

Data and Materials on  
**SOCIAL SECURITY  
PROVISIONS**  
of

H.R. 11333

As Reported by the Committee on Ways and Means

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



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Provisions of H.R. 11333

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CHART 1

# Social Security Benefit Increase

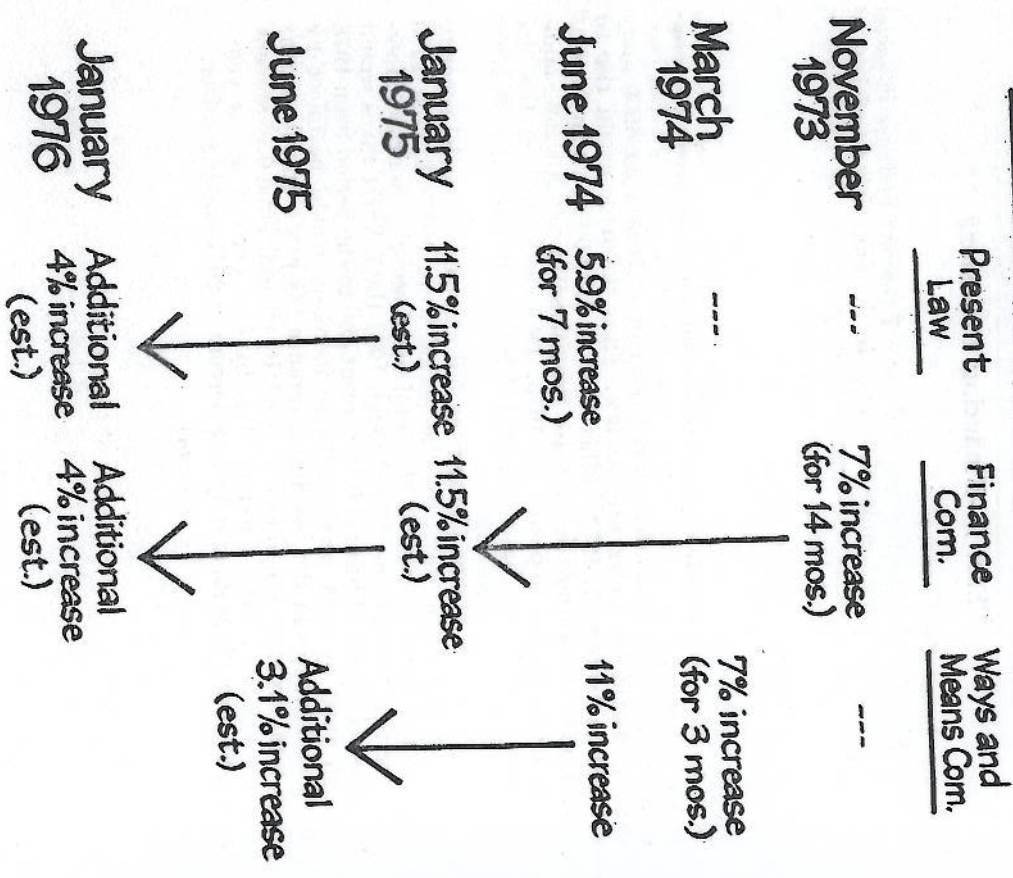


Chart 1—Social Security Benefit Increase

### Present Law

Under a provision enacted last year, social security benefits will be increased automatically as the cost of living rises. In general, the law provides that each January benefits will be increased provided that the Consumer Price Index has risen by at least 3 percent over the base period which ended in the preceding year. Under the law, the base period is from the second calendar quarter of one year through the second calendar quarter of the following year. The first of these automatic increases will occur in January 1975.

Public Law 93-66, enacted this past July, provides for a temporary 5.9 percent increase in the benefits payable for the period June through December 1973. This 5.9 percent increase represents an early down payment on the automatic cost-of-living benefit increase which will occur January 1975. Current estimates indicate that the January 1975 increase will be about 11.5 percent; the second automatic increase will be about 4 percent, effective for January 1976.

### Finance Committee Proposal

The Finance Committee has proposed an amendment to H.R. 3153 which would substitute a 7 percent temporary benefit increase for the 5.9 percent increase provided in present law; this increase would be effective in the month of enactment (assumed to be November 1973) rather than June 1974. Like the 5.9 percent increase, the 7 percent increase would be a down payment on the 11.5 percent automatic increase anticipated for January 1975. And as under present law, it is expected that there would be a 4 percent cost-of-living increase for January 1976.

### Ways and Means Committee Bill

The Ways and Means Committee bill would provide a benefit increase in two steps. The first step would be a three-month, 7 percent increase in the dollar amounts payable for March through May. This would be followed by a second increase to bring the payments starting for June 1974 up to 11 percent more than present benefit levels.

The automatic cost-of-living benefit increase provisions would be changed in two ways. First, the period for measuring the increase would be shifted so that the rise in the cost of living would be measured from the first quarter of one year through the first quarter of the following year. Second, the increase would be effective for the month of June for the same year, rather than for the January of the following year. Special transitional provisions would apply to the first such increase so that it would be based on the rise in the cost of living over a 9 month period rather than over a full year. Thus the first automatic increase would be an estimated 3.1 percent effective for June 1975, and would be followed by a second increase of an estimated 3.1 percent effective for June 1976.



## CHART 2

Financing Provisions

## Chart 2—Financing Provisions

*Finance Committee Proposal*

The Finance Committee proposal for a 7 percent increase in social security benefits would make no change in the financing provisions of present law because the one-time temporary increase does not have a significant effect on the long-range cost of the program.

*Ways and Means Committee Bill*

The Ways and Means Committee bill, which makes permanent changes in the benefit structure, modifies the financing of the program both to meet the additional costs of the bill and to improve the long-range actuarial status of the program. Under the bill, the tax base effective for 1974 and later years would be increased by \$600 more than it would be under present law. Thus the base would rise to \$13,200 on January 1, 1974, rather than to \$12,600 as under present law. Under the automatic increase provisions in present law, additional increases are expected in 1975, 1976, and 1977 so that by January 1, 1977, the base will be \$15,900 rather than the \$15,300 estimated under present law.

The Ways and Means Committee bill changes the social security tax schedule in two ways. In the period from 1974 through 1980 there would be no increase in the total social security tax rate. However, for the period from 1974 through 1977 the OASDI taxes would be increased by an additional 0.10 percent and in the period from 1978 through 1980 by 0.15 percent. These increases would be offset by identical decreases in the hospital insurance tax rates. In subsequent years, total tax rates would be increased, by an additional 0.15 percent in the years from 1981 through 1985, by 0.20 percent in the years from 1986 through 2010, and by 0.15 percent in 2011 and thereafter.

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## 1. TAXABLE WAGES

<u>Year</u>	<u>Present law and Finance Committee</u>	<u>Ways and Means Com.</u>
1973	\$10,800	\$10,800
1974	12,600	13,200
1975	13,500	14,100
1976	14,400	15,000
1977	15,300	15,900

## 2. TOTAL EMPLOYEE TAX RATES

1974-1977	5.85%	5.85% (0.10% shifted from Medicare to cash benefit trust funds)
1978-1980	6.05%	6.05% (0.15% shifted)
1981-1985	6.15%	6.30%
1986-2010	6.25%	6.45%
2011 and after	7.30%	7.45%



Chart 3—Other Provisions of H.R. 11333

*Special Minimum Social Security Payment*

Present law provides a special minimum payment for people who have worked for relatively low wages for long periods of time; this special minimum payment is not increased when automatic cost-of-living benefits increases occur. The Ways and Means Committee bill increases from \$8.50 to \$9.00 the amount payable under this provision for each year of coverage between 10 years and 30 years. Thus the highest minimum payment would be increased, effective March 1974, from \$170 a month to \$180 a month for workers with 30 or more years of coverage.

*Supplemental Security Income (SSI)*

Under present law, SSI payments to needy aged, blind, and disabled people would be \$130 a month for an individual with no other income and \$195 for such an individual and spouse from January 1974 (when the program begins) through June 1974. A provision of Public Law 93-66 increased these payments starting in July 1974 to \$140 for an individual and to \$210 for a couple. The Ways and Means Committee bill moves the July 1974 increase forward to January 1974 and provides for an additional increase effective in July 1974. This further increase will result in a \$146 payment level for individuals and \$219 for couples. The Department of Health, Education, and Welfare estimates that the higher SSI payment levels will cost an additional \$215 million in fiscal year 1974 and \$250 million in fiscal year 1975.

If no other change were made in the law, States that supplement Federal SSI payments and that wish to pass along the SSI increase to recipients would have to do so entirely at State expense. The Ways and Means Committee bill permits States during the 12 months of calendar year 1974 to increase the level to which they will supplement on the average by \$10 for an individual and \$15 for a couple—without decreasing the amount they may be reimbursed by the Federal government under the savings clause in the law. This provision will cost an estimated \$100 million in fiscal year 1975.

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CHART 3

Other Provisions of H.R. 11333

• Special social security minimum payment for workers with at least 30 years of covered employment increased from \$170 to \$180

• SSI benefits to aged, blind, and disabled increased:

	<u>Present law</u>		<u>H.R. 11333</u>	
	<u>Individual</u>	<u>Couple</u>	<u>Individual</u>	<u>Couple</u>
Jan. 1974	\$130	\$195	\$140	\$210
July 1974	140	210	146	219

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**Additional Material**



### Summary of the Ways and Means Committee Bill

The bill reported by the Committee on Ways and Means would make the following changes in the social security program:

1. A special benefit increase of 7% would be provided effective for, and limited to, the 3-month period March-May 1974. This increase would be similar to the "down payment" approach represented by the special benefit increase of 5.9% effective June 1974 that is provided under present law (P.L. 93-66). The 7% increase provided in the bill would be computed by applying 7% to the actual monthly benefit that would have been payable for 1974 under present law. This computation procedure would not take into account all the complex technical refinements, required for accurate benefit calculations, that were introduced into the law as a result of P.L. 92-603 and prior amendments.

Effective June 1974, a benefit increase of 11% would be provided, figured on the benefit rates in effect prior to March 1974 and not on top of the 7% special benefit increase. This increase would be a "permanent" increase, in contrast to the "down payment" approach represented by the 7% special benefit increase.

The 11% benefit increase, and all benefit increases thereafter under the automatic increase provisions, would be accurately computed, taking into account all the complex technical refinements in the law.

2. The earnings base effective January 1, 1974, would be raised from \$12,600, scheduled in present law, to \$13,200.

3. The automatic increase provisions would be modified so that the first possible automatic benefit increase would be effective for June 1975 and the amount of such increase would be determined by the percentage increase in average CPI from the April-June 1974 base quarter through the January-March 1975 closing quarter. It is estimated that the amount of such increase would be 3.1%.

After the first automatic benefit increase, the provisions would operate as under present law except that the base quarter would become the first calendar quarter of a year instead of the second such quarter and the effective month of the increase would be the following June instead of the following January.

The earnings base and the annual exempt amount under the retirement test would be automatically increased at the beginning of the year following the year in which an automatic benefit increase becomes effective. The 11% permanent benefit increase will be deemed in legislation to be an automatic benefit increase for the purpose of triggering an earnings base increase and an exempt amount increase on January 1, 1975.

4. The schedule of contribution rates for the OASDI and HI systems would be modified. Under the modified schedule, the total OASDI contribution rate for employers and employees, each, during the period 1974-80 would be the same as under present law, but the HI portion of the total rate would be reduced somewhat and the OASDI rate increased by a corresponding amount. Thereafter, the total rate would be higher than under present law.

The bill would also make the following changes in the supplemental security income (SSI) program which is to go into effect in January 1974, replacing the present Federal-State assistance programs for the aged, blind and disabled:

1. An increase in SSI payment levels from \$130 to \$140 for an individual and \$195 to \$210 for a couple, effective January, 1974 and a further increase to \$146 for an individual and \$219 for a couple, effective for July, 1974. It is estimated that as a result of these changes that the additional costs for the SSI payments would be \$215 million in FY 1974 and \$250 million in FY 1975.

2. In addition, the bill provides that for the purposes of State supplementation, the States may increase their adjusted payment levels by the amount of the January increase, but for one year. If the States which supplement and reach the hold harmless level were to take advantage of this increase, there would be no additional cost over the present estimates for fiscal year 1974. However, without this provision there would have been savings on Federal hold-harmless costs in FY 1974. There would be an increased cost of \$100 million for fiscal year 1975, since the savings caused by the \$140/\$210 payment level had been anticipated in the previous fiscal year 1975 estimates.



TABLE 1.—Social security tax rates

[In percent]

Calendar years	OASDI		HI		Total	
	Present law and Finance Committee	Ways and Means Committee	Present law and Finance Committee	Ways and Means Committee	Present law and Finance Committee	Ways and Means Committee
Employer-employee, each						
1974 to 1977.....	4.85	4.95	1.00	0.90	5.85	5.85
1978 to 1980.....	4.80	4.95	1.25	1.10	6.05	6.05
1981 to 1985.....	4.80	4.95	1.35	1.35	6.15	6.30
1986 to 2010.....	4.80	4.95	1.45	1.50	6.25	6.45
2011 and after.....	5.85	5.95	1.45	1.50	7.30	7.45
Self-employed						
1974 to 1977.....	7.00	7.00	1.00	0.90	8.00	7.90
1978 to 1980.....	7.00	7.00	1.25	1.10	8.25	8.10
1981 to 1985.....	7.00	7.00	1.35	1.35	8.35	8.35
1986 to 2010.....	7.00	7.00	1.45	1.50	8.45	8.50
2011 and after.....	7.00	7.00	1.45	1.50	8.45	8.50

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TABLE 2. Benefit increases and changes in the earnings base and retirement test under present law, the Finance Committee bill and the Ways and Means Committee bill

Year	General benefit increase (percent)			Contribution and benefit base			Annual exempt amount under the retirement test <sup>1</sup>
	Present law	Finance Committee bill	Ways and Means Committee bill	Present law	Finance Committee bill	Ways and Means Committee bill	
Special increases <sup>2</sup>							
1973.....		7.0		\$10,800	\$10,800	\$10,800	\$2,100
1974.....	5.9		7.0	12,600	12,600	13,200	2,400
Permanent increases <sup>3</sup>							
1974.....			11.0	12,600	12,600	13,200	2,400
1975.....	11.5	11.5	3.1	13,500	13,500	14,100	2,520
1976.....	4.0	4.0	3.1	14,400	14,400	15,000	2,640
1977.....	3.0	3.0		15,300	15,300	15,900	2,880
1978.....			5.8	15,300	15,300	15,900	2,880

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<sup>1</sup> Amounts are the same under present law and under both committee bills.

<sup>2</sup> Under present law, as modified by Public Law 93-66, the special benefit increase of 5.9 percent is effective for June-December 1974; under the Finance Committee bill, the special benefit increase of 7 percent is effective from the month of enactment through December 1974; under the Ways and Means Committee bill, the special benefit increase of 7 percent is effective for March-May 1974.

<sup>3</sup> The first permanent benefit increase (11.5 percent under present law and the Finance Committee bill and 11 percent under the Ways and Means Committee bill) will be figured on the benefit rates now in effect and not on top of the special benefit increase (5.9 percent under present law and 7 percent under the two committee bills). Permanent benefit increases under present law and under the Finance Committee bill, become effective for January of the stated year; under the Ways and Means Committee bill they become effective for June.



TABLE 3.—Effect of benefit increase on monthly social security benefits for selected beneficiary groups

Beneficiary group	Average monthly amount—		
	Before 7. percent increase	After 7. percent increase	After 11. percent increase
<b>1. Average monthly family benefits:</b>			
Retired worker alone (no dependents receiving benefits)	\$162	\$173	\$181
Retired worker and aged wife, both receiving benefits	277	296	310
Disabled worker alone (no dependents receiving benefits)	179	191	199
Disabled worker, wife, and 1 or more children	363	388	403
Aged widow alone	158	169	177
Widowed mother and 2 children	390	417	433
<b>2. Average monthly individual benefits:</b>			
All retired workers (with or without dependents also receiving benefits)	167	178	186
All disabled workers (with or without dependents also receiving benefits)	184	197	206

TABLE 4.—Start of year trust fund assets as percentage of expenditures for the year

Calendar year	OASDI				HI				
	Present law	Finance Com-mittee bill	Ways and Means Com-mittee bill	Present law	Finance Com-mittee bill	Ways and Means Com-mittee bill	Present law	Finance Com-mittee bill	Ways and Means Com-mittee bill
1973	80	80	80	36	36	36	36	36	36
1974	75	72	72	64	64	64	64	64	64
1975	70	67	68	83	83	83	83	83	74
1976	64	61	64	95	95	95	95	95	78
1977	59	56	63	103	103	103	103	103	77



TABLE 5.—Old-age, survivors, and disability insurance system: Progress of the OASI and DI trust funds, combined under present law and under the system as it would be modified by the Finance Committee bill and by the Ways and Means Committee bill, calendar years 1973-77 [in billions]

Calendar year	Income		Outgo	
	Present law	Finance Com-mittee bill	Present law	Finance Com-mittee bill
1973.....	\$54.8	\$54.8	\$53.4	\$53.4
1974.....	61.4	61.4	58.9	61.3
1975.....	66.5	66.2	66.6	66.5
1976.....	72.6	72.2	74.8	72.5
1977.....	78.4	78.0	78.5	78.3

Calendar year	Net increase in funds		Assets, end of year	
	Present law	Finance Com-mittee bill	Present law	Finance Com-mittee bill
1973.....	\$1.4	\$1.4	\$44.2	\$44.2
1974.....	2.6	0.1	46.8	44.3
1975.....	-0.1	-0.3	46.7	44.1
1976.....	(1) -0.2	-0.2	46.6	43.9
1977.....	(2) -0.2	-0.3	46.5	43.5

1 Outgo exceeds income by less than \$50 million.

TABLE 6.—Hospital insurance: Progress of the hospital insurance trust fund under present law and the Finance Committee bill and under the system as it would be modified by the Ways and Means Committee bill, calendar years 1973-77 [in billions]

Calendar year	Income		Outgo (same under present law and Ways and Means Committee bill)	
	Present law and Finance Com-mittee bill	Ways and Means Committee bill	Present law and Finance Committee bill	Ways and Means Committee bill
1973.....	\$11.4	\$11.4	\$11.4	\$8.1
1974.....	13.1	13.1	12.1	9.8
1975.....	14.3	14.3	13.1	11.5
1976.....	15.7	15.7	14.3	13.0
1977.....	17.1	17.1	15.4	14.7

Calendar year	Net increase in funds		Assets, end of year	
	Present law and Finance Committee bill	Ways and Means Committee bill	Present law and Finance Committee bill	Ways and Means Committee bill
1973.....	\$3.4	\$3.4	\$6.3	\$6.3
1974.....	3.3	2.3	9.6	8.6
1975.....	2.8	1.5	12.4	10.1
1976.....	2.7	0.7	15.1	11.3
1977.....	2.3	0.7	17.5	12.0



TABLE 7.—Changes in actuarial balance of the old-age, survivors, and disability insurance system expressed in terms of estimated average cost as percent of taxable payroll, by type of change, long-range dynamic cost estimates, present law and the Ways and Means Committee bill  
 [In percent]

Item	OASI	DI	Total
Actuarial balance under present law.....	-0.48	-0.28	-0.76
\$13,200 earnings base in 1974.....	+ .04	+ .01	+ .05
Benefit increase and change in automatics...	-.04	(1)	-.04
Revised tax schedule.....	+ .05	-.19	+ .24
Total effect of change in bill.....	+ .05	+ .20	+ .25
Actuarial balance under bill.....	-.43	-.08	-.51

1 Less than 0.005.

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