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STAFF DATA WITH RESPECT TO  
**SOCIAL SECURITY**  
**CASH BENEFIT PROVISIONS**

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COMMITTEE ON FINANCE  
UNITED STATES SENATE  
RUSSELL B. LONG, *Chairman*



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## **SOCIAL SECURITY CASH BENEFIT PROVISIONS**

### **Provisions of Amendment to Debt Limit Bill—P.L. 92-336**

#### **GENERAL BENEFIT INCREASE**

Since the time the Committee completed its work on the social security cash benefit provisions of H.R. 1, the Senate adopted and the President approved a 20 percent general increase in cash benefits. As a result, about 28.1 million social security beneficiaries will receive increased benefits starting with the check which will be delivered on October 3rd.

The average benefits payable to retired workers will increase from \$134 a month to \$162, to retired couples from \$224 a month to \$271, and to widows from \$115 a month to \$138. The minimum benefit payable at age 65 will be raised from \$70.40 a month to \$84.50.

The special payments made to people over 72 who did not work long enough to qualify for regular social security benefits will also be raised 20 percent, from \$48.30 a month for individuals to \$58.00, and from \$72.50 a month for couples to \$87.00.

#### **COST-OF-LIVING BENEFIT INCREASES**

The new legislation also provides for automatic cost-of-living increases in benefits, with the first increase possible for January 1975. Under this provision, benefits could be increased automatically each January whenever the cost of living rises three percent or more between specified base periods. This provision is identical to the Committee-approved provision in H.R. 1, except that under Public Law 92-336 the additional funds necessary to keep the program actuarially sound would come from automatic increases in the tax base, while the Committee's provision would finance one-half of the cost from increases in the tax base and one-half from increases in the tax rates.

#### **LIMIT ON EARNINGS TAXED UNDER SOCIAL SECURITY (WAGE BASE)**

The maximum earnings taxable for social security purposes (this is also the limit on earnings used for benefit computation purposes) is increased under the new law from the present \$9,000 in 1972 to \$10,800 for 1973 and to \$12,000 for 1974. Starting in 1975 the base would be automatically increased in proportion to the increase in the level of average covered wages in the first calendar quarter of the year in which the computation is made over the level of average covered wages in the first calendar quarter of the later of: (1) the most recent year in which an increase in the tax and benefit base was enacted, or (2) the most recent year in which a determination was made to automatically adjust the contribution and benefit base. The Social Security Administration estimates that the base will rise to \$12,600 in 1975 and to \$14,100 in 1977.

## COMPARISON OF PUBLIC LAW 92-336 AND COMMITTEE BILL

The provisions of the Committee bill and comparable provisions of Public Law 92-336 are shown in table 1.

TABLE 1.—COMPARISON OF SOCIAL SECURITY CASH BENEFIT PROVISIONS OF COMMITTEE BILL AND PUBLIC LAW 92-336

| Provision  | Committee bill (H.R. 1)  | Public law 92-336  |
|--|--|--|
| Across-the-board benefit increase.   | 10 percent effective for June 1972 (check received in early July).   | 20 percent effective for September 1972 (check received in early October).   |
| Minimum benefit.....   | 5 percent increase from \$70.40 to \$74.00.  | 20 percent increase from \$70.40 to \$84.50.   |
| Special payments to persons 72 and over not covered under social security. | 5 percent increase, from \$48.30 for individuals and \$72.50 for couples to \$50.80 and \$76.20, respectively. | 20 percent increase from \$48.30 for individuals and \$72.50 for couples to \$58.00 and \$87.00, respectively.                       |
| Automatic cost-of-living increase in benefits.                             | Each January, starting in 1975 if CPI rises by at least 3 percent.   | Identical to committee bill.   |
| Limit on wages taxed (wage base).  | Increased from \$9,000 in 1972 to \$10,200 in 1973 with automatic increases possible in 1975 and thereafter.   | Increased from \$9,000 in 1972 to \$10,800 in 1973 and to \$12,000 in 1974 with automatic increases possible in 1975 and thereafter. |
| Funding of cost-of-living increases.                                       | Half from increasing limit on wages taxed (wage base), half from increasing tax rates.                         | All from increasing limit on wages taxed (wage base).  |
| Tax rates (including medicare taxes) on employers and employees (each).    | 1972—5.2 percent.<br>1973—77—5.7 percent.<br>1978—80—6.0 percent.  | 1972—5.2 percent.<br>1973—84—5.5 percent.  |

## COST EFFECT

When the Committee made its decisions relating to cash benefits, the cost of the cash benefit amendments for 1974 was estimated at \$7.2 billion. Enactment of the 20 percent benefit increase alone raised the cost of social security benefits by more than \$8 billion.

The amendments approved by the Committee (other than the 10 percent across-the-board benefit increase which has been superseded by Public Law 92-336) would cost an estimated \$3 billion in 1974, as shown in Table 2 below.

Tables 3 and 4 compare the social security taxes and tax rates under the newly enacted law, under the bill as approved by the Committee (with a 10 percent benefit increase), and under a bill adding all the provisions of the Committee-approved bill (other than the 10 percent across-the-board increase) to the 20 percent increase already enacted.

Table 5 shows the income and outgo of the social security cash benefit trust funds under present law (with the 20 percent increase) and under the law if all the provisions of the Committee-approved bill were enacted (other than the 10 percent across-the-board increase).

TABLE 2.—OLD AGE, SURVIVORS, AND DISABILITY INSURANCE: FIRST FULL-YEAR COST OF SENATE FINANCE COMMITTEE PROVISIONS OF H.R. 1 AFTER ENACTMENT OF 20-PERCENT BENEFIT INCREASE

[Amounts in millions; numbers of persons in thousands]

| Provision  | Additional benefit payments in calendar year 1974 with original 10 percent benefit increase | Additional benefit payments in calendar year 1974 after 20 percent benefit increase | Change caused by enactment of 20 percent benefit increase | Present-law beneficiaries immediately affected <sup>1</sup> | Newly eligible persons <sup>2</sup> |
|--|---|---|---|---|-------------------------------------|
| Total.....   | \$2,861   | \$3,003   | +\$142  | ( <sup>3</sup> )  | 759                                 |
| Increased benefits for widows and widowers up to 100 percent of PIA at age 65 (limited to OAIB)..... | 990   | 1,109   | +119  | 3,800   | .....                               |
| Retirement test changes <sup>4</sup> :   |   |   |   |   |                                     |
| \$2,000 exempt amount; \$1 for \$2 above \$2,000..   | 650   | 761   | +111  | 1,190   | 420                                 |
| Earnings in year of attainment of age 72.....  | 12  | 14  | +2  | 10  | .....                               |
| Special minimum PIA up to \$200.....   | 328   | 152   | -176  | 700   | .....                               |
| Credit for past and future delayed retirement.....   | 182   | 198   | +16   | 5,000   | .....                               |
| Dependent sisters and disabled dependent brothers..  | 72  | 79  | +7  | .....   | 50                                  |
| Noncontributory credits for military service after 1956..  | 42  | 46  | +4  | 130   | .....                               |
| Eliminate support requirement for divorced wives and surviving divorced wives.....                   | 21  | 23  | +2  | .....   | 10                                  |



|   |     |     |     |     |     |
|---|-----|-----|-----|-----|-----|
| Student child benefits payable after age 22 to end of semester <sup>4</sup> ..... | 18  | 19  | +1  | 55  | 6   |
| Age 62 computation point for men .....  | 13  | 14  | +1  |     |     |
| Reduce disability waiting period to 4 months <sup>4</sup> .....                   | 251 | 274 | +23 | 950 | 8   |
| Liberalized disability provisions for blind workers .....                         | 219 | 246 | +27 |     | 250 |
| Liberalized workmen's compensation offset (80 per cent of high 1 year) .....      | 22  | 22  |     | 40  | 2   |
| Children disabled at ages 18 to 21 .....  | 16  | 17  | +1  |     | 13  |
| Increased allowance for vocational rehabilitation expenditures <sup>5</sup> ..... | 25  | 29  | +4  |     |     |

<sup>1</sup> Except where noted, represents beneficiaries under present law whose benefit for the effective month would be increased.

<sup>2</sup> Except where noted, represents 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.

<sup>3</sup> Figures not additive because a person may be affected by more than one provision.

<sup>4</sup> Number of present-law beneficiaries immediately affected represents persons who will receive additional benefits for months in

the first full year as a result of the provision. Number of newly eligible persons represents persons who will receive no benefits under present law for months in the first full year, but who would receive some benefits under the provision.

<sup>5</sup> The allowance for fiscal year 1973 would be increased from 1 per cent to 1¼ per cent of fiscal year 1972 benefit payments to disabled beneficiaries; the allowance for fiscal year 1974 and thereafter would be increased to 1½ per cent of the previous fiscal year's benefit payments.

TABLE 3.—EMPLOYER AND EMPLOYEE SOCIAL SECURITY TAXES UNDER PRESENT LAW (INCLUDING THE 20-PERCENT BENEFIT INCREASE), COMMITTEE BILL (WITH 10-PERCENT BENEFIT INCREASE), AND BILL ADDING PROVISIONS OF COMMITTEE BILL TO 20-PERCENT BENEFIT INCREASE.

|   | Maximum wages taxable <sup>1</sup> | OASDI, percent | HI, percent | Total, percent |
|---|------------------------------------|----------------|-------------|----------------|
| <b>Present law (including 20-percent benefit increase):</b>                 |                                    |                |             |                |
| 1972 .....  | \$9,000                            | 4.6            | 0.6         | 5.2            |
| 1973 .....  | 10,800                             | 4.6            | 0.9         | 5.5            |
| 1974 to 1977 .....  | 12,000+                            | 4.6            | 0.9         | 5.5            |
| 1978 to 1984 .....  | 12,000+                            | 4.5            | 1.0         | 5.5            |
| 1985 to 2010 .....  | 12,000+                            | 4.5            | 1.1         | 5.6            |
| 2011 and after .....  | 12,000+                            | 5.35           | 1.1         | 6.45           |
| <b>Committee bill (with 10-percent benefit increase):</b>                   |                                    |                |             |                |
| 1972 .....  | 9,000                              | 4.6            | 0.6         | 5.2            |
| 1973 to 1977 .....  | 10,200+                            | 4.55           | 1.15        | 5.7            |
| 1978 to 1980 .....  | 10,200+                            | 4.65           | 1.35        | 6.0            |
| 1981 to 1984 .....  | 10,200+                            | 4.65           | 1.5         | 6.15           |
| 1985 to 1993 .....  | 10,200+                            | 4.65           | 1.6         | 6.25           |
| 1994 to 2010 .....  | 10,200+                            | 4.65           | 1.7         | 6.35           |
| 2011 and after .....  | 10,200+                            | 5.7            | 1.7         | 7.4            |
| <b>20-percent benefit increase plus other provisions of Committee bill:</b> |                                    |                |             |                |
| 1972 .....  | 9,000                              | 4.6            | 0.6         | 5.2            |
| 1973 to 1977 .....  | 10,800                             | 4.85           | 1.1         | 5.95           |
| 1978 to 1980 .....  | 12,000+                            | 4.9            | 1.3         | 6.2            |
| 1981 to 1992 .....  | 12,000+                            | 4.9            | 1.5         | 6.4            |
| 1993 to 2010 .....  | 12,000+                            | 4.9            | 1.6         | 6.5            |
| 2011 and after .....  | 12,000+                            | 6.0            | 1.6         | 7.6            |

<sup>1</sup> Under the new law, the maximum wages taxable (wage base) would rise automatically as earnings levels rise. The wage base is expected to rise to \$12,600 in 1975, \$14,100 in 1977. Under the committee bill, since cost-of-living increases would have been funded partly by tax increases, the rise in the wage base would have been slower.

TABLE 4.—EMPLOYER AND EMPLOYEE SOCIAL SECURITY TAXES UNDER PRESENT LAW AND UNDER COMMITTEE BILL (20-PERCENT BENEFIT INCREASE EFFECTIVE FOR SEPTEMBER 1972)

[In dollars]

|                        | Taxes, employer and employee (each) |        |        |        |      |        |
|------------------------|-------------------------------------|--------|--------|--------|------|--------|
|                        | 1972                                | 1973   | 1978   | 1981   | 1993 | 2011   |
| <b>Present law:</b>    |                                     |        |        |        |      |        |
| \$5,000....            | 260                                 | 275.00 | 275.00 | 275.00 | 280  | 322.50 |
| 7,000....              | 364                                 | 385.00 | 385.00 | 385.00 | 392  | 451.50 |
| 9,000....              | 468                                 | 495.00 | 495.00 | 495.00 | 504  | 580.50 |
| 10,000....             | 468                                 | 550.00 | 550.00 | 550.00 | 560  | 645.00 |
| 12,000....             | 468                                 | 594.00 | 660.00 | 660.00 | 672  | 774.00 |
| <b>Committee bill:</b> |                                     |        |        |        |      |        |
| \$5,000....            | 260                                 | 297.50 | 310.00 | 320.00 | 325  | 380.00 |
| 7,000....              | 364                                 | 416.50 | 434.00 | 448.00 | 455  | 532.00 |
| 9,000....              | 468                                 | 535.50 | 558.00 | 567.00 | 585  | 684.00 |
| 10,000....             | 468                                 | 595.00 | 620.00 | 640.00 | 650  | 760.00 |
| 12,000....             | 468                                 | 606.90 | 641.40 | 652.80 | 663  | 775.20 |

TABLE 5.—PROGRESS OF SOCIAL SECURITY CASH BENEFIT TRUST FUNDS UNDER PRESENT LAW (INCLUDING THE 20-PERCENT BENEFIT INCREASE), COMMITTEE BILL (WITH 10-PERCENT BENEFIT INCREASE), AND BILL ADDING PROVISIONS OF COMMITTEE BILL TO 20-PERCENT BENEFIT INCREASE.

[Dollars in billions]

|   | Income | Outgo  | Net<br>increase<br>in funds | Assets,<br>end of<br>year |
|---|--------|--------|-----------------------------|---------------------------|
| <b>Present law (including<br/>20-percent benefit<br/>increase):</b>                     |        |        |                             |                           |
| 1972.....   | \$46.2 | \$43.2 | \$3.0                       | \$43.4                    |
| 1973.....   | 52.2   | 51.6   | 0.6                         | 44.0                      |
| 1974.....   | 58.1   | 54.2   | 3.9                         | 48.0                      |
| 1975.....   | 62.8   | 59.2   | 3.6                         | 51.6                      |
| 1976.....   | 66.2   | 62.1   | 4.1                         | 55.7                      |
| 1977.....   | 71.6   | 68.2   | 3.4                         | 59.1                      |
| <b>Committee bill (with 10-<br/>percent benefit<br/>increase):</b>                      |        |        |                             |                           |
| 1972.....   | 46.2   | 43.1   | 3.1                         | 43.5                      |
| 1973.....   | 51.0   | 49.5   | 1.5                         | 45.0                      |
| 1974.....   | 55.0   | 52.3   | 2.6                         | 47.7                      |
| 1975.....   | 60.0   | 57.4   | 2.6                         | 50.3                      |
| 1976.....   | 63.5   | 60.3   | 3.2                         | 53.4                      |
| 1977.....   | 68.5   | 66.2   | 2.3                         | 55.7                      |
| <b>20-percent benefit<br/>increase plus other<br/>provisions of committee<br/>bill:</b> |        |        |                             |                           |
| 1972.....   | 46.2   | 43.2   | 2.9                         | 43.4                      |
| 1973.....   | 54.7   | 54.0   | 0.7                         | 44.0                      |
| 1974.....   | 61.0   | 57.2   | 3.8                         | 47.9                      |
| 1975.....   | 65.9   | 62.5   | 3.5                         | 51.3                      |
| 1976.....   | 69.6   | 65.6   | 4.0                         | 55.4                      |
| 1977.....   | 75.2   | 75.2   | 3.3                         | 58.6                      |

## THE PRESIDENT'S STATEMENT

At the time he signed Public Law 92-336, the President said that the bill had serious shortcomings which he described as follows:

It fails the test of fiscal responsibility by failing fully to finance its increase in social security benefits. As a result of this failure, it would add an additional \$3.7 billion to the more than \$3 billion by which earlier actions and inactions by the Congress have already thrown the full employment budget for fiscal year 1973 into deficit—thus threatening dangerously to escalate the rate of inflation at a time when this Administration's economic policies are succeeding in turning it back.

\* \* \* \* \*

Therefore, it will be necessary for the Congress and the Administration to offset the additional \$3.7 billion deficit created by this measure through cuts in other Federal programs.

An additional fault with H.R. 15390 is that it jeopardizes the integrity of the Social Security Trust Fund by substantially reducing the necessary coverage of trust fund reserves to ensure annual benefit payments. I shall request the next Congress to restore this full 100% protection.

The fault the President found with the financing of the benefit increase refers to the fact that the tax schedule provided by the amendment is designed to provide a year-end balance in the old-age and survivor's insurance and disability insurance trust funds at least equal to approximately 75 percent of the estimated expenditures for the following year. (The current estimate is that the balances in the funds at the end of 1972 will be about 84 percent of estimated 1973 expenditures and that from 1974 through 1977 they will range from a low of 81 percent at the end of 1973 to a high of 83 percent at the end of 1975 and again at the end of 1977.) This assumption is in contrast to the practice that has prevailed up to now of setting the early year tax rates so that the trust funds year-end balances would be approximately 100 percent of estimated expenditures for the following year.

