

THE SOCIAL SECURITY BILL

MAY 13 (calendar day, May 20), 1935.—Ordered to be printed

Mr. HARRISON, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 7260]

The Committee on Finance, to whom was referred the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

PART I. GENERAL STATEMENT

CONTENTS OF THE BILL

- Title
- I. Grants to States for Old-Age Assistance
 - II. Federal Old-Age Benefits
 - III. Grants to States for Unemployment Compensation Administration
 - IV. Grants to States for Aid to Dependent Children
 - V. Grants to States for Maternal and Child Welfare
 - VI. Public Health Work
 - VII. Social Security Board
 - VIII. Taxes with Respect to Employment
 - IX. Tax upon Employers of Four or More
 - X. Grants to States for Aid to the Blind
 - XI. United States Annuity Bonds.
 - XII. General Provisions

As the titles of the bill indicate, it consists of a series of related measures designed as a unified, well-rounded program of attack upon the principal causes of insecurity in our economic life. These measures may be divided into five broad fields: (1) Old-age security, (2) unemployment compensation, (3) aid to dependent children, (4) public health measures, and (5) aid to the blind.

The principal causes of destitution and want of millions of American families, forcing them to rely upon public charity for an existence, are well known. They are unemployment, dependency in old age, loss of the wage earner of the family, and illness. Upon these major causes of dependency this bill makes a unified attack. Each measure is closely related to the others, and together they constitute a broad, practicable plan to safeguard the security of the American family.

The pressing need for social security legislation at this time is apparent on every hand. For the last 5 years we have been paying a frightful cost of insecurity in the toll of human suffering, weakened morale of our people, and mounting public expenditures for public charity. So far in the depression we have taken emergency steps, designed to relieve distress, and to take care of the immediate situation. The time has come for a comprehensive, constructive program to avoid the repetition of such a disaster in the future. The foundation for such a program is laid in this bill.

HISTORY OF THE LEGISLATION

Nearly a year ago, on June 8, 1934, the President, in a message to the Congress, announced his intention to present at this session of Congress a program for social security. Shortly afterward, by Executive order, he created the Committee on Economic Security, consisting of the Secretary of Labor (chairman), the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator. This committee was instructed to study the whole aspect of insecurity in our economic life, and to make recommendations. Since that time the Committee on Economic Security has carried on extensive studies of the various problems involved, assisted by a staff of specialists and by 14 advisory groups of citizens, representing the various interests of society in security legislation. The Committee had the advice of many outstanding citizens of broad experience and expert information in the several aspects of the problem.

On January 17 of this year the President transmitted to both Houses of Congress the unanimous report of the Committee on Economic Security, with a message endorsing the recommendations made therein. Identical bills incorporating these recommendations were introduced in both Houses, upon which the Ways and Means Committee of the House and the Senate Finance Committee held extended public hearings in January and February. At these hearings representatives of all interests concerned were given a full opportunity to present their views. The published hearings of the Finance Committee of the Senate upon this measure contain some 1,350 pages of printed testimony, and the hearings of the Ways and Means Committee of the House are of similar length. For more than 4 months this measure has been under active consideration in both Houses of Congress. Few legislative measures have ever received such thorough

and extended consideration. H. R. 7260, passed by the House on April 19 of this year, is herewith reported with the following principal changes:

1. A new title has been added (title X) to provide Federal aid to the States for the blind.

2. A new title has been added (title XI) to authorize the issue of voluntary Federal old-age annuity bonds by the Treasury. This measure is designed to enable persons not covered by the system of Federal old-age benefits to build up old-age annuities.

3. Section 202 in title II is amended to make retirement from regular employment a condition for payment of old-age benefits. This will eliminate the anomaly that employees over 65 may draw old-age benefit while earning adequate wages in full-time employment.

4. The grants-in-aid to the States for aid to dependent children has been placed under the Children's Bureau, instead of the Social Security Board. The Children's Bureau is the agency of the Government concerned with matters relating to children.

5. The Social Security Board has been placed under the Department of Labor, instead of being created as an entirely independent agency. The reason for this change is the close relationship between the functions of the Social Security Board and those of the Labor Department. This type of legislation the world over is almost invariably under the direction or supervision of the labor department or its equivalent. By placing the Social Security Board under the Labor Department, considerable saving in administrative costs may be anticipated. The committee regards it as inadvisable to create new independent agencies, particularly where their functions are closely related to the major functions of an existing department.

6. The coverage of the tax upon employers in title IX has been changed from employers having 10 or more employees, within 20 weeks during the year, to 4 or more employees, within 13 weeks during any year. This change has been made to avoid substantial administrative problems in connection with employers who may attempt to avoid the tax, and also to extend its coverage.

7. The requirement that State unemployment compensation funds shall be of the "pooled" type, in which all funds are mingled and undivided, as a condition to qualify for the credit against the Federal tax under title IX, has been stricken. This will permit States to enact whatever type of unemployment compensation law they desire.

8. Two new sections have been inserted (909 and 910) to give additional credit to employers who, under State laws, are permitted to lower their rates of compensation because of favorable employment experience. These sections are designed to permit States to give an incentive to employers to stabilize employment.

FEDERAL AIDS TO THE STATES

The bill provides Federal aid to the States for old-age assistance, aid to the blind, aid to dependent children, for maternal and child welfare, for the extension of State public-health services, and for vocational rehabilitation. The amount and conditions of these aids to the States are summarized in table I. A detailed discussion of the need for each of these aids is given in the following pages.

It may be pointed out that these provisions impose only a few, reasonable, minimum requirements upon the States, and give recognition to the principle of State rights. The supervision given to the Federal agencies in charge has been carefully circumscribed so that there may be no unreasonable encroachment upon the States from Washington. Less Federal control is provided than in any recent Federal aid law. The conditions provided in the bill deal with such matters as the requirement of State matching, financial participation by the State government, the submission of reports, and residence requirements. These conditions are entirely appropriate and are, in fact, essential if the Federal Government is to bear a part of the burden.

OLD-AGE SECURITY

During the depression period the country has become keenly conscious of the problem of providing security for aged people who are without adequate means of support. Dependency in old age is a hazard which faces everybody. A man who reaches age 65 can look forward in the average case to a life of 12 more years; a woman at that age to 15 more years. This is a long period of time, during which normally there is little or no income from labor. To provide an income of only \$25 per month from age 65 on, a man must have accumulated \$3,300, and a woman \$3,600 on reaching this age.

The great majority of the old people do not have accumulations of this amount. Of all men and women over 65 at least one-half are financially dependent upon others. The great majority of these are now being assisted by their children, other relatives, or friends. We think that children who are able to do so should continue to support their aged parents and the legislation we are proposing is framed with this thought in mind.

There are, however, many aged people who are dependent upon the public for support. The number of such people has greatly increased during the depression, because of the exhaustion of savings, unemployment, and reduced incomes among the children. There are at this time approximately 1,000,000 men and women over 65 years of age who are dependent upon the public for support. In the fall of 1934 there were over 700,000 men and women of this age who were in receipt of emergency relief, and this number has probably been increased since.

It was never intended that emergency unemployment relief should be given to old people many of whom have not been employed for years and who have very little prospect of ever again getting regular employment. Emergency relief is not suited to the situation of people who will remain dependent upon the public for such a long period as is the case of needy old folks.

World experience has demonstrated that the best way to provide for old people who are dependent upon the public for support is through old-age assistance (popularly called "old-age pensions"). Foreign countries have had old-age pensions for many years. In this country the first State old-age pension law was enacted in 1923, and by this time there are old-age pension laws in 33 States, plus the Territories of Alaska and Hawaii; 5 of these laws were enacted this year, and no less than 14 in either 1933 or 1934. All of these laws grant assistance (pensions) to old people in need who are dependent upon

TABLE I.—Summary of the provisions of the social security bill relating to Federal aid to the States

	Old-age assistance	Aid to the blind	Aid to dependent children	Maternal and child health	Crippled children	Child welfare	Public health	
Federal appropriation authorized 1935-36.	\$49,750,000.....	\$3,000,000.....	\$24,750,000.....	\$3,800,000.....	\$2,850,000.....	\$1,500,000.....	\$8,000,000.....	
Sections of bill.....	1-6.....	1001-1006.....	401-406.....	501-506.....	511-515.....	521.....	601-603.....	
Federal agency.....	SOCIAL SECURITY BOARD			CHILDREN'S BUREAU			PUBLIC HEALTH SERVICE	
Amount of aid to States and basis of allotment.	(a) Not to exceed 50 percent of total payments; payments in excess of \$30 per month per person not counted in determining Federal aid. (b) 5 percent of Federal aid for administration and/or assistance.		Not to exceed 33½ percent of total payments; payments in excess of \$18 per month for first child and \$12 per month for additional children not counted in determining Federal aid. 66½ percent.....	(a) \$20,000 to each State. (b) \$1,800,000 allotted in proportion to live births. (c) \$980,000 allotted on basis of need of individual State. (a) and (b) 50 percent..... (c) Not required.....	\$20,000 allotted to each State; remainder allotted on basis of need, taking into account the number of crippled children in need of such service and the cost thereof. 50 percent.....	\$10,000 allotted to each State; remainder allotted in proportion to rural population.	Allotted on basis of (1) population, (2) special health problems, and (3) financial needs, after consultation with State health authorities.	
State matching required (Percent of total payment).....	(a) 50 percent..... (b) Not required.....	(a) 50 percent..... (b) Not required.....				Not required.....	Not required.....	
How allotted.....	ALLOTMENTS MADE QUARTERLY ON BASIS OF ESTIMATED EXPENDITURES AND INVESTIGATIONS BY THE FEDERAL AGENCY						Allotted annually.....	Allotted annually.....
Definitions.....	Assistance to individual 65 years or older not an inmate of a public institution.	Aid to the blind means money payments to permanently blind individuals.	Dependent child means a child under the age of 16 who has been deprived of parental support and who is living in a home maintained by mother or other enumerated relatives.	Assistance in promoting health of mothers and children.	Services to crippled children or to children suffering from conditions leading to crippling.	See below, under conditions.....	See below, under conditions.....	
Conditions for approval of State plans.....	1. A State plan. For old-age assistance, aid to the blind, and aid to dependent children, the plan must be State-wide, and if administered by local subdivisions, be mandatory. 2. Financial participation by the State. 3. A State agency must be appointed or designated to administer or to supervise the administration. For maternal and child health, the State health agency must be used. 4. Methods of administration (other than those relating to selection, tenure, and compensation of personnel) necessary for the efficient operation of the plan. 5. The submission of reports in such form and containing such information as may be prescribed by the Federal agency. 6. Persons whose claims for assistance have been denied must be permitted to appeal to the State agency.					The only conditions are those involved in the purposes of the act, which are to cooperate with the States "in establishing, extending, and strengthening, especially in predominantly rural areas, public-welfare services for the protection and care of homeless, dependent, and neglected children."	The only conditions are those involved in the purposes of the act, which are to assist States "in establishing and maintaining adequate public-health services, including the training of personnel for State and local health work."	
	7. One-half of any recovery by the State from the recipient or his estate to be paid to the United States. 8. After January 1940 State law must provide an age limit of not over 65 years, but until then a 70-year limit is permissible. 9. State residence requirements may not exceed 5 years within last 9 years. One year of residence immediately preceding application may be required. 10. Citizens of the United States may not be disqualified, as, for example, by a requirement of 10 years of citizenship.	7. No aid for blind to be given to any individual receiving old-age assistance.	7. State residence requirement must not disqualify a child who has resided in the State for a year, or who was born within the State during the preceding year, if its mother has resided in the State for 1 year immediately preceding the birth.	6. Provide for the extension and improvement of local maternal and child health services administered by local units. 7. Provide for cooperation with medical, nursing, and welfare groups and organizations. 8. Provide for development of demonstration services in needy areas and among groups in special need.	6. Provide for carrying out the purposes of the appropriation. 7. Provide cooperation with medical, health, nursing, and welfare organizations and with agencies charged with vocational rehabilitation of physically handicapped children.			

NOTE.—In case of the failure of a State with an approved plan to comply substantially with the provisions of the law, the Federal agency may withhold further payments, but is required to give reasonable notice and opportunity for hearing to the State agency, except for welfare and public health aids (secs. 4, 404, 505, 515, 1004). The social security bill also authorizes for the fiscal year 1935-36 an appropriation of \$841,000 for grants to the States for vocational rehabilitation under the provisions of existing law (sec. 531).

the public for support and are not being cared for in public institutions. The amount of the pension grants varies with the needs of the individual and his income from other sources. In nearly all States there are maximum limitations, the most common being \$30 per month, or \$1 per day, less any other income of the pensioner. The minimum age for pension grants is either 65 or 70, and all States prescribe minimum residence requirements which now range from 5 to 35 years.

TABLE II.—Operation under State old-age pension acts during 1934

State	Funds supplied by—	Number of eligible age	Number of pensioners, end of 1934	Amount disbursed	Monthly pension	
					Maximum payable	Average paid, 1934
Arizona †	State and county.....	9, 118	1, 920	\$427, 527	\$30. 00	\$19. 56
California.....	do.....	210, 379	19, 619	4, 288, 508	30. 00	20. 25
Colorado †	do.....	61, 787	10, 008	1, 043, 120	30. 00	8. 69
Delaware.....	State.....	14, 678	1, 583	193, 231	25. 00	9. 91
Idaho.....	County.....	22, 310	1, 712	138, 443	25. 00	8. 85
Indiana.....	State and county.....	138, 426	23, 533	1, 134, 250	15. 00	4. 50
Iowa.....	State.....	184, 239	4, 589	121, 636	25. 00	13. 25
Kentucky.....	County.....	84, 252	.....	.....	20. 83	.....
Maine.....	State and city.....	69, 010	.....	.....	30. 00	.....
Maryland.....	County.....	92, 972	267	65, 228	30. 00	24. 43
Massachusetts.....	State and city.....	156, 590	21, 473	5, 628, 492	(¹)	21. 84
Michigan.....	State.....	148, 853	3, 557	103, 180	30. 00	9. 99
Minnesota †	County.....	94, 401	4, 334	560, 254	30. 00	10. 77
Montana.....	do.....	14, 377	2, 790	177, 426	25. 00	5. 32
Nebraska †	do.....	84, 194	694	8, 782	20. 00	10. 52
Nevada †	do.....	4, 814	7	1, 552	30. 00	18. 48
New Hampshire.....	do.....	25, 714	1, 423	298, 722	32. 50	19. 06
New Jersey.....	State and county.....	112, 594	11, 401	1, 773, 319	30. 00	12. 96
New York.....	do.....	373, 878	51, 834	12, 651, 098	(¹)	20. 36
North Dakota.....	State.....	30, 280	3, 014	24, 259	12. 50	6. 69
Ohio.....	do.....	414, 836	36, 543	1, 434, 416	25. 00	14. 45
Oregon †	County.....	39, 133	6, 525	639, 296	30. 00	10. 64
Pennsylvania †	State.....	289, 705	18, 261	386, 717	30. 00	21. 18
Utah †	County.....	22, 665	1, 002	86, 415	25. 00	7. 97
Washington †	do.....	101, 603	1, 178	99, 136	30. 00	5. 95
West Virginia.....	do.....	73, 043	.....	.....	30. 00	.....
Wisconsin.....	State and county.....	112, 112	1, 989	395, 707	30. 00	18. 75
Wyoming †	County.....	8, 707	706	81, 818	30. 00	9. 66
Total.....	.....	2, 998, 570	230, 832	31, 620, 509	.....	15. 50
Alaska.....	Territory.....	2, 935	454	108, 485	35. 00	25. 00
Hawaii.....	County.....	7, 638	354	27, 427	15. 00	7. 06
Grand total.....	.....	3, 009, 143	231, 630	31, 894, 418	.....	15. 50

† Figures for 1934 are preliminary only.
 ‡ Data are for 1933.
 § Year ending Mar. 31, 1934.

¶ No limit.
 * Data are for Dec. 1, 1934.
 † Data are for September 1934.

Source: U. S. Bureau of Labor Statistics and Committee on Economic Security.

The number of people in receipt of old-age pensions under these State laws has been increasing rapidly. At the end of 1933, according to information gathered by the United States Bureau of Labor Statistics, there were 115,000 old-age pensioners in this country; in October 1934, as indicated through responses to a questionnaire of the Committee on Economic Security, 180,000 pensioners; at the end of 1934, again according to the Bureau of Labor Statistics, 231,000. This increase has occurred despite financial difficulties which have confronted many State and local governments. In 3 States which had old-age assistance laws in 1934, no pensions at all were paid in that year; in 7 other States the laws were operative only in certain

counties. In many more States the grants were entirely inadequate, although very generally the old-age pension allowances exceed those to old people on emergency relief.

Even with the increase in the number of pensioners under the State old-age pension laws, there are still three times as many men and women over 65 years of age on emergency relief as are in receipt of old-age pensions. Under the announced policy of the Federal Government, responsibility for all of the old people on relief, as well as all other unemployables, is to be turned back in the near future to the State and local governments. Many States will not be able to carry this burden unassisted.

To meet this situation, it is proposed in title I of this bill that the Federal Government shall aid the States in providing old-age pensions to men and women over 65 years of age who are dependent upon the public for support. The Federal Government will match the expenditures of the States for this purpose, but with the limitation that its grant will not exceed \$15 per person per month. This does not limit the States to a pension of \$30 per month.

A few conditions only are prescribed which the States must meet in order to receive Federal aid for old-age pensions. These conditions are detailed in table I and also in part II of this report. They do not involve dictation by the Federal Government, but only establish standards which will make it reasonably certain that the States are honestly trying to meet the problem of the dependent aged. The administration of the pension grants is left to the States, as is their amount.

Provision for the people who are now old and dependent upon the public for support is the first essential in old-age security. It will not, however, solve the entire problem. The cost of free pension systems the world over has tended to increase rapidly and in course of time has necessitated the establishment of contributory annuity systems. Free pensions, moreover, have tended to discourage thrift, and, while better than institutional care of old people, clearly have some undesirable effects.

Both the number and the percentage of the old people have been increasing in each census period. This tendency is almost certain to continue for some decades. With the increase of life expectancy, decrease in birth rates, and decline in immigration, this country is rapidly approaching the condition of a stationary population, in which the percentage of the old people will be very much larger than it has been heretofore. At this time there are approximately 7,500,000 people over 65 years of age. Population statisticians estimate that this number will be doubled by 1970 and nearly trebled by the end of the century. In place of 5.4 percent of the population who were in this age group in 1930, it is estimated that more than 10 percent will be in this age group in 1970 and nearly 12.7 percent by the end of the century.

In addition to the increase in the number of the aged, we must anticipate an increase in the aged who will be dependent upon the public for support. This tendency is likely to become more marked during the next decades, since so many of the people who are past middle age have lost both their savings and their employment and

are not likely to be able to build up adequate provisions for their old age in the few remaining years of the active period of their lives. It has been the experience everywhere that the percentage of the aged who qualify for old-age pensions on a needs basis increases rapidly. In accordance with this experience, the actuaries of the Committee on Economic Security have estimated that if no other provisions are made for old age than the pensions contemplated in title I, the total cost of such pensions to the State, Federal, and local Governments by 1940 will approximate \$800,000,000; by 1960, \$2,000,000,000; and by 1980, \$2,600,000,000. These figures assume a final dependency rate of only 50 percent of all men and women over 65 years of age and average pension grants of \$25 per month.

It is very probable that if no other provisions are made for the security of the aged, the actual costs of free pensions from general public taxes will be much greater than even these estimates indicate. There is already a wide-spread demand in this country for free pensions to all old people, regardless of their needs, and also sentiment for payment of all pension costs by the Federal Government, without any requirement for State matching. There is serious danger that if only title I is enacted, this country will, before long, adopt the principle of free pensions for all old people, to be paid for from general taxes. Such a system would involve costs far exceeding any of the figures mentioned, and would bring with it evils of the most serious character, with much greater burdens upon industry than anything that is proposed in this bill.

In view of the growing number of the aged, the great cost which title I is almost sure to entail in future years, if no other provisions are made for old-age security, and the desirability of providing old-age security as a right and not as public charity, this bill proposes also inauguration of a system of Federal old-age benefits, computed on a reserve basis. Under this system it will be possible to pay annuities which will provide something more than merely reasonable subsistence. The benefits to be paid are related to the wages earned, but there are adjustments favoring the lower paid employees. The minimum monthly benefit payable is \$10, and the maximum, \$85. A detailed tabular summary of the proposed system of Federal benefits is given in table III.

TABLE III.—*Summary of provisions relating to Federal old-age benefits under title II*

FEDERAL OLD-AGE BENEFITS

COVERAGE (SEC. 210(b))

Old-age benefits are to be paid to all employees based upon wages received in employment in any service performed within the United States, Alaska, and Hawaii, or upon vessels documented under the laws of the United States, except:

1. Agricultural labor.
2. Domestic service in a private home.
3. Casual labor not in the course of employer's business.
4. Employees of the United States Government.
5. Employees of a State or political subdivision.
6. Employees of institutions operated for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals, and which are not operated for profit.

TABLE III.—Summary of provisions relating to Federal old-age benefits under title II—Continued

FEDERAL OLD-AGE BENEFITS—Continued

CONDITIONS TO QUALIFY FOR RECEIPT OF OLD-AGE BENEFITS (SEC. 210C)

1. At least 65 years of age and not regularly employed.
 2. Not less than \$2,000 total wages received after title becomes effective and before age of 65.
 3. Wages were paid to him on some day in each of 5 years after title becomes effective and before age of 65.
- Nonqualified individuals upon reaching age of 65 are paid a lump sum equal to 3½ percent of the total wages paid after title become effective (sec. 204a).

OLD-AGE BENEFIT PAYMENTS (SEC. 210(c))

1. Date first payable January 1942.
2. The amount of the monthly benefits payable is determined as follows:

Total wages received after Dec. 31, 1936, and prior to age 65, in covered employment (not counting wages in excess of \$3,000 for any calendar year)	Percent of total wages paid as monthly benefit
First.....	¾
Next.....	⅙
All over.....	⅓

Minimum monthly benefit, \$10; maximum, \$36.

ILLUSTRATIVE MONTHLY BENEFITS

Average monthly salary (dollars)	Years of employment			
	10	20	30	40
50.....	\$17.50	\$22.50	\$27.50	\$32.50
100.....	22.50	32.50	42.50	51.25
150.....	27.50	42.50	53.75	61.25
200.....	32.50	51.25	61.25	71.25
250.....	37.50	58.25	68.75	81.25

DEATH PAYMENTS (SEC. 203)

If an individual dies before age 65, his estate receives a payment equal to 3½ percent of his total wages received after December 31, 1936. If he dies after 65, his estate receives the same amount less any benefits paid to him during his lifetime.

FEDERAL ADMINISTRATION

Old-age reserve account created in the United States Treasury to which there is authorized to be appropriated each fiscal year after June 30, 1937, an annual premium sufficient to provide for required payments under the title. The account draws interest at 3 percent (sec. 201).

Social Security Board determines qualifications and amount of benefits payable.

TABLE IV.—*Estimated appropriations, benefit payments, and reserves under title II*

(In millions of dollars)

Fiscal year ending June 30—	Appropriation for reserve	Interest on reserve	Benefit payments	Balance in reserve
1937.....	255.5	0	1.9	253.7
1938.....	513.5	7.6	7.2	707.5
1939.....	518.5	23.0	14.5	1,299.5
1940.....	662.2	38.8	22.0	1,973.6
1941.....	807.2	59.2	29.7	2,810.3
1942.....	814.8	84.4	52.8	3,656.6
1943.....	970.0	109.8	94.2	4,642.1
1944.....	1,126.6	139.3	142.9	5,766.1
1945.....	1,137.0	173.0	191.2	6,883.9
1946.....	1,291.4	206.5	249.2	8,132.7
1947.....	1,447.1	243.9	314.5	9,509.2
1948.....	1,460.1	285.2	377.4	10,877.0
1949.....	1,621.1	326.3	442.1	12,382.4
1950.....	1,783.3	371.5	505.5	14,031.7
1955.....	1,861.2	615.8	887.8	22,115.7
1960.....	1,939.1	844.2	1,379.9	29,543.9
1965.....	2,016.9	1,040.9	1,844.0	35,898.5
1970.....	2,094.8	1,210.9	2,303.5	41,366.7
1975.....	2,172.7	1,341.8	2,872.1	45,368.3
1980.....	2,180.5	1,406.0	3,511.3	46,942.7

The benefits payable in the early years of the operation of title II will not in all cases be adequate to avoid the necessity of pensions under title I. In such cases a supplemental pension may have to be granted by the States, but this will be reduced by the amount of the old-age benefits paid under title II. In later years it should be very rare that any one who is paid an old-age benefit under title II will also need an old-age pension. Through the enactment of title II the cost of the Federal aid under title I in future years will be reduced by at least one-half. Because not all old people will be eligible to benefits under title II, the old-age assistance grants will have to be continued, but the total costs will be very much less than they would be if title II did not come into effect practically simultaneously.

A considerable part of the population, however, is outside of title II. Included in this excluded group are all agricultural workers, domestic servants, employees of charitable, educational, and religious organizations, all self-employed persons, farmers, professional people, and proprietors and entrepreneurs. These groups include almost half of all persons "gainfully occupied" as this term is used in the United States Census. Many of these people will not be so greatly in need of old-age assistance as the industrial workers to whom title II is applicable, but large numbers are likely to be dependent upon the public in their old age.

To reduce the cost of free pensions for these groups in the population we deem it desirable that the bill should include provisions for annuity bonds to be issued by the Treasury. We submit such provisions in the new title XI. Recommendations for annuity bonds were made by the Committee on Economic Security and included in the original economic security bill. They were eliminated, however, in the bill passed by the House. We recommend that provisions to this effect be restored.

Under title XI it will be possible for people of comparatively small means who are outside of the scope of title II to make provisions for their old age. We believe that annuity bonds such as are provided

for in this title will not prove seriously competitive with private insurance companies. Insurance companies do not now sell any considerable number of commercial annuities to individuals in small installments. People of small means are practically outside of the commercial annuity field. The maximum annuity authorized under title XI will be \$100 per month and it is not contemplated that the Government will have any sales organization. Several leaders in the insurance field have publicly stated that they believe that the Social Security Act will have the effect of increasing the annuity business of the insurance companies, just as the enactment of the War Risk Insurance Act increased the sales of life insurance.

A further important change in the parts of this bill dealing with old-age security which we recommend is the amendment to section 202 to the effect that old-age benefits shall be paid only to employees over 65 years of age who are no longer regularly employed. This was provided in the original bill but as the measure comes to the Senate it permits payment of old-age benefits to workers who have reached age 65 but who still continue in regular employment. This is an anomaly which we believe should not be permitted. There is no need for payment of old-age benefits to employees who continue in employment. This feature of the House bill materially increases the costs and would have necessitated additional taxes in future years. The amendment we suggest to section 202 will prevent anyone from drawing an old-age benefit while regularly employed. This will reduce the costs under title II by many millions of dollars in the course of the decades.

UNEMPLOYMENT COMPENSATION

As has been so very evident in the trying years of the depression, unemployment is the most important single cause of dependency. It is a hazard which confronts all industrial workers, although it does not affect all of them alike.

From 1920 to 1930 there were at all times an average of at least 1,500,000 industrial workers in this country who were involuntarily unemployed. In the main, the unemployment which existed at that time was of relatively short duration, being due principally to personal and seasonal factors. But even in the "twenties" there were many workers who lost out through changes in technique and market demands and who suffered long periods of unemployment.

But it is in periods of depression that unemployment is most serious. Spread over the whole period of the business cycle from the beginning of 1922 to the end of 1933, the best available statistics indicate that unemployment among the industrial workers of this country averaged 15 percent, but 65 percent of the total unemployment in these 12 years occurred in the 4 years of 1930 to 1933. Of all urban families on relief more than 90 percent have become dependent upon the public for support because the breadwinner or all breadwinners in the family are without work.

Unemployment compensation (more commonly but less accurately called unemployment insurance) is a device developed through world experience, which has great value as a safeguard against the hazard of unemployment. Eighteen countries now have nation-wide unemployment insurance systems; 9 of them are on a compulsory basis and the other 9 are voluntary systems subsidized by the Govern-

ment. According to the latest available figures, more than 42,000,000 workers have the protection of unemployment insurance, principally in the countries with compulsory laws. No country which has experimented with unemployment insurance, except Russia, has ever abandoned it. The tendency has ever been to extend its scope. At this time unemployment compensation is under consideration in Canada as well as in this country.

In the United States there has been considerable interest in unemployment compensation since the depression of 1920-21. Bills for unemployment compensation have often been introduced in American legislatures, but until 1932 all of them were defeated, principally on the argument that no State can afford to handicap its employers in competition with those of other States. In 1932 Wisconsin enacted an unemployment-compensation law which became effective for the collection of contributions on July 1, 1934. This year four additional States have already enacted unemployment-compensation laws in anticipation of Federal action, namely, Washington, Utah, New York, and New Hampshire. Unemployment compensation bills are pending in nearly all legislatures still in session and special commissions have been created to study this problem in several States whose legislatures have already adjourned.

The essential idea in unemployment compensation is the creation of reserves during periods of employment from which compensation is paid to workmen who lose their positions when employment slackens and who cannot find other work. Unemployment compensation differs from relief in that payments are made as a matter of right, not on a needs basis, but only while the worker is involuntarily unemployed. In all compensation systems the period during which compensation is payable is limited in some relation to the previous period of employment. Invariably there is a waiting period immediately following unemployment during which no compensation is payable. Thereafter compensation is paid at a stated percentage of the previous wage, customarily with both a minimum and a maximum rate. Payment of compensation is conditioned upon continued involuntary unemployment. Beneficiaries must accept suitable employment offered them or they lose their right to compensation. After a specified period of time the compensation is discontinued in any event.

(As an illustration, the law enacted in New York this year provides a waiting period of 3 weeks, after which compensation is payable at the rate of 50 percent of the previous full-time wages of the employee but with a minimum compensation of \$5 a week and a maximum of \$15 per week. One week of benefits are payable for each 15 days of previous employment, with a maximum limit of 16 weeks of benefits during any year.)

Such unemployment compensation is not a complete safeguard against the hazard of unemployment. In periods of prolonged depression many workmen will exhaust their compensation benefits before they find other employment. This will hold true of some workmen even in periods of prosperity. Supplemental to unemployment compensation there will still be need for work relief for those whose compensation rights have been exhausted, as well as for workers who are outside of the compensation system.

But unemployment compensation does have real value for many workers. In normal times most workers will secure other employment before exhaustion of their benefit rights. Very recent British reports indicate that even during the present period of depression something like 55 percent of all insured workmen who have become unemployed have found other work within 3 months. For the great bulk of industrial workers unemployment compensation will mean security during the period following unemployment while they are seeking another job, or are waiting for a return to their old position. In most cases the compensation they will receive will be all that they will need. While unemployment compensation will not do away entirely with the necessity for relief, it should very materially reduce the costs of relief in future years.

Unemployment compensation is financed the world over through contributions measured as a percentage of pay roll. These contributions are required either from the employers alone, the employers and employees, or the employers, employees, and the State. While pay-roll contributions of this kind have sometimes been called "sales taxes" they are no more sales taxes than premiums paid for workmen's compensation insurance, which likewise are always measured on a pay-roll basis. Sales taxes are taxes upon consumption for the general support of Government, and are wholly unlike pay-roll contributions for unemployment compensation. Partial compensation during a relatively short period following unemployment, while a workman is seeking other employment or waiting to return to his old job, is very properly to be regarded as a part of the legitimate costs of production, to be paid for by the consumers.

This bill does not set up a Federal unemployment compensation system. What it seeks to do is merely to make it possible for the States to establish unemployment compensation systems and to stimulate them to do so. This objective is carried out through grants-in-aid to the States (in title III) for the administration of unemployment compensation laws and through the imposition of a uniform pay-roll tax on employers (in title IX) against which a credit is allowed for contributions made by them to unemployment compensation funds set up pursuant to State law.

The rate of the Federal tax is 1 percent for the year 1936, 2 percent for 1937, and 3 percent in 1938 and thereafter. No tax will actually be payable, however, until 1937. Against the tax a credit is allowed up to 90 percent of the tax for contributions to State unemployment compensation funds, which are established under laws which meet the conditions prescribed in section 903. These conditions do not prescribe what sort of unemployment compensation laws the States shall enact; they are intended merely to make certain that the States actually have unemployment compensation laws, rather than mere relief measures. In States which have genuine unemployment compensation laws the employers can present as a credit against the Federal tax the contributions which they have made to the unemployment compensation funds of these States. This credit, however, is allowed only up to 90 percent of the Federal tax, 10 percent being payable into the Federal Treasury in any event.

This tax offset device is modeled after the provision in the Federal estate-tax law, under which a credit is allowed up to 80 percent of the Federal tax for amounts paid under State inheritance-tax laws.

With a uniform tax and this offset device, employers in all States will be put in an equal competitive position. No State can gain any advantage through failing to establish an unemployment compensation system. This provision will equalize competitive conditions and thus enable States to enact unemployment compensation laws without handicapping their industries.

The interest throughout the country in unemployment compensation is such that it is to be expected that nearly all States will enact unemployment compensation laws within a very short time. Five States already have such laws and in 10 or more States the legislatures are still in session and are prepared to act upon this subject as soon as the Federal bill has become law. In other States action can be taken in special sessions to be held later in the year. That this involves no great hardship is indicated by the fact that in 1933, 35 States had special sessions of their legislatures, and 32 in 1934.

Except for a few standards which are necessary to render certain that the State unemployment compensation laws are genuine unemployment compensation acts and not merely relief measures, the States are left free to set up any unemployment compensation system they wish, without dictation from Washington. The States may or may not add employee contributions to those required from the employers. Of the 5 States which have thus far enacted unemployment compensation laws, 2 require employee contributions, and 3 do not. Likewise, the States may determine their own compensation rates, waiting periods, and maximum duration of benefits. Such latitude is very essential because the rate of unemployment varies greatly in different States, being twice as great in some States as in others.

Under the bill, as we recommend that it be amended, the States will also have freedom of choice with regard to the type of unemployment compensation law they wish to enact. Three different types are represented in the five laws thus far enacted. In the New York and the Washington laws, there is a pooled unemployment insurance fund, in which all contributions are commingled and from which payments of compensation are made to unemployed workmen without reference to the employer for whom they work.

Utah and Wisconsin have unemployment compensation laws of the individual employer account type. In these laws the contributions of each employer are segregated, and payments of compensation therefrom are made only to workmen of these particular employers who become involuntarily unemployed. New Hampshire has still another type, providing for a pooled unemployment insurance fund from which all payments are made, but in which the employers' contributions are segregated (for accounting purposes only) and charged with their own costs, with a view toward readjustment of the rate of contributions which these respective employers must make to the pooled fund in accordance with their own experience. Under the House bill, all States are required to have pooled unemployment insurance funds. This would compel New Hampshire, Utah, and Wisconsin to drop their present laws and start all over again. In Wisconsin, it would require the return of the \$5,000,000 collected during the past year for unemployment compensation purposes to the employers from whom collected, the workmen in that State losing the advantages of these reserves already accumulated.

There are good arguments to be made in favor of each of these types of unemployment compensation laws. In accordance with the entire spirit of the Social Security Act, we believe that the Federal Government should not attempt to dictate to the States which type of unemployment compensation law they should adopt. The amendment we suggest to the House bill will eliminate all such dictation and leave the States free to decide for themselves which type best suits their peculiar conditions.

To effectively carry out this purpose, we propose, as a further amendment, a provision that the Federal Government shall recognize credits in the form of lower contribution rates which may be granted by the States to employers who have stabilized their employment. Provisions for such credits are included in the New Hampshire, Utah, and Wisconsin laws. The Committee on Economic Security recommended that such credits should be recognized in the Federal law, subject to certain restrictions. The House eliminated this part of the committee's proposals, consistent with its determination to permit only one type of unemployment compensation law, namely, the pooled-fund type. As we deem it desirable to permit the States freedom of choice in this respect, we also believe that the Federal law should provide for recognition of credits allowed by the States to employers who have regularized their employment. In his message dealing with the subject of social security, the President urged that unemployment compensation should be set up under conditions which will tend toward the regularization of employment. All unemployment cannot be prevented by any employers, but many employers can do much more than they have done in the past to regularize employment. Everyone will agree that it is much better to prevent unemployment than to compensate it.

The same fundamental idea that unemployment compensation should be set up under conditions which will tend toward the stabilization of employment, rather than the reverse, underlies another important feature of the plan recommended—that of vesting in the Federal Government the responsibility for the investment of all unemployment reserve funds. This method of handling the reserve funds was suggested by the President in his message of June 8, 1934, and again in his social security message of January 17, 1935. It was included in the House bill, and has not been changed by any amendment that we recommend.

The plan contemplated is that contributions to State unemployment compensation funds, whether of the pooled or individual employer account type, shall be deposited in the United States Treasury in a trust fund in which a separate account is to be maintained for each State which has an unemployment compensation law. The money so deposited is to be invested by the Treasury, and interest is to be paid thereon at a rate equal to the average rate of interest borne by all interest-bearing obligations of the United States, adjusted to the multiple of one-eighth of 1 percent next lower to such average rate. The Treasury may invest these funds either in outstanding obligations of the United States or obligations which are guaranteed as to principal and interest by the United States, or may issue special non-negotiable obligations bearing the specified rate of interest. When these reserve funds have to be liquidated, the Treasury does not

necessarily have to sell the securities but can acquire them for the United States, or, in the case of the nonnegotiable certificates, merely cancel them as they are paid. The States can draw upon the unemployment trust fund solely for unemployment compensation purposes, but it is intended that they shall be able to get the amounts standing to their credit as needed.

It is contemplated that the withdrawals will be rather large amounts, the Treasury serving merely as the banker and trustee of the funds, while the States will make the actual payments of compensation to the individuals entitled thereto.

This method of handling the unemployment reserve funds recognizes the fact that demands upon such reserve funds will vary greatly with changing economic conditions. They will be drawn upon most heavily in the early stages of depression. At such times, if the reserve funds are not handled as required in this bill, it would be necessary to sell the securities in which they are invested. In the early stages of depression there is almost certain to be a glut in the security market. If at such times it is necessary to sell the securities in which the unemployment reserve funds are invested at any price they will bring, considerable losses are almost certain to be sustained and the net effect will be to increase the tendency toward deflation. Had unemployment compensation been inaugurated in 1922 throughout the country with a 3-percent contribution rate, the reserve funds which would have been available when the depression set in in 1929 would have totaled at least \$2,500,000,000. The dumping on the market of such an amount in securities in a period when there is already a pronounced tendency toward deflation, would offset any open-market operations of the Federal Reserve Board to maintain credit stability.

The plan provided in the bill avoids all of these difficulties. Securities will not have to be dumped on the markets in order that the reserve funds may be liquidated. Instead of increasing the tendency toward deflation, the handling of the reserve funds in the manner provided in the bill will make possible their use to promote stability. When depression sets in, the funds can be liquidated without actual sale of the securities on the markets, and, since they will be used to pay compensation to unemployed workmen, the net effect will be to maintain purchasing power without any offsetting effects toward deflation.

The proposals relating to unemployment compensation, viewed as a whole, are, we believe, practical and distinctly worth putting into operation. The depression has demonstrated how very costly it is to make no provisions for future unemployment. This country has expended far more for unemployment relief during this depression than the total expenditures of all other countries that have unemployment compensation systems during the entire time these systems were in operation. Unemployment compensation will not completely eliminate the necessity for unemployment relief. To the extent, however, that unemployment reserves are accumulated, they will reduce the necessity for relief. In normal periods, unemployment compensation will provide a sufficient safeguard for most of the unemployment that will occur, and in depression periods, will very

materially reduce the burden of relief costs. It will tend to maintain purchasing power at times when most needed, and should encourage the regularization of employment.

Unemployment compensation, under the plan we propose, will not involve any impossible burdens on employers, or materially increase costs to consumers. No Federal tax will be payable under title IX until 1937, and the rate then will be only 1 percent of the pay roll. The maximum rate under this title will be 3 percent, which will not come into operation until the third year. Since this rate is computed upon the pay roll, it affects only the labor item in the cost of production. For all manufactured goods, the direct labor costs, as shown by the Census of Manufacturers of 1933, averaged only 21 percent of the value of the manufactured products. The total labor cost, including all stages of production and distribution, amounts to less than two-thirds of the consumer's cost. However, large groups of workers (agricultural workers, employees in small establishments, etc.) embracing approximately one-half of all gainful workers will not be brought under unemployment compensation. This means that, on the average, a 1-percent contribution rate for unemployment compensation purposes will increase costs to the consumers by only about one-third of 1 percent. Such small increased costs may well be offset by reductions in costs brought about through regularizing employment and maintaining the purchasing power of unemployed workers.

The present is a most opportune moment for launching unemployment compensation in this country. Not only is there great interest in the subject, but with improving industrial conditions, there is every prospect that considerable reserves can be built up in the next years. While many workmen are still unemployed, the turnover rate in industry is now much less than in the best years of the past decade. Should the establishment of unemployment compensation funds be delayed, the reserves which will be available when the next crisis comes will be correspondingly lessened and the burden of relief costs increased.

Unemployment compensation in this country has been long delayed. The principal explanation is that the States have not been able to establish unemployment-compensation laws because, in doing so, they would have been compelled to handicap their industries in competition with those of other States not having such laws. Under the plan proposed in this bill, this handicap will be removed, and it will be possible to set up unemployment-compensation laws through State action.

SECURITY FOR CHILDREN

The heart of any program for social security must be the child. All parts of the Social Security Act are in a very real sense measures for the security of children. Unemployment compensation, for instance, will benefit many children in the homes of unemployed workers; and even old-age pensions and old-age benefits will in many cases indirectly aid children in families whose resources have been drained for the support of aged grandparents.

In addition, however, there is great need for special safeguards for many underprivileged children. Children are in many respects the

worst victims of the depression. The relief census of October, 1933 disclosed that 42 percent of all persons on emergency relief were children under 16 years of age, although this age group constitutes only 31 percent of the total population. If this percentage still holds good there are now above eight million children on emergency relief. As the House Ways and Means Committee well stated: "With so many children now growing up under the abnormal conditions involved in relief and the many hardships created through the depression, it is imperative that everything possible be done to offset the demoralizing and deteriorating effects of the great disaster that has befallen this country."

Many of the children included in relief families present no other problem than that of providing work for the breadwinner of the family. These children will be benefited through the work relief program and still more through the revival of private industry. But there are large numbers of children in relief families which will not be benefited through work programs or the revival of industry.

These are the children in families which have been deprived of a father's support and in which there is no other adult than one who is needed for the care of the children. These are principally families with female heads who are widowed, divorced, or deserted. A careful estimate based upon surveys in many different communities indicated that in the fall of 1934 there were above 350,000 families of this character on emergency relief rolls, with above 700,000 children under 16 years of age included among their members.

With no income coming in, and with young children for whom provision must be made for a number of years, families without a father's support require public assistance, unless they have been left with adequate means or are aided by friends and relatives. No less than 45 States have enacted laws to meet the particular needs of such families. These are the mothers' pension laws under which aid is given to the dependent children on a basis similar to old-age pensions. Through cash grants adjusted to the needs of the family it is possible to keep the young children with their mother in their own home, thus preventing the necessity of placing the children in institutions. This is recognized by everyone to be the least expensive and altogether the most desirable method for meeting the needs of these families that has yet been devised.

But while 45 States have made provisions for mothers' pensions, there are at this time more than three times as many eligible families on emergency relief as are in receipt of mothers' pensions. In three of the 45 States with mothers' pension laws no such pensions were paid in 1934. In many other States pensions were paid only in some counties; in fact, mothers' pensions are now being paid in less than one-half of all counties in States which have mothers' pension laws. Where pensions are allowed the grants are often inadequate, the average per month per family ranging from \$7.29 in the lowest State to \$60.14 in the highest.

TABLE V.—Estimated number of families and children receiving aid with respect to dependent children under State laws and estimated expenditures for this purpose

[Based on figures available Nov. 15, 1934]

State	Number of families receiving aid	Number of children benefiting from aid	Estimated present annual expenditures for aid, local and State		
			Total	Local	State
Total.....	109,036	280,565	\$37,487,479	\$31,621,957	\$5,865,522
Alabama ¹					
Arizona.....	106	379	20,940		20,940
Arkansas ²					
California.....	7,056	17,642	2,133,999	224,252	1,909,747
Colorado.....	552	1,435	149,688	149,688	
Connecticut.....	1,271	3,276	734,627	489,762	244,875
Delaware.....	348	855	93,000	46,500	46,500
District of Columbia.....	209	720	143,997	143,997	
Florida.....	2,564	6,164	222,286	222,286	
Georgia ¹					
Idaho.....	230	619	36,315	36,315	
Illinois.....	6,217	14,802	1,837,012	1,533,217	303,795
Indiana.....	1,332	3,856	352,224	352,224	
Iowa.....	3,527	9,170	719,772	719,772	
Kansas.....	768	1,997	75,721	75,721	
Kentucky.....	137	356	62,889	62,889	
Louisiana.....	88	229	9,312	9,312	
Maine.....	817	2,124	310,000	155,000	155,000
Maryland.....	267	694	117,459	117,459	
Massachusetts.....	3,939	11,817	2,450,000	1,400,000	1,050,000
Michigan.....	6,938	18,039	2,448,962	2,448,962	
Minnesota.....	3,597	9,152	1,138,176	1,138,176	
Mississippi ¹					
Missouri.....	336	874	93,440	93,440	
Montana.....	839	1,969	213,623	213,623	
Nebraska.....	1,654	4,300	272,036	272,036	
Nevada.....	200	520	44,035	44,035	
New Hampshire.....	260	761	82,440		82,440
New Jersey.....	7,711	18,789	2,445,564	2,445,564	
New Mexico ¹					
New York.....	23,493	56,524	11,731,176	11,731,176	
North Carolina.....	314	947	58,706	29,353	29,353
North Dakota.....	978	2,644	238,314	238,314	
Ohio.....	8,923	24,470	2,116,908	2,116,908	
Oklahoma.....	1,896	5,166	123,314	123,314	
Oregon.....	1,040	2,259	247,140	247,140	
Pennsylvania.....	7,700	22,587	3,197,640	1,598,820	1,598,820
Rhode Island.....	513	1,666	267,252	133,626	133,626
South Carolina ¹					
South Dakota.....	1,290	3,324	285,986	285,986	
Tennessee.....	241	627	71,328	71,328	
Texas.....	332	863	43,987	43,987	
Utah.....	622	1,617	78,651	78,651	
Vermont.....	206	461	46,976	23,488	23,488
Virginia.....	136	545	33,876	16,938	16,938
Washington.....	3,013	7,834	519,538	519,538	
West Virginia.....	108	281	16,086	16,086	
Wisconsin.....	7,173	17,932	2,180,790	1,930,790	250,000
Wyoming.....	95	279	22,294	22,294	

¹ No State law.² Law not in operation.

Source: U. S. Children's Bureau.

There is great need for expansion in actual operation of the mothers' pension laws and in many States for the liberalization of the pensions. When the Federal Government turns back to the States the responsibility for the unemployables, the number of families for whom mothers' pensions should be provided will be more than doubled. Many States will be unable, without some assistance from the Federal Government, to assume this additional cost, with a net result of great suffering and damage to the children in these fatherless families. It is for this reason that title IV proposes to inaugurate a policy of Federal grants-in-aid to the States based upon their expenditures for

mothers' pensions. These grants-in-aid are made under conditions very similar to the grants for old-age assistance. Instead of equal matching, however, the Federal Government under title IV will only pay one-third of the total cost, subject to the maximum limitations specified in section 403 (a). It is believed that this aid will prove sufficient to bring about a substantial extension of the mothers' pensions. This program does not represent an attempt to dictate to the States how they shall care for families of this character, but is recognition of the fact that many States need aid to carry out the policy which they have already adopted.

Another large group of children who stand in great need of protective measures are the homeless and neglected children. There are in this country approximately 300,000 dependent and neglected children, three-fifths of whom are cared for in institutions, and the remainder in foster homes. There are also about 200,000 children who annually come before the courts of this country as delinquents, and there are large numbers of other children requiring special care. As stated by the House committee, these children "are in many respects the most unfortunate of all children, as their lives have already been impaired. To repair these damaged lives, as far as possible, and to keep these children from becoming a permanent burden to society, child-care services have been established in most urban centers, but in less populous areas they are exceedingly limited or nonexistent." Public child-care services now exist in less than 5 percent of all counties whose population is less than 30,000. Such services are badly needed in all communities. Expenditures for such services are very worthwhile, as they tend to reduce future costs of dependency and delinquency. To stimulate the development of these badly needed child-care services, especially in areas which are predominantly rural, a small amount of Federal aid (which does not have to be matched) is authorized in title V.

Another provision in the same title gives Federal aid to the States for the hospitalization and aftercare of crippled children. There are from 300,000 to 500,000 crippled children in this country, among whom the largest single group consists of the victims of infantile paralysis. Early treatment in many of these cases can restore these children to an almost normal physical condition, while the failure to provide such treatment will result not only in lifelong physical impairment, but often in public dependency.

For many years, various private organizations have carried on a most notable work for these crippled children, and the first State hospital devoted to crippled children dates back to 1897. Within the last decade there has been a great extension in the work for crippled children financed from public funds. There are some appropriations for this purpose in 25 States, and no less than 19 have State hospitals in which crippled children are treated. The work done so far, however, is small in proportion to the need. About 1 child in every 100 is crippled, and only a small percentage of the crippled children have thus far received timely treatment.

In title V the Federal Government undertakes to do its part for these unfortunate children. It is not contemplated that the Federal Government shall directly undertake hospitalization and treatment, but that it shall give aid to the States which are engaged in this work. This aid is required to be matched and it is hoped will stimu-

late many States which are not now doing anything for the crippled children, to do work in this field.

Another aid provided for in title V is for maternal and infant welfare. The Federal Government extended aid for this purpose to the States from 1922 to 1929. In that period all but three States cooperated in this work. In 1928 the States appropriated a total of \$2,158,000 for infant- and maternal-welfare services. When the Federal aid was terminated in 1929, most of the States increased their appropriations from State funds, many of them making up the entire loss of Federal aid. Since then, due to financial stress, the appropriations have been greatly reduced, totaling in 1934 only \$1,157,000. Nine States now do not work at all in this field and many other States do very little.

The United States has a higher maternal death rate than nearly all other countries. Childbirth is the second most important cause of death among women in this country of the ages 20 to 45. Both maternal and infant death rates have been decreasing, but principally in parts of the country where there are adequate maternal and child health services. Such services are far from adequate in many rural counties. Prior to 1929 the infant mortality rate was lower in rural than in urban districts, but since then the reverse has been true. Within the last years, also, the maternal mortality rate has been greater among mothers residing in rural areas than among those living in cities.

As these facts indicate, there is great need for a revival of Federal aid. What is contemplated is not merely the same type of service which was given through Federal aid from 1922 to 1929, but a program stressing particularly the rural areas and the smaller communities. It is not contemplated that the Federal Government shall directly engage in any of this work, but that it shall give aid to the States for this purpose, particularly to develop adequate local services, in cooperation with existing agencies.

VOCATIONAL REHABILITATION

There are somewhat more physically handicapped adults in this country than handicapped children; many are handicapped from birth or childhood, others become handicapped later in life as the result of accident or disease. Many of these physically handicapped people become a public charge or a heavy drain upon the resources of relatives.

The most effective work that has been done for them is vocational rehabilitation, which includes training for self-support and assistance in finding employment. The Federal Government has given aid for this work since 1920, but heretofore only on a short-time basis. All but three States are now cooperating in this work. About 70,000 physically handicapped persons have been vocationally rehabilitated since this work was inaugurated, but large as is this figure, there is still great need for expansion of the service.

In recognition of the fact that vocational rehabilitation of the physically handicapped is essential to a reasonably adequate program for economic security, a permanent authorization for Federal aid for this purpose is included in title V of this bill. The same provision also authorizes an increase of approximately 50 percent over the pres-

ent appropriation. This appropriation is required to be matched by the States and expenditures are authorized only for the same purpose as heretofore.

PUBLIC-HEALTH SERVICES

Everyone will recognize the close relationship between health and economic security. Illness is one of the major causes of dependency and represents one of the greatest sources of economic waste.

Notable progress has been made in reduction of death rates and extension of life expectancy. This progress is due to many different causes, among which public-health work is one of the major factors. The decrease in death rates has been due more to the control of a relatively small number of contagious diseases than to any other cause and this control has been very largely developed through public-health agencies.

Despite the very notable progress which has been made, preventable deaths are still exceedingly numerous. There are 30,000 typhoid fever cases in this country annually and 49,000 cases of diphtheria, to mention only 2 diseases which are completely preventable. There are over 50,000 deaths each year from infectious diseases, which are largely, if not entirely, preventable. In the depression period there has been a great increase in the need of public-health services. Studies made by the United States Public Health Service have disclosed a sickness rate in urban families which have suffered the most severe loss of income, of 50 percent greater than that of their more fortunate neighbors. In 1934, for the first time in many years, the urban death rate in this country actually increased and that without any serious epidemics.

Perhaps the greatest need for expanded public-health services, however, exists in rural communities. Only 528 of the more than 3,000 counties in the United States have full-time health officers, and in many of these counties the service is inadequate in relation to the population and the existing problems. Quite naturally, it is in the poorer States that the greatest need exists for the expansion of public-health service. Despite the increased need, appropriations for public health have been reduced during the depression period by approximately 20 percent.

The Federal Government has long recognized that it has some responsibilities for the health of the American people. It has often made sizeable appropriations to combat epidemics and to provide health services in emergencies. Since 1920 it has also given some aid regularly to the States for their State and local public-health services. Like other public-health appropriations, however, this aid has been reduced during the depression.

The needs of the present situation require the development of a comprehensive Nation-wide public-health program in cooperation with the State and local public-health authorities. Particularly necessary is the extension and strengthening of public-health services in rural and other areas which are without adequate services of this kind. To this end, greatly increased Federal appropriations are imperative. As contemplated in title VI, these increased appropriations should be devoted mainly to building up their State and local public-health services. In the allotment of this aid, wide discretion

must necessarily be vested in the Surgeon General of the United States Public Health Service and the Secretary of the Treasury, since health needs, particularly in relation to emergencies, are unpredictable.

AID TO THE BLIND

Title X is a new provision, which was not included in the bill as it came from the House. This bill provides for Federal aid to match the expenditures of the States for blind pensions. This aid is granted under the same conditions as is aid for old-age assistance under title I. The Federal aid is limited to a maximum of \$15 per month in any case. The administration of the title is vested in the Social Security Board.

The 1930 Census listed 63,489 people as being blind. The Census Bureau itself, however, recognizes that this is an under-statement of the number of people who are blind. In all probability there are not less than 100,000 people in the United States who are blind in the sense that they have no useful vision whatsoever.

The great majority of the blind falls in the older age groups. Of all of the blind listed in the census, 28,113 were above 65 years of age and 17,814 between 45 and 64 years of age. Nearly 45 percent of all of the blind were over 65 years of age, as contrasted with but 5.4 percent of the general population in this age group. Much blindness is due to diseases which normally develop rather late in life.

Blindness is recognized by everyone to be one of the most serious of physical handicaps. Partly because of the fact that blindness so often develops late in life and also because of the relatively small number of occupations which are suitable to the blind, the great majority of the people who are afflicted with blindness are dependent upon others for support. Less than 15 percent of all blind people are reported in the Census as "gainfully occupied". Of those gainfully occupied only a relatively small number are entirely self-supporting. While it is very desirable that the blind should be encouraged and assisted to become self-supporting, it must be recognized that many will always need assistance. Even younger blind people will frequently need help, until they have established themselves.

In recognition of the need of the blind for assistance, 24 States have enacted blind pension laws, two of them this year. Data upon the operation of these laws are given in table VI. With statistics available only from 18 States, it appears that in these States 22,861 persons were in 1934 recipients of blind pensions. The total amount expended for this purpose from State and local funds exceeded \$5,000,000, although the average pension grants were only \$18.25 per month.

A reasonably adequate security program cannot ignore the blind. Social work among the blind is important, but their greatest need, particularly among those in the older age groups, is actual financial assistance. Only one-half of the States are now providing such assistance and many of these States only very inadequately. Through Federal aid on the same basis as for old-age assistance, all States will be enabled to make adequate provisions for the support of those of the blind who are in need and dependent upon the public for support.

TABLE VI.—Data on the operation of blind pensions in the United States, 1934

	Pensioners	Blind population, 1930	Amount disbursed			Average pension	Comments †
			State	County	Total		
United States.....	‡ 22,861	63,489	\$2,471,604	\$2,705,648	‡ \$5,177,252	‡ \$18.25	
Alabama.....		1,415					
Arizona.....		259					
Arkansas.....	(§)	1,101	(§)	(§)	(§)	(§)	March 1935 data; annual disbursements computed from March data.
California.....	3,334	2,597	657,468	657,468	1,314,936	32.86	
Colorado.....	701	751	65,000	75,000	140,000	15.47	53 out of 63 counties granting aid.
Connecticut.....		581					
Delaware.....		101					
District of Columbia.....		157					
Florida.....		816					
Georgia.....		1,788		16,639	16,639	15.12	21 out of 44 counties reporting.
Idaho.....	92	156					
Illinois.....	(§)	4,490	296,600	435,800	732,400	(§)	Data for 29 counties for 1931-32.
Indiana (enacted in 1935).....		2,204					Data for fiscal year 1933-1934.
Iowa.....	(§)	1,577		235,767	235,767	(§)	
Kansas.....	73	1,246		10,028	10,028	11.45	19 counties reporting.
Kentucky.....	384	1,977		42,209	42,209	9.16	14 counties reporting out of 120.
Louisiana.....	420	1,252	751	63,000	63,751	12.50	54 counties reporting.
Maine.....	922	626	148,317		148,317	13.33	
Maryland.....	30	799		3,013	3,013	8.37	4 counties reporting out of 24.
Massachusetts.....		1,924					
Michigan.....		1,742					
Minnesota.....		1,049					
Mississippi.....		1,121					
Missouri.....	4,336	3,879					
Montana.....		235					
Nebraska.....	417	552		42,914	42,914	8.58	41 counties reporting out of 93.
Nevada.....	3	64		910	910	25.28	4 counties reporting out of 17.
New Hampshire.....	79	251		7,483	7,483	7.89	5 counties reporting out of 10.
New Jersey.....	372	1,222	1,012	91,091	92,103	21.98	
New Mexico.....		607					
New York:							
State excluding city.....	710	4,418		183,670	183,670	21.00	
New York City.....	1,490			200,000	200,000	11.11	

† Where no specific mention is made, data is for the end of 1934; 22 States had blind pension laws on Jan. 1, 1935; 24 on May 15, 1935.

‡ Number of pensioners for those 18 States with data available.

§ Total amount disbursed for those 19 States with data available. Pennsylvania disbursements doubled to take into account the fact that only a half-year report is available.

¶ Average pension for those 17 States with data available weighted according to number of pensioners in each State to total number in 17 States.

§ No data.

TABLE VI.—Data on the operation of blind pensions in the United States, 1934—Continued

	Pensioners	Blind population, 1930	Amount disbursed			Average pension	Comments †
			State	County	Total		
North Carolina.....		1,318					
North Dakota.....		195					
Ohio.....	5,152	4,154		\$613,193	\$613,193	\$9.92	71 counties reporting out of 87.
Oklahoma.....		1,167					
Oregon.....		496					
Pennsylvania.....	4,142	4,373	\$351,228		651,228	23.30	Data for last 6 months of 1934.
Rhode Island.....		347					
South Carolina.....		1,028					
South Dakota.....		253					
Tennessee.....		1,540					
Texas.....		2,606					
Utah.....	22	238		2,105	2,105	7.97	3 counties reporting out of 29.
Vermont.....		223					
Virginia.....		1,405					
Washington.....	182	792		25,308	25,308	13.00	13 counties reporting out of 39; disbursements for part of the year only.
West Virginia.....		814					
Wisconsin.....	(²)	1,530	(²)	(²)	(²)	(²)	
Wyoming (enacted in 1935).....		53					

† No data.

Source: U. S. Bureau of Labor Statistics and Committee on Economic Security. Data is preliminary and subject to revision.

APPROPRIATIONS AUTHORIZED

Aside from amounts authorized for administrative expenses (amounting to a sum in the neighborhood of \$3,500,000), appropriations authorized under this act for grants to the States amount to \$94,491,000 for the fiscal year 1936.

TABLE VII.—*Appropriations authorized for grants-in-aid to the States (exclusive of title III) for the fiscal year ending June 30, 1936*

Old-age assistance.....	\$49,750,000
Aid to dependent children.....	24,750,000
Maternal and child health.....	3,800,000
Crippled children.....	2,850,000
Child welfare.....	1,500,000
Vocational rehabilitation.....	841,000
Public health.....	8,000,000
Aid to the blind.....	3,000,000
Total.....	94,491,000

NOTE.—In future years the first two items and the last item will increase in accordance with the increasing cost of old-age assistance aid to dependent children, and aid to the blind.

In addition to these sums, there are authorized annual appropriations to the old-age account, estimates for which are shown in table IV of this report. There is also authorized an appropriation of \$4,000,000 for the fiscal year ending June 30, 1936, and \$49,000,000 for each subsequent fiscal year to make the payments to States under title III for the cost of administering their unemployment insurance laws.

TAXES

Two types of taxes are levied in title VIII, namely, (1) an income tax upon employees, and (2) an excise tax upon employers based upon wages paid. The provisions of these taxes are summarized in table VIII and the estimated number of employees covered and the revenue receipts are given in the tables following.

TABLE VIII.—*Summary of provisions relating to taxes under title VIII*

COVERAGE (SEC. 811(b))

Employment in any service performed within the United States, Alaska, and Hawaii, or upon vessels documented under the laws of the United States, except:

1. Agricultural labor.
2. Domestic service in a private home.
3. Casual labor not in the course of employer's business.
4. Employees of the United States Government.
5. Employees of a State or political subdivision.
6. Employees of institutions operated for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals, and which are not operated for profit.

RATES (WAGES OF ANY INDIVIDUAL IN EXCESS OF \$3,000 PER YEAR NOT COUNTED)

Income tax on employees (sec. 801):	Percent
1937, 1938, and 1939.....	1
1940, 1941, and 1942.....	1½
1943, 1944, and 1945.....	2
1946, 1947, and 1948.....	2½
1949 and thereafter.....	3

TABLE VIII.—*Summary of provisions relating to taxes under title VIII—Continued*
 RATES (WAGES OF ANY INDIVIDUAL IN EXCESS OF \$3,000 PER YEAR NOT COUNTED)—
 continued

Income tax on employees collected by employer by deducting the tax from wages. (Sec. 802a.)

Excise tax on employers (sec. 804):	Percent
1937, 1938, and 1939.....	1
1940, 1941, and 1942.....	1½
1943, 1944, and 1945.....	2
1946, 1947, and 1948.....	2½
1949 and thereafter.....	3

FEDERAL ADMINISTRATION

Taxes collected by Bureau of Internal Revenue under direction of Secretary of Treasury and paid into United States Treasury as internal-revenue collections (sec. 807a).

Taxes collected either by making and filing returns or by stamps, coupons, tickets, books, or other reasonable devices or methods as prescribed by the Commissioner of Internal Revenue, who furnishes to the Postmaster General a suitable quantity to be kept on sale at post offices (sec. 809).

TABLE IX.—*Estimate of number of employees covered under the tax provided in title VIII*

[Based upon 1930 census]

Total number of gainful workers.....	48, 830, 000
Total number of owners, operators, self-employed (including the professions).....	12, 087, 000
Total of workers excluded because of occupation (farm labor, domestics, teachers, and governmental and institutional workers).....	9, 389, 000
<hr/>	
Total number of workers in eligible occupations.....	27, 354, 000
Excluded:	
Casuals.....	500, 000
Over 65.....	1, 050, 000
	<hr/>
	1, 550, 000
Estimated coverage.....	<hr/> <hr/> 25, 804, 000

TABLE X.—*Revenue estimates (from taxes on employees and employers imposed by title VIII, sec. 801 and 804)¹*

Combined rate of tax	Fiscal year received into Treasury	Estimated fiscal year receipts	Combined rate of tax	Fiscal year received into Treasury	Estimated fiscal year receipts
2 percent.....	1937	\$278, 800, 000	4 percent.....	1944	\$1, 185, 900, 000
2 percent.....	1938	560, 200, 000	4 percent.....	1945	1, 196, 900, 000
2 percent.....	1939	565, 600, 000	5 percent.....	1946	1, 359, 400, 000
3 percent.....	1940	714, 600, 000	5 percent.....	1947	1, 523, 300, 000
3 percent.....	1941	864, 800, 000	5 percent.....	1948	1, 558, 900, 000
3 percent.....	1942	873, 000, 000	6 percent.....	1949	1, 706, 300, 000
4 percent.....	1943	1, 028, 800, 000	6 percent.....	1950	1, 877, 200, 000

¹ Each of the 2 taxes is estimated to produce ½ of the total receipts shown.

Title IX provides an excise tax upon employers of four or more employees, with certain classes exempted, starting at 1 percent of wages paid in 1936, 2 percent in 1937, and 3 percent in 1938, and thereafter. A credit of up to 90 percent of this tax is allowable for payments into State unemployment compensation funds meeting

certain conditions. The details of this tax are set forth in the second part of this report, and the operation of the tax is discussed under the section above on unemployment compensation. The estimated number of employees covered and the revenue receipts are given in the tables below.

TABLE XI.—*Estimate of number of employees covered under the tax provided in title IX*

(Based upon 1930 Census)

Total number of gainful workers.....	48, 830, 000
Total number of owners, operators, self-employed (including the professions).....	12, 087, 000
Total of workers excluded because of occupation (farm labor, domestics, teachers, and governmental and institutional workers).....	9, 389, 000
Total number of workers in eligible occupations.....	27, 354, 000
Estimated number of workers attached to establishments with 3 or less employees.....	2, 600, 000
Estimated number of workers attached to establishments of 4 and more employees (including unemployed) April 1930.....	24, 754, 000
Average 1936 (4-percent increase).....	25, 744, 000

The actual number of employees covered by the tax would be considerably smaller than 25,744,000 due to unemployment. All workers employed during a part of the year, however, in establishments covered by the tax, would be covered with respect to that employment.

TABLE XII.—*Revenue estimates (from tax on employers of 4 or more under title IX, with no allowance for 90 percent credit)*

Calendar year with respect to which tax is levied	Fiscal year received into Treasury	Estimated receipts	Rate of tax
1936.....	1937	\$247, 000, 000	Percent 1
1937.....	1938	596, 000, 000	2
1938.....	1939	826, 000, 000	3
1939.....	1940	831, 000, 000	3
1940.....	1941	838, 000, 000	3
1942.....	1943	849, 000, 000	3
1945.....	1946	876, 000, 000	3
1950.....	1951	908, 000, 000	3

NOTE.—The tax levied by title IX is subject to a credit of 90 percent of the amount of such tax for contributions into State unemployment funds. Therefore the minimum amount of revenue each year from this tax will be 10 percent of the above amounts. What part of the above estimates, greater than 10 percent of same, will be retained by the Treasury is problematical, being dependent on the number of States enacting unemployment insurance laws, and the rates and coverage thereof.

CONCLUSION

The depression has demonstrated the great cost to the public, as well as to the victims, of the failure to make timely provision for social security. The vast amount of human suffering and the enormous relief costs, which inevitably will result in increased taxes, show conclusively the folly of failure to give thought to the security of men, women, and children.

Complete security is unattainable and it well may be doubted whether absolute security is desirable. That we must have a greater

degree of security than has prevailed heretofore, however, if our social order is to endure, is tragically evident.

In the words of the President, a complete program of economic security, "because of many lost years, will take many future years to fulfill." The Social Security Act will not usher in the millennium. Like all major new legislation, it will doubtless, in the course of time, have to be supplemented and changed in many material respects. But, it represents a beginning which has long been overdue and whose effects, as far as they can be foreseen, will be distinctly beneficial.

There is nothing revolutionary in any of the innovations in this bill. Every measure proposed has been tested by world experience and found practical. And every measure proposed is in accord with the tried American institutions and traditions. Again to quote the President, we seek security "through tested liberal traditions, through processes which contain all the deep essentials of that republican form of government first given to a troubled world by the United States."

The Social Security Act has been evolved after thorough consideration and represents a minimum of what the American people have a right to expect from this Congress in the way of providing a greater measure of security. In our opinion it is, fundamentally, a sound measure which will go far toward realizing "the ambition of the individual to obtain for him and his a proper security, a reasonable leisure, and a decent living throughout life."

PART II. EXPLANATION OF THE BILL

TITLE I. GRANTS TO STATES FOR OLD-AGE ASSISTANCE

This title provides for Federal grants-in-aid to States, for the payment of old-age assistance to persons over 65. The grants are to be made on an equal matching (50-50) basis except that in the case of no individual will the Federal Government's share exceed \$15 per month.

APPROPRIATION

Section 1: \$49,750,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter sums sufficient to carry out the purposes of this title. The money is to be paid to States whose old-age assistance plans have been approved by the Social Security Board, as complying with the requirements of section 2; and the committee has revised the House bill's declaration of policy so as to indicate that the underlying purpose of this title is to help aged persons in need.

STATE OLD-AGE ASSISTANCE PLANS

Section 2: To be approved, a State plan must meet certain requirements laid down in subsection (a), and must be sufficiently liberal in its eligibility requirements, in accordance with subsection (b).

(a): Requirements which must be met by the State law:

(1), (2), (3): The plan must be State-wide in operation. If, as is the case at present in several States, it is to be administered by the counties, it must not be optional with each county whether or not it will give old-age assistance, but rather must be mandatory upon all

the counties. Whether the administration is in the hands of the counties or not, there must be some direct financial participation by the State itself, and some one State agency (whether already existing or newly established) must be charged with final administrative responsibility. This agency does not necessarily have to confine itself to old-age assistance; it may have other functions.

(4): An individual who is denied old-age assistance (for instance, by a county board) must be given the right to a fair hearing before the State agency. This does not affect the right of further appeal to the courts.

(5) and (6): The methods of administration of the State plan, insofar as they are found by the Social Security Board to be essential to the plan's efficient operation, must be approved by the Board, and reports must be made to the Board; but the State will not be impeded in the exercise of its full discretion in the matters of the selection, the tenure of office, and the compensation of State and local personnel.

(7): If the State, using Federal money granted to it under this title, pays pensions to aged persons, and later (for example, because those persons had been defrauding the State) collects back from their estates some or all of the money so paid, the State must pay one-half the amount thus collected to the Federal Government. In other words the State must, roughly, reimburse the Federal Government for the amount of its share thus collected by the State.

(b): Liberality of certain eligibility requirements:

(1): A person shall not be denied assistance on the ground that he is not old enough to be eligible for it, if in fact he has reached the age of 65 years. Until 1940, however, a State may set the age limit as high as 70 years.

(2): A person shall not be denied assistance on the ground that he has not been a resident long enough, if in fact he has lived in the State for 1 year immediately preceding his application, and for any 5 years out of the 9 years immediately preceding his application. Thus, if the plan is administered by counties, it may impose requirements as to county residence; but no county residence requirement may result in denying assistance to an otherwise qualified person who has resided in the State for the periods just mentioned. Even if the county residence requirements are stricter than those allowed under this section, such a person must be entitled to assistance under the plan, presumably directly from the State. (No State is required to give assistance to nonresidents of the State.)

(3): A person shall not be denied assistance on the ground that he has not been a United States citizen for a number of years, if in fact, when he receives assistance, he is a United States citizen. This means that a State may, if it wishes, assist only those who are citizens, but must not insist on their having been born citizens or on their having been naturalized citizens for a specified period of time.

The limitations of subsection (b) do not prevent the State from imposing other eligibility requirements (as to means, moral character, etc.) if they wish to do so. Nor do the limitations of subsection (b) mean that the States must adopt eligibility requirements just as strict as those enumerated. The States can be more lenient on all these points, if they wish to be so.

PAYMENT TO STATES

Section 3: The Federal Government will match what the States put up for old-age assistance, by paying quarterly to each State one-half of the total amount paid as assistance to people in the State who are at least 65 years old and who are not inmates of public institutions. (If the State wishes to pay pensions with respect to aged people over 65 in private institutions, the Federal Government will match those payments; but it will not match payments to persons less than 65, or to persons in public institutions.) Federal payments with respect to any person, however, will not be more than \$15 per month. If the State gives a pension of \$20 the Federal Government will pay half of it; of \$30, the Federal Government will pay half of it; of \$40, the Federal Government will match only the first \$15 put up by the State, so that the Federal share will be \$15 and the State will put up the other \$25. Federal payments shall be made on a prepayment basis, on the strength of estimates by the State and the Board, with later adjustments if the actual expenditures differ from the estimates. The Federal Government will also help the States to meet administrative costs, paying therefor an additional amount equal to 5 percent of the regular quarterly payment to the State. All these payments, and all other payments under this bill, are to be made without a prior audit by the General Accounting Office; but there will be a postaudit. It is understood by the committee that, in the case of grants to States, the General Accounting Office, in making this audit, will seek to ascertain only (in the absence of fraud) whether the certifications were based on the findings which the Board is required to make prior to certifying, and whether payments were made in accordance with the certifications. It is not the practice to question the findings.

OPERATION OF STATE PLANS

Section 4: A State with an approved plan will not receive payments if the Board finds that the State is not substantially complying with its plan. The House bill has been amended by assuring that the Board's finding shall be made only after the State has had "reasonable" notice and opportunity for hearing.

ADMINISTRATION

Section 5: \$250,000 is authorized to be appropriated for the fiscal year 1936 to meet the administrative expenses of the Board under this title. There is no limit on appropriations for future years.

DEFINITION

Section 6: Old-age assistance is confined to payments in cash.

TITLE II. FEDERAL OLD-AGE BENEFITS

This title provides for the payment of cash benefits to every individual who has attained the age of 65 and has fulfilled certain qualifications. These benefits will be paid to him monthly as long as he lives in an amount proportionate to the total amount of wages received by him for employment before he attained the age of 65.

OLD-AGE RESERVE ACCOUNT

Section 201: For the purpose of building up a reserve sufficient to supply the funds necessary to pay the benefits provided for in this title as such payments accrue, there is created in the Treasury of the United States an "old-age reserve account", to which an annual appropriation, beginning with the fiscal year ending June 30, 1937, is authorized. The amounts of such appropriations will vary from year to year, but the amount appropriated for any year shall be that amount determined (in accordance with accepted actuarial principles, and on the basis of such mortality tables as the Secretary of the Treasury shall from time to time adopt, and of an interest rate of 3 percent per annum compounded annually), to be sufficient as the premium necessary for such year to build up the required reserve.

It shall be the duty of the Secretary of the Treasury to invest such portion of the amounts credited to the account as is not, in his judgment, required to meet current payments. Such investments shall be made in interest-bearing obligations of the United States or in any obligations guaranteed as to both principal and interest by the United States.

All amounts credited to the account shall be available for making payment of the benefits provided for in this title.

OLD-AGE BENEFIT PAYMENTS

Section 202: Every qualified individual (as defined in sec. 210) shall be entitled to receive, with respect to the period beginning on the date he attains the age of 65, or on January 1, 1942, whichever is later, and ending on the date of his death, an old-age benefit. Payments of such benefits shall be made as nearly as possible at monthly intervals, but not necessarily on the first of each month. The rate of the payments will vary from \$10 a month to \$85 a month, depending upon the total amount of wages earned by the recipient after December 31, 1936, and before he attains the age of 65.

If, during the course of payments to any recipient, it is found that he has been overpaid or underpaid, adjustment shall be made in connection with subsequent payments. The committee has added an amendment, to the effect that for every month during which the Board finds that an aged person, otherwise qualified for benefits, is regularly employed, a month's benefit will be withheld from such person.

PAYMENTS UPON DEATH

Section 203: If any individual dies before receiving any payment of a benefit, there shall be paid to his estate 3½ percent of the total wages earned by him after December 31, 1936, and before he attains the age of 65.

If any recipient dies before the total of the payments of benefits to him has equaled 3½ percent of the total wages earned by him after December 31, 1936, and before he attains the age of 65, the remainder shall be paid to his estate.

If any recipient has, through error or otherwise, been underpaid and has died before adjustment has been made, the amount of the underpayment shall be paid to his estate.

PAYMENTS TO AGED INDIVIDUALS NOT QUALIFIED FOR BENEFITS

Section 204: If any individual, upon attaining the age of 65, is not qualified to receive benefits, an amount equal to 3½ percent of the wages earned by him after December 31, 1936, and before he attains the age of 65, shall be paid to him (or, if he has died before receiving such payments, to his estate).

AMOUNTS OF \$500 OR LESS PAYABLE TO ESTATES

Section 205: If the amount payable to an estate under section 203 or 204 is \$500 or less, the Social Security Board may pay it directly to the persons it determines to be entitled thereto under the law of the State in which the deceased was domiciled.

OVERPAYMENTS DURING LIFE

Section 206: If any recipient, through error or otherwise, has received benefit payments in excess of the amount to which he is entitled, and dies before such overpayments have been adjusted, there shall be repaid to the United States by his estate the amount of such overpayments; except that if the amount to which he was entitled was less than 3½ percent of the total wages earned by him after December 31, 1936, and before he attained the age of 65, the amount of the repayment shall be merely the difference between the amount received by him and such 3½ percent.

METHOD OF MAKING PAYMENTS

Section 207: The Social Security Board shall from time to time (presumably monthly) certify to the Secretary of the Treasury the name and address of every individual entitled to receive payment under this title, the amount of such payment, and the time at which it should be made, and the Secretary of the Treasury shall make payment in accordance with such certification.

ASSIGNMENT

Section 208: The right of any individual to receive any payment under this title shall not be transferable or assigned, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

PENALTIES

Section 209: Whoever, in any application for any payment under this title, makes any false statement as to any material fact, knowing such statement to be false shall be fined not more than \$1,000 or imprisoned for not more than 1 year, or both.

DEFINITIONS

Section 210 (a): This subsection defines "wages." Wages include not only the cash payments made to the employee for work done, but also compensation for services in any other form, such as room, board, etc. The term "wages" does not necessarily apply to the total

remuneration received from the employer by the employee; the term includes only the first \$3,000 of wages received by an employee from his employer with respect to employment during the calendar year. The following example will illustrate how the rule applies: Employer A pays employee B a salary of \$500 a month beginning with the calendar year 1937. At the end of the sixth month B has received from his employer \$3,000. The balance of his salary for 1937 is not included as part of the wages. However, this is only the case where the employee continues in the employment of the same employer throughout the year. If the employee leaves the service of employer A on June 30, 1937, and enters the service of employer C on that date and continues with employer C at the same salary throughout the remainder of the year, the remuneration received by employee B during the remaining portion of the calendar year 1937 will be included in his wages.

Section 210 (b): This subsection defines the term "employment" as any service of whatever nature performed within the United States, or on an American vessel, by an employee for his employer. It should be noted in this connection that section 1001 (a) (6) includes in the definition of "employee" an officer of a corporation. Services performed by aliens, whether resident or nonresident, within the United States or on an American vessel, are included; but services performed outside the United States (unless on an American vessel), whether by a citizen or an alien, are not included. The term "United States" is defined in section 1001 (a) (2) to include the States, Alaska, Hawaii, and the District of Columbia. The following services are excluded even though performed within the United States: (1) Agricultural labor; (2) domestic service in a private home; (3) casual labor not in the course of the employer's trade or business. This would not exclude casual labor performed in the course of an employer's trade or business. For instance, if a department store employed emergency help during the rush season in connection with its trade or business, the services performed by such help would not be excluded under this title.

Services performed by Federal and State or political subdivision employees are also excluded.

Services performed in the employ of religious, charitable, scientific, literary, humane, or educational institutions, no part of the net earnings of which inures to the benefit of any private shareholder or individual, are also excluded. For the purpose of determining whether services for such an organization are excluded, the use to which the income is applied is the ultimate test of the exclusion rather than the source from which the income is derived. For instance, if a church owns an apartment building from which it derives income which is devoted to religious, charitable, educational, humane, or scientific purposes, services for it are still excluded. The organizations, services for which will be excluded, are churches, schools, colleges, and other educational institutions not operated for private profit, the Y. M. C. A., the Y. W. C. A., the Y. M. H. A., the Salvation Army, and other organizations which are exempt from income tax under section 101 (6) of the Revenue Act of 1932.

The committee amended the House bill so that service on an American vessel is now considered as employment under this title.

Section 210 (c): The term "qualified individual" is defined to mean an individual who is at least 65 years of age, and who has received in wages for employment after December 31, 1936, and before he attained the age of 65, not less than \$2,000, some part of which employment was performed in each of at least 5 different calendar years.

TITLE III. GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

This title provides for Federal grants-in-aid to States for meeting the administrative costs of their unemployment compensation systems. The money is not to be used for compensation itself, but only for expenses of administration. There is no requirement of matching by the States.

APPROPRIATION

Section 301: \$4,000,000 is authorized to be appropriated for the fiscal year 1936, and \$49,000,000 for each year thereafter, to be granted to the States for meeting the proper administrative costs of the State unemployment compensation laws.

PAYMENTS TO STATES

Section 302: Payments shall be made from time to time to each State with an unemployment compensation plan which is found by the Board to comply with this title, in amounts determined by the Board to be necessary for the proper administration of the State law. In deciding how much to pay to a State, the Board shall take into account the population of the State, and the estimated number of persons covered by the State law, as well as other relevant factors.

PROVISIONS OF STATE LAWS

Section 303 (a): The State will receive aid under this title only if its law was approved by the Board under title IX, and only if, in addition to the provisions necessary for it to obtain such approval, it also includes provision for administrative methods, other than those relating to personnel, approved by the Board as reasonably calculated to insure full payment of compensation when due; opportunity for a fair hearing for persons denied compensation; the making of reports to the Board; and cooperation with any Federal agency concerned with public employment which seeks to obtain information, relating to employment, about persons who are receiving compensation or who have finished their period of compensation and are available for work.

(b): A State will not receive grants under this title if the Board finds that it is not substantially complying with its law.

TITLE IV. GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN

This title provides for Federal grants-in-aid to States, for carrying out State plans for aid to dependent children, often inaccurately called "mothers' pension" laws. The grants are to be made on a one-third matching basis, the Federal Government putting up \$1 for every \$2

provided by the State, except that in no case will the Federal Government's share, with respect to any single dependent child, exceed \$6 per month, or, with respect to any other dependent child in the same home, exceed \$4 per month.

APPROPRIATION

Section 401: \$24,750,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter sums sufficient to carry out the purposes of this title. The money is to be paid to States whose plans for aid to dependent children have been approved by the Chief of the Children's Bureau, as complying with the requirements of section 402; and the committee has revised the House bill's declaration of policy so as to indicate that the underlying purpose of this title is to help dependent children in need. The committee has further amended this section and in fact the whole title so that the Children's Bureau and Secretary of Labor perform the functions which, in the House bill, were duties of the Social Security Board.

STATE PLANS FOR AID TO DEPENDENT CHILDREN

Section 402: To be approved, a State plan must meet certain requirements laid down in subsection (a), and must have a sufficiently liberal residence requirement, in accordance with subsection (b).

(a) Requirements which must be met by the State law:

(1), (2), (3): The plan must be State-wide in operation. If, as is the case at present in several States, it is to be administered by the counties, it must not be optional with each county whether or not it will give aid to dependent children, but rather must be mandatory upon all the counties. Whether the administration is in the hands of the counties or not, there must be some direct financial participation by the State itself, and some one State agency (whether already existing, or newly established) must be charged with final administrative responsibility. This agency does not necessarily have to confine itself to aid to dependent children; it may have other functions.

(4): An individual whose claim for aid is denied (for instance by a county board) must be given the right to a fair hearing before the State agency. This does not affect the right of further appeal to the courts.

(5) and (6): The methods of administration of the State plan, insofar as they are found by the Chief of the Children's Bureau to be essential to the plan's efficient operation, must be approved by the Chief of the Children's Bureau, and reports must be made to the Secretary of Labor; but the State will not be impeded in the exercise of its full discretion in the matters of the selection, the tenure of office, and the compensation of State and local personnel.

(b) Liberality of residence requirement: No residence requirement shall be imposed which results in the denial of aid with respect to an otherwise eligible child, if the child was born in the State within the year, or has resided in the State for at least a year immediately preceding the application for aid; and the House bill has been changed so that, in the case of a child born within the State during the year, a State could deny aid unless the child's mother had lived in the State for a year prior to the child's birth. The State may be more lenient

than this, if it wishes. It may, furthermore, impose such other eligibility requirements—as to means, moral character, etc.—as it sees fit. No State is required to give aid to nonresidents.

PAYMENT TO STATES

Section 403: Payments to the States are to be made quarterly, in a method similar to that described in connection with section 3, except that under this title the Federal Government will bear only one-third of the total cost instead of one-half. Furthermore, the money paid by the Federal Government will be used to carry out the purposes of the State plan without any distinction being drawn between the actual payments of aid and the administrative costs of the State plan. The amount of the Federal share, with respect to any dependent child, shall not exceed \$6 if 1 dependent child is in the home, and shall not exceed \$6 for 1 dependent child, and \$4 for each other dependent child, if there is more than 1 dependent child in the home. Thus, the Federal Government will pay one-third of a monthly payment of \$18 for one child. If the State wishes to have such child receive more than \$18 per month, the State will have to pay the excess.

OPERATION OF STATE PLANS

Section 404: A State with an approved plan will not receive payments if the Secretary of Labor finds that the State is not substantially complying with its plan. The House bill has been amended by assuring that the Secretary's finding shall be made only after the State has had "reasonable" notice and opportunity for hearing.

ADMINISTRATION

Section 405: \$250,000 is authorized to be appropriated for the fiscal year 1936 for the administrative expenses of the Children's Bureau under this title. There is no limit on appropriations for future years.

DEFINITIONS

Section 406: "Dependent child" is confined to children less than 16 years old, living with a near relative in a residence (house, room, or other place of abode) maintained by such relative as his own home; and, by committee amendment, is further confined to only those of such children who have been deprived of either parental support or parental care because a parent of the children has died, or is continuously away from home, or is unable, due to physical or mental incapacity, to provide such support or care. Thus if a baby's father were an imbecile, unable even to care for the baby at home, the baby would be a "dependent child" even though it had a mother who had a job, for the baby would be without normal parental care. "Aid to dependent children" is confined to payments in cash.

TITLE V. GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

Part 1. Maternal and Child-Health Services

This part provides for Federal grants-in-aid to States, to help them extend and improve their services for promoting the health of mothers and children. Some of the available money is to be allotted equally

among the States, some on the basis of the number of live births in each State, some on the basis of need. All the money except that allotted on the basis of need is to be granted on an equal matching (50—50) basis.

APPROPRIATION

Section 501: \$3,800,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter.

ALLOTMENTS TO STATES

Section 502 (a): \$20,000 is to be allotted by the Secretary of Labor to each State, and \$1,800,000 is to be divided among all the States, as determined (according to the committee's amendment) by the Census Bureau, on the basis of the number of live births in each State in proportion to the total number of live births in the United States.

(b): The remaining \$980,000 shall be allotted by the Secretary of Labor according to the financial need of each State for assistance in carrying out the State plan. In making this allotment, and in determining such need, the Secretary of Labor shall take into consideration the number of live births in the State.

(c): An allotment made under subsection (a) shall be available for payment to the State for 2 fiscal years after the fiscal year for which the allotment is made.

APPROVAL OF STATE PLANS

Section 503 (a): Requirements which must be met:

(1) and (2): The State plan must provide for direct financial participation by the State; and the State health agency, whatever State department is charged with the responsibility for health conditions and public-health work, must be charged with final administrative responsibility.

(3): The methods of administration of the State plan, insofar as they are essential to the plan's efficient operation, must be approved by the Chief of the Children's Bureau; but the State will not be impeded in the exercise of its full discretion in the matters of selection, the tenure of office, and the compensation of State and local personnel. The committee has amended this paragraph so that final judgment as to what methods are necessary in the State rests with the courts rather than the Chief of the Children's Bureau.

(4): Reports are to be made to the Secretary of Labor.

(5), (6), and (7): The State plan must also provide for the extension and improvement of local services; cooperation with medical, nursing, and welfare organizations; demonstration services in areas which lack financial resources and among groups in need of such special services.

(b) Approval of State plan: The Chief of the Children's Bureau is charged with passing on the State plan, and if it is approved the Secretary of Labor and the State health agency concerned are to be notified.

PAYMENT TO STATES

Section 504 (a) and (b): From the allotments made under section 502 (a) payments will be made to the States on an equal-matching (50—50) basis, on the strength of estimates made by the State and the Secretary of Labor.

(c): From the allotments made from the \$980,000 available under section 502 (b) payments shall be made in accordance with certifications by the Secretary of Labor in amounts and at times specified by the Secretary of Labor. These payments need not be matched. In meeting the matching requirements under subsections (a) and (b) of this section money paid to a State under subsection (c) out of the \$980,000 will be considered part of the State's money.

OPERATION OF STATE PLANS

Section 505: A State with an approved plan will not receive payments if the Secretary of Labor finds that the State is not substantially complying with its plan. The House bill has been amended by assuring that the Secretary's finding shall be made only after the State has had "reasonable" notice and opportunity for hearing.

Part 2. Services for Crippled Children

This part provides for Federal grants-in-aid to States to help them extend and improve their services for discovering crippled children, and for providing such children with medical, surgical, corrective, and other services and care in connection with their physical disability. Some of the available money is to be allotted equally among the States, and some on the basis of need. All of the money is to be granted on an equal-matching (50-50) basis.

APPROPRIATION

Section 511: \$2,850,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter.

ALLOTMENTS TO STATES

Section 512 (a): \$20,000 is to be allotted by the Secretary of Labor to each State, and the remaining amount available is to be divided among all the States on the basis of need, as determined by the Secretary of Labor after taking into consideration the number of crippled children in the State, and the cost of furnishing services to them.

(b): An allotment made under this section shall be available for payment to the State for 2 fiscal years after the fiscal year for which the allotment is made.

APPROVAL OF STATE PLANS

Section 513 (a): Requirements which must be met:

(1), (2), (3), and (4): A State plan must include provisions relating to financial participation, administration, efficient methods of administration, and reports to the Secretary of Labor, these requirements being similar to those under section 503, except that here the bill does not mention any particular State agency. The committee's amendments are similar to those made to section 503.

(5): A State plan must provide for carrying out the purposes of part 2, mentioned above.

(6): The State plan must provide for cooperation with medical, health, nursing, and welfare groups, and also with any agency in the

State which is charged with administering the State law providing for vocational rehabilitation of physically handicapped children.

(b): The Chief of the Children's Bureau is charged with passing on the State plan, and if it is approved, the Secretary of Labor and the State agency concerned are to be notified.

PAYMENT TO STATES

Section 514: From the allotments made under section 512, payments will be made to the States on an equal-matching (50-50) basis on the strength of estimates made by the State and the Secretary of Labor.

OPERATION OF STATE PLAN

Section 515: A State with an approved plan will not receive payments if the Secretary of Labor finds that the State is not substantially complying with its plan.

Part 3. Child-Welfare Services

Section 521. This section, which constitutes part 3 of this title, has been completely revised by the committee, chiefly for the sake of clarity and completeness, although the policy in the House bill has been somewhat liberalized. The sum of \$1,500,000 is to be appropriated for each fiscal year to enable the United States, through the Children's Bureau, to cooperate with State public-welfare agencies in the work of establishing and extending public-welfare services for the care of children who are either homeless or neglected. The services with which the Children's Bureau is thus authorized to cooperate are those which are especially carried on in predominantly rural areas, or in areas in special need. From the money made available under this section, \$10,000 is to be allotted to each State which, in cooperation with the Children's Bureau, has developed plans for such services, and the rest is to be divided among the States in the proportion which the rural population bears to the total rural population of the United States. An allotment to a State shall be available for payment to the State for 2 fiscal years after the fiscal year for which the allotment is made.

Part 4. Vocational Rehabilitation

Section 531: This section, which constitutes part 4 of this title, has the effect of increasing the present authorization for grants to States for vocational rehabilitation of the physically disabled, under the act of June 2, 1920, as amended (U. S. C., title 29, ch. 4; U. S. C., Supp. VII, title 29, secs. 31, 32, 34, 35, 37, 39, and 40).

(a): For the fiscal years 1936 and 1937, the present authorization of \$1,097,000 is increased by \$841,000, and there is an authorization for each fiscal year thereafter of a similar total sum, namely \$1,938,000. These sums are to be apportioned among the States and Hawaii in accordance with existing law. It should be noted that under the existing law, grants are not made to Alaska or to the District of Columbia.

(b): The Office of Education (designated specifically, under the committee's amendment) likewise is given an increased authorization for 1936 and 1937. For 1936 and 1937 the present authorization of \$80,000 is increased by \$22,000 and for each fiscal year thereafter the total amount, namely, \$102,000 is authorized.

Part 5. Administration

Section 541: \$425,000 is authorized for the year 1936, for the expenses of the Children's Bureau in administering parts 1, 2, and 3 of this title; and the Children's Bureau is authorized to make studies and investigations relative to the efficient administration of those parts. There is no limit on appropriations for future years. The Secretary of Labor is directed to include a full account of the administration of parts 1, 2, and 3 in his annual report to Congress. The committee has inserted language to make it perfectly clear that the Children's Bureau has no connection with part 4 of this title.

TITLE VI. PUBLIC HEALTH WORK

This title provides for Federal grants-in-aid to States to assist them and their political subdivisions in establishing and maintaining adequate public-health services, and also provides for the investigation of disease and problems of sanitation by the Public Health Service.

APPROPRIATION

Section 601: There is authorized an annual appropriation of \$8,000,000 to be allotted as provided in section 602.

STATE AND LOCAL PUBLIC HEALTH SERVICES

Section 602: The Surgeon General of the Public Health Service, with the approval of the Secretary of the Treasury, shall, at the beginning of each fiscal year, allot to the States the amount appropriated for such year pursuant to section 601, together with any balances of any allotments for the preceding fiscal year remaining unpaid at the end of such year. The amounts of such allotments shall be determined on the basis of (1) the population; (2) the special health problems; and (3) the financial need; of the respective States.

Quarterly payments shall be made to each State from the sum allotted to it in amounts to be determined by the Surgeon General in accordance with rules and regulations prescribed by him after consultation with a conference of the State and territorial health authorities.

Such payments shall be made by the Division of Disbursement of the Treasury Department. The moneys so paid to a State must be expended in carrying out the purposes specified in section 601, and in accordance with plans presented by the health authorities of the State and approved by the Surgeon General.

Any money allotted to a State for a fiscal year and not paid to such State in that year remains available for allotment to States in the succeeding fiscal year, in addition to the amount appropriated for that purpose for that year.

INVESTIGATIONS AND ADMINISTRATION

Section 603: There is authorized an appropriation of \$2,000,000 for each fiscal year for expenditure by the Public Health Service in investigating disease and problems of sanitation, and in cooperating with the health authorities of the States. It is provided that the personnel of the Public Health Service shall be detailed to cooperate with the health authorities of a State only upon the request of the State for such cooperation.

TITLE VII. SOCIAL SECURITY BOARD

ESTABLISHMENT

Section 701: This section, which has been considerably revised by the committee, establishes the Social Security Board in the Department of Labor. Not more than two members of the Board shall belong to the same political party, and all the members of the Board shall devote all their time to the work of the Board. The Board is to be composed of three members who are to be appointed by the President, by and with the advice and consent of the Senate. Each member's salary is to be \$10,000 a year and the terms of office shall be 6 years, except that for the first 3 members appointed, 1 will hold office for 2 years, 1 for 4 years, and 1 for 6 years. The President is to designate one of the members as chairman of the Board.

DUTIES OF SOCIAL SECURITY BOARD

Section 702: The Board's duties shall include those imposed upon it by this act (under titles I, II, III, IX, and X), and the Board is also to study and make recommendations concerning the possibility of furthering economic security through social insurance, and as to legislation and matters of administrative policy concerning social insurance, and various other subjects relating to the present bill.

EXPENSES OF THE BOARD

Section 703: The Board is authorized to appoint employees and fix their compensation, subject to the civil-service laws and Classification Act, and to make necessary expenditures. By committee amendment, however, attorneys and experts may be appointed without regard to the civil service laws.

REPORTS

Section 704: The committee's revision makes it the duty of the Board to report annually to Congress through the Secretary of Labor rather than directly.

TITLE VIII. TAXES WITH RESPECT TO EMPLOYMENT

This title levies two taxes. The first is an income tax on employees and the second an excise tax on employers.

INCOME TAX ON EMPLOYEES

Section 801: This section imposes a tax upon the income of every individual measured by the wages received by him with respect to employment after December 31, 1936. The tax does not apply to all wages but only applies to wages as defined in section 811 of the bill. Likewise section 811 restricts the application of the tax to employment as therein defined. The rates of tax are as follows:

	<i>Percent</i>
For the calendar years 1937, 1938, and 1939.....	1
For the calendar years 1940, 1941, and 1942.....	1½
For the calendar years 1943, 1944, and 1945.....	2
For the calendar years 1946, 1947, and 1948.....	2½
For the calendar year 1949 and subsequent calendar years.....	3

DEDUCTION OF TAX FROM WAGES

Section 802 (a): This subsection requires the employees' tax to be collected at the source by requiring the employer to deduct the tax from the employee's wages at the time they are paid. To insure collection of the tax, the employer is made personally liable for it. His liability attaches to the correct amount of tax which he is required to deduct from the employee's wages, regardless of the amount actually deducted. To protect the employer, he is indemnified against any claims and demands with respect to that part of the wages of the employee which he withheld, up to the correct amount withheld and paid to the United States.

Section 802 (b): In case the tax is underpaid or overpaid, adjustments are permitted to be made in connection with subsequent wage payments made by the employer to the employee. For instance, if the employee receives a salary of \$100 per month for the calendar year 1937 and the employer by a mistake deducts 80 cents instead of \$1, assuming this to be the correct amount of the tax, the tax to be deducted from the next wage payment of the employee will be \$1.20 instead of \$1. On the other hand, if the employer deducts from the first wage payment in the same example \$1.20 instead of \$1 the tax to be deducted from the next wage payment will be 80 cents instead of \$1. Such adjustments are to be made in accordance with regulations to be prescribed under this title.

DEDUCTIBILITY FROM INCOME TAX

Section 803: Under section 23 (c) of the Revenue Act of 1934 Federal income taxes are not allowed as a deduction in computing the income tax imposed by that act. Since the tax on employees is a Federal income tax, this section makes it clear that such a tax is not deductible in computing the income tax imposed by the Revenue Act of 1934 or in computing a corresponding income tax imposed under any subsequent revenue act.

EXCISE TAX ON EMPLOYERS

Section 804: This section imposes an excise tax upon every employer for the privilege of having individuals in his employ. The tax is measured by the wages paid to employees after December 31, 1936, with respect to employment after that date. As in the case of the tax on employees, the rate of tax on employers is as follows:

	<i>Percent</i>
For the calendar years 1937, 1938, and 1939	1
For the calendar years 1940, 1941, and 1942	1½
For the calendar years 1943, 1944, and 1945	2
For the calendar years 1946, 1947, and 1948	2½
For the calendar year 1949 and subsequent calendar years	3

Like the tax on employees under section 801, this tax does not apply to all wages or employments but only to those defined as such in section 811.

ADJUSTMENTS IN CASE OF MISTAKE BY EMPLOYER

Section 805: This section permits the employer to correct errors in the tax reported in connection with any wage payment made to his employees by making proper adjustments in connection with subse-

quent wage payments. It is similar in principle to section 802 (b) and the adjustments are to be made under regulations to be prescribed under this title.

REFUNDS AND DEFICIENCIES

Section 806: This section relates to the tax imposed with respect to both employers and employees. If any part of the employer's or employee's tax is underpaid or overpaid and the error cannot be adjusted in connection with subsequent payments, the underpayment is to be collected or the overpayment refunded under regulations prescribed under this title. Situations of this character will usually arise when an employee leaves the service of the employer so that it is impossible to make adjustments in subsequent wage payments.

COLLECTION AND PAYMENT OF TAXES

Section 807 (a): This subsection requires the tax due from employers and employees to be collected by the Bureau of Internal Revenue and to be deposited in the Treasury as internal-revenue collections.

Section 807 (b): This subsection gives the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, authority to collect the taxes imposed with respect both to employers and employees by stamps, coupons, tickets, books, or other devices, or by requiring the making and filing of returns. The administrative provisions relating to the tax on pistols and revolvers imposed by section 600 of the Revenue Act of 1926, as well as the provisions relating to the stamp taxes imposed by section 800 of that act, are also applicable to the taxes provided under this title with respect to both employers and employees. The administrative provisions are, therefore, not confined to those contained in sections 600 and 800 of the Revenue Act of 1926, but embrace all administrative provisions not otherwise inconsistent, applicable to the taxes imposed by such sections. For instance, the periods of limitation upon assessment and collection set forth under section 1109 of the Revenue Act of 1926, as amended, also apply to the taxes levied under this title. Likewise the periods of limitation upon refunds and credits prescribed in section 3228 of the Revised Statutes will apply to the taxes under this title. If the tax or any part thereof is not paid when due, the unpaid portion will bear interest at the rate of one-half of 1 percent per month from the time the tax became due until paid. The Board of Tax Appeals has no jurisdiction over these taxes. If they are not paid when due, they may be collected by distraint as provided in section 3187 of the Revised Statutes, leaving the taxpayer to his remedy by way of claim and suit for refund. In order that the employer, who collects and withholds the tax due from the employee, may be treated as a trustee or proceeded against by distraint, the provisions of section 607 of the Revenue Act of 1934 are also made to apply to this title. Section 607 of the Revenue Act of 1934 impresses the amount of taxes withheld or collected with a trust and makes applicable for the enforcement of the Government's claim the administrative provisions for assessing and collecting taxes.

For administrative reasons, a fractional part of a cent is disregarded unless it amounts to one-half cent or more, in which event it is treated

as 1 cent. This corresponds to a similar provision appearing in the revenue acts.

RULES AND REGULATIONS

Section 808: This section gives the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, authority to make and publish rules and regulations for the enforcement of this title.

SALE OF STAMPS BY POSTMASTERS

Section 809: This section authorizes the sale of stamps, coupons, or other devices prescribed for the collection or payment of the taxes under this title by the various postmasters of the United States. The postmasters are required to deposit the receipts from such sales with the Postmaster General and render accounts to him at such time and in such form as he shall prescribe. The Postmaster General is given authority to require a bond from the various postmasters receiving such stamps or other devices in such increased amount as he may find necessary to protect the interests of the Government. The Postmaster General is required to transfer the receipts from the sale of such stamps or other devices monthly to the Treasury as internal revenue collections.

DEFINITIONS

Section 810 (a): This subsection imposes a fine of \$10,000, or imprisonment for not more than 6 months, or both, for using, transferring, exchanging, or pledging any stamp or other device prescribed by the Commissioner of Internal Revenue for the collection or payment of the taxes under this title in any manner except as authorized by law or regulations made thereunder.

Section 810 (b): This subsection imposes a fine of \$5,000, or imprisonment for not more than 5 years, or both, in the following cases where there is an intent to defraud: (1) Altering, forging, or counterfeiting any stamp or other device prescribed by the Commissioner of Internal Revenue for the collection or payment of taxes due under this title; (2) using, selling, lending, or having in possession any such altered, forged, or counterfeited stamp or other device; and (3) making, using, selling, or having possession of any material in imitation of the material used in the manufacture of such stamp or other device.

DEFINITIONS

Section 811 (a): This subsection defines "wages." Wages include not only the cash payments made to the employee for work done, but also compensation for services in any other form, such as room, board, etc. The term "wages" does not necessarily apply to the total remuneration received from the employer by the employee; the term includes only the first \$3,000 of wages received by an employee from his employer with respect to employment during the calendar year. The following example will illustrate how the rule applies: Employer A pays employee B a salary of \$500 a month beginning with the calendar year 1937. At the end of the sixth month B has received from his

employer \$3,000. The balance of his salary for 1937 is not subject to taxation either with respect to the employer's tax or the employee's tax. However, this is only the case where the employee continues in the employment of the same employer throughout the year. If the employee leaves the service of employer A on June 30, 1937, and enters the service of employer C on that date and continues with employer C at the same salary throughout the remainder of the year, both employer C and employee B will be liable for the tax in respect of the wages received during the remaining portion of the calendar year 1937.

Section 811 (b):- This subsection defines the term "employment" as any service of whatever nature performed within the United States or on an American vessel by an employee for his employer. It should be noted in this connection that section 1001 (a) (6) includes in the definition of "employee" an officer of a corporation. For instance, resident and nonresident aliens performing services within the United States are subject to the tax under this title. On the other hand, service performed outside the United States (unless on an American vessel), whether by a citizen of the United States or by a nonresident alien, is not subject to the tax. The term "United States" is defined in section 1001 (a) (2) to include the States, Alaska, Hawaii, and the District of Columbia. Due to the difficulties in collecting the tax in the case of certain kinds of employment, the following services are exempt from taxation even though performed within the United States: (1) Agricultural labor; (2) domestic service in a private home; (3) casual labor not in the course of the employer's trade or business. This would not exempt casual labor performed in the course of an employer's trade or business. For instance, if a department store employed emergency help during the rush season in connection with its trade or business, the services performed by such help would not be exempt from taxation under this title.

Exemption from taxation under this title is also granted in the case of Federal and State or political subdivision employees.

Services performed in the employ of religious, charitable, scientific, literary, humane, or educational institutions, no part of the net earnings of which inures to the benefit of any private shareholder or individual, are also exempt from the tax imposed by this title. For the purpose of determining whether such an organization is exempt, the use to which the income is applied is the ultimate test of the exemption rather than the source from which the income is derived. For instance, if a church owns an apartment building from which it derives income which is devoted to religious, charitable, educational, humane, or scientific purposes, it will not be denied the exemption. The organizations which will be exempt from such taxes are churches, schools, colleges, and other educational institutions not operated for private profit, the Y. M. C. A., the Y. W. C. A., the Y. M. H. A., the Salvation Army, and other organizations which are exempt from income tax under section 101 (6) of the Revenue Act of 1932.

The committee amended the House bill, so that service on an American vessel is now considered as employment under this title; and further amended the House bill so that individuals over 65 years of age are not exempt from taxation under this title.

TITLE IX. TAX ON EMPLOYERS OF FOUR OR MORE

This title levies upon employers an excise tax payable annually, measured by wages, and allows each taxpayer to credit against his tax the amount of contributions he has paid under State unemployment compensation laws.

IMPOSITION OF TAX

Section 901: An annual excise tax is imposed on each employer (as defined in sec. 907) on the privilege of having individuals in his employ. His tax, payable annually, will be at a rate of 1 percent of the total wages payable by him with respect to employment (as defined in sec. 907) in the calendar year 1936. This means that the tax is measured by wages which are payable as remuneration for services performed during that calendar year, regardless of the time when the actual payment is made.

The rate of tax, after being 1 percent for the year 1936, shall increase to 2 percent for 1937, and 3 percent thereafter.

CREDIT AGAINST TAX

Section 902: A taxpayer may credit against his tax the total amount of contributions he has paid to State unemployment compensation funds in accordance with State unemployment compensation laws. The credit against the tax measured by wages payable with respect to employment in a calendar year will be allowed only for contributions which themselves are paid (before the date for filing the tax return under this title for such year) with respect to employment in such year.

The total credit which a taxpayer may claim against his tax for any year shall not be more than 90 percent of the tax. Thus if the tax is \$100 the total credit which may be claimed cannot be more than \$90, even though the total amount of contributions may be greater than that. Credit shall be allowed only for contributions made under the laws of States certified for the taxable year under section 903.

CERTIFICATION OF STATE LAWS

Section 903 (a): A State law to be approved must provide that—

(1): Unemployment compensation is to be paid through public employment offices in the State, to the extent that such offices exist and are designated by the State for the purpose. Under the House bill, unemployment compensation was required to be paid through public employment offices in the State.

(2): No compensation shall be payable with respect to any day of unemployment occurring before the expiration of 2 years after the first day of the first period with respect to which contributions are required. For example, if March 15, 1936, is the beginning of the first period with respect to which contributions are required under the State law, then no compensation may be paid for any day of unemployment occurring before March 15, 1938.

(3): All the money paid into the State unemployment fund (whether paid as contributions for employers or paid in by employees or contributed by the State itself) shall promptly be paid over to the Secre-

tary of the Treasury to the credit of the unemployment trust fund established by section 904.

(4): All the money withdrawn from the unemployment trust fund by the State agency shall be used solely in the payment of compensation; none of it may be used to meet administrative costs.

(5): A person otherwise eligible for compensation shall not be denied it on the ground that he has refused to take a new job when his denial is due to the fact that the position offered to him is vacant due directly to a strike, lockout, or other labor dispute, or is due to the fact that the wages, hours, or other conditions of the work offered are substantially less favorable than those prevailing for similar work in the locality, or that, as a condition of taking or retaining the new job, he would have to join a company union, or would have to resign from a labor organization, or would have to agree not to join a labor organization.

(6): The State law must contain a provision indicating that any rights, privileges, or immunities conferred under it may be taken away by the subsequent amendment or repeal of the law.

(b): If any State law, submitted to the Social Security Board, fulfills the conditions enumerated in this section, the Board shall within 30 days approve the law, and shall notify the State governor of its action. On December 31 of each year, each State which has an approved law shall be certified by the Board to the Secretary of the Treasury, unless in the meantime the Board finds that the State has changed its law in some material respect, or has failed substantially to fulfill any of the enumerated conditions. The Board is under the duty to warn the governor of the State whenever it has reason to believe that in spite of having an approved law a State may not be certified at the end of the year.

UNEMPLOYMENT TRUST FUND

Section 904: Subsection (a) of this section establishes in the Treasury of the United States a trust fund with the Secretary of the Treasury as trustee and with the respective State Agencies, administering the State unemployment compensation laws, as beneficiaries of the trust. The Secretary of the Treasury is directed to receive and hold in such fund all moneys deposited with him or with any Federal Reserve bank or member bank of the Federal Reserve System designated by him to receive such deposits, by such State agencies.

Under subsection (b) it is the duty of the Secretary of the Treasury to invest the fund (except such part as is, in his opinion, required to meet current withdrawals) in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. In order to provide suitable investments for this purpose, authority is given for the issuance of special obligations to the fund from time to time as required. Such obligations shall bear an interest rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower

than such average rate. In addition to such special obligations, outstanding obligations may be purchased at the market price, and original issues may be acquired at par, if the yield thereupon will be not less than the yield which would be required in the case of special obligations. Such special obligations (under the provisions of subsection (c)) may be redeemed at par plus accrued interest, while all other obligations may be sold at the market price.

Subsections (d) and (e) provide that the fund shall be invested as a single fund, but that the Secretary of the Treasury shall maintain a separate book account for each State agency and shall credit quarterly to each such account a proportionate part of the earnings of the fund for such quarter.

The Secretary of the Treasury (under subsection (f)), is directed to pay out of the amount to the credit of a State agency such amounts as the State agency shall duly requisition, not to exceed the amount standing to the credit of such State agency.

ADMINISTRATION, REFUNDS, AND PENALTIES

Section 905: Subsection (a) of this section provides that the tax shall be collected by the Bureau of Internal Revenue and shall be paid into the Treasury as internal-revenue collections.

Subsection (b) requires returns of the tax to be made by each employer not later than January 31 of each year in respect to employment in the preceding calendar year.

Subsection (c) makes the returns filed under this title open to inspection according to the rules laid down for income-tax returns under the Revenue Act of 1926.

Subsection (d) allows the taxpayer to pay his tax in equal quarterly installments as is the case with the Federal income tax.

Subsection (e) gives the Commissioner the right to give extensions of time for the payment of tax or installments thereof, and subsection (f) provides that in the payment of tax a fractional part of a cent shall not be counted unless it amounts to one-half cent or more in which case it shall be counted as 1 cent.

INTERSTATE COMMERCE

Section 906: This section provides that no person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate commerce, or that the State law does not distinguish between employees engaged in interstate commerce and those engaged in intrastate commerce.

DEFINITIONS

Section 907: The definitions set up by this section are very important in connection with the application and scope of the entire title. They are as follows:

(a) Employer: The term "employer" includes only those persons who, in each of at least 13 weeks in the year, have a total number of 4 or more employees. (In the House bill it was 20 weeks and 10 or more employees.) This means that if on 1 day a week for 13 weeks (which need not be consecutive) there are 4 employees, the employer is covered. The employees (who need not necessarily be the same

people) need not all be employed at the same moment; it is enough if during the day the total number is at least 4. The employees are not counted unless they are employed in "employment" as defined in this section.

(b) Wages: The term "wages" is defined to mean all remuneration for employment, including the cash value of all remuneration paid in any other medium than cash. That is, in addition to money payments, it includes payments in kind, rent, food, lodging, etc.

(c) The term "employment" is defined to mean any service performed within the United States by an employee for his employer with the following exceptions:

(1) Agricultural labor.

(2) Domestic service in a private home.

(3) Service performed as an officer or member of the crew of a vessel on the navigable waters of the United States. (This does not exempt the services of longshoremen and others who work in connection with loading vessels.)

(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under 21 in the employ of his parent.

(5) Service performed in the employ of the United States Government or of an instrumentality of the United States.

(6) Service performed in the employ of a State, or political subdivision thereof, or an instrumentality of one or more States or political subdivisions.

(7) Service performed in the employ of corporations or organizations organized exclusively for religious, charitable, scientific, literary, or educational purposes, no part of the net earnings of which accrue to any private individual or shareholder.

If the service is within the excepted classes, the employer is exempt from tax on the wages payable with respect to such service.

(d) The term "State agency" is defined to mean any State officer, board, or other authority, designated under a State law to administer the State unemployment fund.

(e) The term "unemployment fund" is defined to mean a special fund, established by State law and administered by a State agency, for the payment of unemployment compensation. A committee amendment strikes out the requirement of the House bill that the assets of the fund be mingled and undivided, and that no separate account be maintained with respect to any person.

(f) The term "contributions" is defined to mean payments required to be made by an employer under a State law into an unemployment fund, except that any payments which have been or may be deducted from the wages of the individuals in his employ are not to be considered as contributions under the definition.

(g) The term "compensation" is defined to mean cash benefits payable to individuals with respect to their unemployment.

RULES AND REGULATIONS

Section 908: This section authorizes and directs the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, to make and publish such rules and regulations for the enforcement of this title as are necessary. The exception is made,

however, that the authorization and direction above noted do not apply to section 903, relating to certification of State laws, and to section 904, relating to the unemployment trust fund.

ALLOWANCE OF ADDITIONAL CREDIT

Section 909: The Committee has added this section, and its companion section 910, to the House bill. Subsection (a) provides that a taxpayer under section 901 may, for 1938 or any taxable year thereafter, obtain an additional credit against his tax, under certain conditions. Let us assume, for the purpose of giving a relatively simple example, that he carries on business in only one State. He will credit against the tax the amount of his contributions under the law of that State; and, under this new section, he will also credit the amount by which his contributions are less than they would have been if he had been contributing at the maximum rate in the State. The additional credit, however, is limited by not allowing it to exceed the difference between the actual amount paid and the amount he would have paid at a 2.7 percent rate; and subsection (b) also provides for limiting the additional credit to the proper difference allowed by the State law, diminishing it if the employer has failed to make any of the contributions required of him.

In figuring what contributions the employer would have paid at the maximum rate, the highest rate applicable to any employer each time when contributions are payable is the rate considered.

Subsection (c) provides that even if an employer is getting credit under section 902 and additional credit under this section, he shall never credit against tax more than 90 percent of the tax.

CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE

Section 910: This section places restrictions on the allowance of the additional credit under section 909.

(1) The taxpayer whose case was considered in the discussion of section 909 may have been contributing to a pooled fund in the State. If he is contributing at a lower rate than that imposed on other employers in the State, he will get the additional credit; but only if he has had at least 3 years of compensation experience under the State law, and only if his lower rate is fixed as a result of his comparatively favorable experience. A State rate might, therefore, vary at the outset among different employers or industries, but the additional credit would not be given until the compensation experience of the favored employer had justified the variation.

(2) The taxpayer may have guaranteed the employment of his employees, and be contributing to a guaranteed employment account maintained by the State agency. In this case, if he claimed the additional credit under section 909, he would get it only if his guaranty had been fulfilled, and only if his guaranteed employment account amounted to at least 7½ percent of his guaranteed pay roll.

(3) The taxpayer may be contributing to a separate reserve account, from which benefits are payable only to his employees. If he claims the additional credit under section 909, it would be allowed only if, in the preceding year, those of his employees who became unemployed and were eligible for compensation received compensation from the reserve account. Furthermore, the additional credit

would be allowed only if the reserve account amounted to 7½ percent of his pay roll, and was at least five times larger than the amount paid out from it, in compensation, in that year (among the 3 preceding years) when the greatest amount was thus paid out from it.

Subsection (c) defines terms used in this section; the committee having added sections 909 and 910 as a new and distinct addition superimposed upon the title, these definitions were placed here rather than in section 907.

(1) "Reserve account" is defined as a separate account in a State unemployment fund, from which compensation is payable only to the former employees of the employers contributing to the account. The account may be maintained with respect to one employer or a group of employers.

(2) "Pooled fund" is an unemployment fund (or part of such a fund, if some employers are maintaining separate accounts in the fund) in which all contributions are mingled and undivided. Compensation is payable from it regardless of whether the claimant was formerly in the employ of an employer contributing to the pooled fund; but where some employers in the State have reserve accounts, their former employees get compensation from the pooled fund only if the reserve accounts are exhausted.

(3) "Guaranteed employment account" is, like a reserve account, a separate account in an unemployment fund, but it can be maintained only with respect to certain employers. Compensation is payable from it to those of such employer's employees who, having been guaranteed employment, nevertheless become unemployed due to a failure to fulfill the guaranty, or become unemployed at the end of the year for which the guaranty was made, due to the nonrenewal of the guaranty. To be a "guaranteed employment account", such separate account would have to be maintained with respect to an employer who had guaranteed the wages of all of his employees (or, if he maintains more than one distinct business establishment, of all the employees in at least one such establishment), for at least 40 weeks in a 12-month period. The wages guaranteed should be for at least 30 hours a week; but if 41 weeks, for instance, were guaranteed instead of 40, the weekly hours guaranteed could be cut from 30 to 29; and if 42 weeks were guaranteed, only 28 hours wages per week would need to be guaranteed. While ordinarily all the employees would have to be covered, the employer would not have to extend the guaranty to any new employee until the latter had served a probationary period of not more than 12 consecutive weeks.

(4) "Year of compensation experience", used only in relation to an employer, is defined as any calendar year during which, at all times in the year, a former employee of such employer, if there was one who was eligible for compensation, could receive compensation under the State law.

TITLE X. GRANTS TO STATES FOR AID TO THE BLIND

This title (which is inserted by committee amendment) provides for Federal grants-in-aid to States, for the payment of assistance to persons who are permanently blind. The grants are to be made on an equal matching (50-50) basis, except that in the case of no individual will the Federal Government's share exceed \$15 per month.

APPROPRIATION

Section 1001: \$3,000,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter sums sufficient to carry out the purpose of this title. The money is to be paid to States whose plan for aid to the blind has been approved by the Social Security Board, as complying with the requirements of section 1002.

STATE PLANS FOR AID TO THE BLIND

Section 1002: To be approved, a State plan must meet certain requirements laid down in subsection (a), and must be sufficiently liberal in its eligibility requirements, in accordance with subsection (b).

(a) The requirements which must be met by the State law are similar to the first six requirements which a State old-age assistance plan, under section 2, must meet, likewise similar to the conditions which a State plan for aid to dependent children must meet under section 402 (a). An additional requirement is that the plan must provide that no aid under the plan will be furnished to any individual with respect to any period for which he is receiving old-age assistance under the State plan approved under section 2.

(b) The liberality of the eligibility requirements, which a State plan must contain, are worded in a similar fashion to paragraphs (2) and (3) of section 2 (b). These relate to residence and citizenship. In the State plan for aid to the blind no limitation is placed upon any age requirement which the State may impose.

PAYMENTS TO STATES

Section 1003: Payments to the States are to be made quarterly, in a method similar to that described in connection with section 3. The State payments will be matched (up to \$15) regardless of the age of the blind recipient.

OPERATION OF STATE PLANS

Section 1004: A State with an approved plan will not receive payments if the Board finds that the State is not substantially complying with its plan.

ADMINISTRATION

Section 1005: \$30,000 is authorized to be appropriated for the fiscal year for the administrative expenses of the Board. There is no limitation on the appropriation for future years.

DEFINITION

Section 1006: Aid to the blind is confined to payments in cash, to persons permanently blind.

TITLE XI. UNITED STATES ANNUITY BONDS

This title (which is inserted by committee amendment) provides that the United States may borrow money to meet public expenditures and retire the public debt by the issuance under the Second Liberty Bond Act, as amended, of annuity bonds payable in installments, but the amount payable to any individual shall not exceed \$100 a month.

AUTHORITY FOR ISSUANCE

Section 1101: The Secretary of the Treasury is authorized, with the approval of the President, to borrow funds to meet public expenditures and to retire the public debt and to issue therefor under the authority of the Second Liberty Bond Act, as amended, bonds to be known as "United States Annuity Bonds". The Secretary of the Treasury is authorized to prescribe the forms, amounts, terms, and conditions of such bonds.

TERMS OF ANNUITY BONDS

Section 1102 (a): Annuity bonds shall be payable in installments.

(b): The Secretary of the Treasury may offer annuity bonds to be payable during (1) a fixed term of years, or (2) the life of the annuitant or the lives of two annuitants, or (3) a term of years fixed or the life of the annuitant, whichever period may be the longer, or (4) a term of years fixed or the lives of two annuitants, whichever period may be the longer.

(c): The installments shall be such as to afford an investment yield not in excess of 3 percent per annum compounded semiannually.

(d): Annuity bonds shall be redeemable (1) in case of the death of the annuitant, or (2) in such other cases as the Secretary of the Treasury may prescribe.

TERMS AND CONDITIONS OF ISSUE

Section 1103 (a): Annuity bonds may be purchased by payment in full (1) in cash, or (2) by surrender of United States savings bonds at redemption value thereof, or (3) in installments.

(b): Annuity bonds may be issued only to citizens of the United States and in amounts to provide an annuity of not less than \$60 or more than \$1,200 in any 1 year, and no individual shall be entitled to receive under United States annuity bonds, annuities aggregating more than \$1,200 in any 1 year.

CONTRACTS FOR ANNUITY BONDS

Section 1104: The Secretary of the Treasury is authorized to make contracts for the issuance of annuity bonds under which the annuity bonds may be bought by the payment of small amounts from time to time.

TAXES AND TAX EXEMPTIONS

Section 1105: Annuity bonds shall be exempt from taxation, but annuity and redemption payments shall be subject to taxation by the United States, the States, and local taxing authorities to the extent that such payments upon other annuity bonds or agreements are taxed.

GENERAL CONDITIONS

Section 1106: Annuity bonds, contracts therefor, and rights existing thereunder shall not be transferable or assignable in law or in equity, except that if the Secretary of the Treasury is furnished with a copy of an order, judgment, or decree of a court establishing that the payments for the annuity bond were made with the actual intent to defraud creditors of the person making the payment, the Secretary

of the Treasury shall pay into the court an amount equal to the payments so made. In such cases the Secretary is authorized to cancel the annuity bond or contract therefor upon payment of any balance to the annuitant or contracting party, or to reduce the amount of the installments under the annuity bond.

RECEIPTS AND PAYMENTS

Section 1107: All payments received for or on account of annuity bonds shall be covered into the Treasury as public-debt receipts and the Secretary is authorized and directed to make, from any money in the Treasury not otherwise appropriated, as public-debt redemptions, the payments provided for in the annuity bonds.

PENALTIES

Section 1108: Whoever, in any application for an annuity bond or contract therefor, makes any false statement as to any material fact, knowing such statement to be false, shall forfeit to the United States twice the difference between (1) the net value of the annuity bond or the credits under such contract, at the time of such forfeiture, and (2) the amount which would have been the net value of such annuity bond or credits at that time had such false statement not been made. The Secretary of the Treasury is authorized to enforce such forfeiture in any court of competent jurisdiction, and upon such forfeiture the Secretary of the Treasury shall cancel such annuity bond or contract therefor and make payment of the balance to the annuitant or contracting party after satisfying the forfeiture and any costs of the proceedings.

FISCAL AGENCY SERVICES

Section 1109: At the request of the Secretary of the Treasury, the Postmaster General shall require the employees of the Post Office Department and of the Postal Service to perform such fiscal services as may be desirable in connection with the sale and delivery of annuity bonds, contracts therefor, and stamps and other evidence or means of payment therefor.

DEPOSITS WITH POSTAL SAVINGS SYSTEM

Section 1110: At the request of the Secretary of the Treasury, the board of trustees of the Postal Savings System is authorized to permit (a) the withdrawal of Postal Savings deposits on less than 60 days' notice for the purpose of acquiring United States annuity bonds; and (b) deposits with it to the credit of the United States as payment for United States annuity bonds or under contracts therefor.

REPORTS

Section 1111: The Secretary of the Treasury shall include in his annual report to Congress a full account of the administration of this title.

TITLE XII. GENERAL PROVISIONS

DEFINITIONS

Section 1201 contains definitions of "State", "United States", "person", "corporation", "shareholder", and "employee."

Section 1201 (d) provides that nothing in this act shall be construed as authorizing any Federal official in carrying out the provisions of this act to take charge, in violation of the law of a State, of any child over the objection of the parents.

RULES AND REGULATIONS

Section 1202 provides for the making of regulations by the Secretary of the Treasury, the Secretary of Labor, and the Social Security Board, respectively, for carrying out the functions with which each is charged.

SEPARABILITY

Section 1203 is the usual separability clause.

RESERVATION OF POWER

Section 1204 reserves to Congress the right to alter, amend, or repeal any portion of the act.

SHORT TITLE

Section 1205 provides that the act may be cited as the "Social Security Act."

