30,326	78,461	5,441
Wisconsin	600,471	324,519	26,085	78,718	19,645	137,337	14,167
Wyoming	39,355	20,777	1,949	4,884	1,364	9,537	844
Other areas:							
American Samoa	1,050	150	43	187	166	503	1
Guam	1,165	237	70	143	115	600	0
Puerto Rico	320,594	112,273	23,906	74,367	45,489	64,544	15
Virgin Islands	3,715	1,554	181	476	197	1,306	1
Abroad	232,575	114,520	4,896	42,108	4,867	66,166	18

[1] Beneficiary's State of residence, based on monthly benefit check address.
[2] Under age 65.

TABLE 8.—IMPACT OF H.R. 1: ESTIMATED NUMBER OF SOCIAL SECURITY BENEFICIARIES ON JUNE 30, 1972, ESTIMATED NUMBER OF PERSONS BECOMING IMMEDIATELY ELIGIBLE FOR MONTHLY BENEFITS, AND ESTIMATED AMOUNT OF BENEFIT PAYMENTS IN 1ST FULL YEAR, BY STATE

[Numbers in thousands; amounts in millions]

Beneficiary's State of residence	Number of persons receiving monthly benefits under present law, June 30, 1972[1]	Number of persons becoming immediately eligible to receive monthly benefits under H.R. 1[2]	OASDI benefit payments in 1st full year[3]		
			Total benefit payments under the program as modified by H.R. 1	Additional benefit payments resulting from H.R. 1	Benefit payments under present law
Total[4]	27,400	459	$43,524	$3,658	$39,866
Alabama	489	6	651	53	597
Alaska	13	(5)	18	2	17
Arizona	232	3	371	30	342
Arkansas	340	4	434	34	400
California	2,384	41	3,980	329	3,652
Colorado	245	4	381	31	350
Connecticut	362	7	658	56	602
Delaware	63	1	104	9	95
District of Columbia	81	2	119	10	109
Florida	1,223	16	1,975	153	1,822
Georgia	550	7	732	58	674
Hawaii	69	1	105	8	97
Idaho	97	2	152	12	139
Illinois	1,381	26	2,366	204	2,162
Indiana	669	12	1,122	95	1,027
Iowa	436	8	692	60	632
Kansas	326	7	513	45	468
Kentucky	493	5	671	54	618
Louisiana	449	5	600	49	550
Maine	156	3	241	20	221
Maryland	394	7	638	55	583
Massachusetts	760	17	1,310	115	1,195

Michigan	1,096	17	1,912	162	1,751
Minnesota	517	9	806	66	739
Mississippi	338	4	396	31	365
Missouri	710	11	1,098	91	1,007
Montana	97	2	153	13	140
Nebraska	222	4	342	29	313
Nevada	45	1	74	6	68
New Hampshire	104	2	173	14	159
New Jersey	899	18	1,606	141	1,465
New Mexico	116	1	158	12	145
New York	2,484	60	4,406	394	4,011
North Carolina	652	9	877	70	806
North Dakota	91	2	132	11	121
Ohio	1,315	20	2,216	190	2,026
Oklahoma	384	6	562	46	516
Oregon	309	5	516	42	475
Pennsylvania	1,661	30	2,856	250	2,606
Puerto Rico	335	2	278	19	259
Rhode Island	133	3	226	19	207
South Carolina	321	4	423	34	389
South Dakota	106	2	154	13	141
Tennessee	552	8	740	60	679
Texas	1,334	19	1,895	155	1,740
Utah	107	2	173	14	159
Vermont	64	1	100	9	91
Virgin Islands, Guam, and American Samoa	6	(5)	6	(5)	6
Virginia	534	8	766	65	701
Washington	431	8	729	61	668
West Virginia	315	4	470	40	431
Wisconsin	627	11	1,039	87	952
Wyoming	41	1	65	5	60

[1] The general benefit increase provided under H.R. 1 is effective for June 1972.

[2] Persons becoming immediately eligible to receive benefits under H.R. 1 cannot receive benefits under present law, but could receive benefits under the program as modified by H.R. 1. Except for the benefit increase, the OASDI provisions generally become effective for January 1972. Therefore, figures shown for beneficiaries on June 30, 1972, under present law and for "persons becoming immediately eligible" under H.R. 1 are not additive.

[3] Represents benefit payments in the 12-month period beginning July 1, 1972. Includes payments for vocational rehabilitation services.

[4] Numbers of beneficiaries and newly eligible persons residing abroad and amounts of benefit payments to them are included in totals.

[5] Less than $500.

[6] Less than $500,000.

Note: Totals do not necessarily equal the sum of rounded components.

MATERIAL FURNISHED ON IMPACT OF 1970 AUTOMATIC COST OF LIVING PROVISION ON TRUST FUNDS *

September 28, 1970.

Memorandum
From: Francisco Bayo, Deputy Chief Actuary, SSA
Subject: Old-Age, Survivors, and Disability Insurance System—Financing under H.R. 17550 Using Various Assumptions Regarding Future Increases in Wages and in Consumer Price Index

Three illustrative projections have been prepared regarding the financing of the OASDI system under H.R. 17550 as passed by the House. All projections are based on an assumption that wages will increase by 5.4 percent in 1971 and by 5.0 percent in 1972, and that CPI will increase by 3 percent in 1972. For years after 1975, the projections are based on different assumptions. The first projection assumes that wages would increase at 4 percent per year, while CPI would increase at 2 percent. For the second projection, the assumptions are 4½ percent wages and 2½ percent CPI, while the third projection is based on 5 percent wages and 3 percent CPI.

The level-cost estimate of the OASDI system over the next 75 years for these projections are shown in the attached table 1. Also shown in that table is the level-cost of the system under level-earnings assumption.

The income and outgo under each set of assumptions, along with the fund on hand, are shown for various years in the attached table 2.

Attachments

Francisco Bayo.

*Under 1970 provisions, automatic cost of living increases would have been financed by automatic increases in taxable wages.

TABLE 1.—OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, ESTIMATED LEVEL-COST [1] OF H.R. 17550 AS PASSED BY HOUSE UNDER VARIOUS WAGES AND PRICES INCREASES ASSUMPTIONS

[In percent]

Item	Assumed annual increases			
	0 percent wages and 0 percent prices	4 percent wages and 2 percent prices	4½ percent wages and 2½ percent prices	5 percent wages and 3 percent prices
Net level-cost	10.54	9.15	9.94	11.05
Contribution schedule	10.39	10.82	10.85	10.87
Actuarial balance	—.15	1.67	.91	—.18

[1] Computed over 75-year period and expressed as a percent of taxable payroll including the effect of lower contribution rates on self-employment income and on tips as compared with the combined employer-employee rates.

TABLE 2.—OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, PROGRESS OF COMBINED TRUST FUNDS UNDER H.R. 17550 AS PASSED BY HOUSE FOR VARIOUS WAGE AND PRICES INCREASES ASSUMPTIONS [1]

[All amounts in billions]

Calendar year	Assumed annual increases								
	4 percent wages and 2 percent prices			4½ percent wages and 2¼ percent prices			5 percent wages and 3 percent prices		
	Income	Outgo	Fund [2]	Income	Outgo	Fund [2]	Income	Outgo	Fund [2]
1975	$60	$48	$58	$60	$48	$58	$61	$51	$56
1980	89	60	153	93	62	156	94	64	148
1985	124	79	346	132	83	360	137	89	352
1990	169	103	632	180	112	659	192	123	654
1995	234	133	1,062	256	150	1,110	278	169	1,115
2000	318	169	1,705	354	197	1,790	399	230	1,834
2025	1,302	790	10,016	1,534	1,104	9,900	1,807	1,564	9,105
2040	2,660	1,780	20,373	3,168	2,757	16,475	3,665	4,395	6,944

[1] All projections are based on wage increases of 5.4 percent in 1971; 5 percent in 1972; 4.6 percent in 1973; 4.3 percent in 1974; 4.1 percent in 1975, and 4 percent in 1976 and thereafter unless the above indicated assumption is higher. CPI increases are assumed at 3 percent in 1973 and at half at the increase in wages thereafter unless the indicated assumption is higher.

[2] Total old-age, survivors and disability insurance fund on hand at the end of the calendar year.

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