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PUBLIC DEBT; SOCIAL SECURITY BENEFIT INCREASE

---

MARCH 16, 1971.—Ordered to be printed

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Mr. LONG, from the committee of conference,  
submitted the following

**CONFERENCE REPORT**

[To accompany H.R. 4690]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4690) to increase the public debt limit set forth in section 21 of the Second Liberty Bond Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

**TITLE II—AMENDMENTS TO THE SOCIAL SECURITY ACT  
INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS**

*Sec. 201. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:*

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND  
MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1969 Act)	III (Average monthly wage)		IV (Primary insurance amount')	V (Maximum family benefits)
If an individual's primary insur- ance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under sub- sec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self- employment income shall be—
At least—	But not more than—		At least—	But not more than—		
	\$16.20	\$64.00 or less		\$76	\$70.40	\$106.60
\$16.21	16.84	65.00	\$77	78	71.50	107.30
16.85	17.00	66.40	79	80	73.10	108.70
17.01	18.40	67.70	81	81	74.50	111.80
18.41	19.24	68.90	82	83	75.80	115.70
19.25	20.00	70.30	84	85	77.40	116.10
20.01	20.64	71.60	86	87	78.80	118.80
20.65	21.28	72.80	88	89	80.10	120.20
21.29	21.88	74.20	90	90	81.70	122.60
21.89	22.28	75.50	91	92	83.10	124.70
22.29	22.68	76.80	93	94	84.50	126.80
22.69	23.08	78.00	95	96	85.80	128.70
23.09	23.44	79.40	97	97	87.40	131.10
23.45	23.76	80.80	98	99	88.90	133.40
23.77	24.20	82.50	100	101	90.60	136.50
24.21	24.60	83.50	102	102	91.90	137.90
24.61	25.00	84.80	103	104	93.40	140.10
25.01	25.48	86.40	105	106	95.10	142.70
25.49	25.92	87.80	107	107	96.60	144.90
25.93	26.40	89.20	108	109	98.20	147.30
26.41	26.84	90.60	110	113	99.70	149.60
26.85	27.46	91.90	114	118	101.10	151.70
27.47	28.00	93.50	119	122	102.70	154.10
28.01	28.68	94.70	123	127	104.20	156.30
28.69	29.25	96.20	128	132	105.90	158.50
29.26	29.68	97.50	133	136	107.30	161.00
29.69	30.36	98.80	137	141	108.70	163.10
30.37	30.92	100.30	142	146	110.40	165.60
30.93	31.36	101.70	147	150	111.90	167.90
31.37	32.00	103.00	151	155	113.50	170.00
32.01	32.60	104.50	156	160	115.00	172.50
32.61	33.20	105.80	161	164	116.40	174.60
33.21	33.88	107.20	165	169	118.00	177.00
33.89	34.60	108.60	170	174	119.50	179.30
34.61	35.00	110.00	175	178	121.00	181.50
35.01	35.80	111.40	179	183	122.60	183.90
35.81	36.40	112.70	184	188	124.00	186.00
36.41	37.08	114.20	189	193	125.70	188.60
37.09	37.60	115.60	194	197	127.20	190.80
37.61	38.20	116.90	198	202	128.60	192.90
38.21	39.12	118.40	203	207	130.30	195.50
39.13	39.68	119.80	208	211	131.80	197.70
39.69	40.33	121.00	212	216	133.10	199.70
40.34	41.12	122.50	217	221	134.80	202.80
41.13	41.76	123.90	222	225	136.30	204.50
41.77	42.44	125.30	226	230	137.90	206.90
42.45	43.20	126.70	231	235	139.40	209.10
43.21	43.76	128.20	236	239	141.10	211.70
43.77	44.44	129.50	240	244	142.60	214.80
44.45	44.88	130.80	245	249	143.90	215.80
44.89	45.60	132.40	250	253	145.00	222.70
		133.70	254	258	147.10	227.10
		134.90	259	263	148.40	231.60
		136.40	264	267	150.10	235.00
		137.80	268	272	151.60	239.40
		139.20	273	277	153.20	243.80
		140.60	278	281	154.70	247.80
		142.00	282	286	156.20	251.70
		143.50	287	291	157.90	256.10
		144.70	292	296	159.20	259.60

**"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND  
MAXIMUM FAMILY BENEFITS—Continued**

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1969 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		\$146.20	\$296	\$500	\$160.90	\$264.00
		147.60	301	505	162.40	268.40
		148.90	306	509	163.80	272.00
		150.40	310	514	165.50	276.40
		151.70	315	519	166.90	280.80
		153.00	320	523	168.30	284.30
		154.50	324	528	170.00	288.70
		155.90	329	532	171.50	293.10
		157.40	334	537	173.20	296.60
		158.80	338	542	174.50	301.00
		160.00	343	547	176.00	305.40
		161.50	348	551	177.70	308.90
		162.80	352	556	179.10	313.30
		164.30	357	561	180.80	317.70
		165.60	362	565	182.20	321.20
		166.90	366	570	183.60	325.60
		168.40	371	575	185.30	330.00
		169.80	376	579	186.80	333.60
		171.30	380	584	188.50	338.00
		172.50	385	589	189.80	342.40
		173.90	390	593	191.30	347.90
		175.40	394	598	193.00	350.30
		176.70	399	603	194.40	354.70
		178.20	404	607	196.10	358.20
		179.40	408	612	197.40	362.60
		180.70	413	617	198.80	367.00
		182.00	418	621	200.20	370.50
		183.40	422	626	201.80	374.90
		184.60	427	631	203.10	379.30
		185.90	432	636	204.50	383.70
		187.30	437	640	206.10	388.50
		188.50	441	645	207.40	387.70
		189.80	446	650	208.80	389.90
		191.20	451	654	210.40	391.60
		192.40	455	659	211.70	395.80
		193.70	460	664	213.10	396.00
		195.00	465	668	214.50	397.80
		196.40	469	673	216.10	400.00
		197.60	474	678	217.40	403.20
		198.90	479	682	218.80	404.00
		200.50	483	687	220.40	406.20
		201.50	488	692	221.70	408.40
		202.80	493	696	223.10	410.10
		204.20	497	701	224.70	412.50
		205.40	502	706	226.00	414.50
		206.70	507	710	227.40	416.50
		208.00	511	715	228.80	418.60
		209.50	516	720	230.30	420.70
		210.60	521	724	231.70	422.40
		211.90	525	729	233.10	424.60
		213.30	530	734	234.70	424.80
		214.50	535	738	236.00	428.60
		215.80	539	742	237.40	430.80
		217.20	544	748	238.80	433.00
		218.40	549	752	240.30	435.20
		219.70	554	756	241.70	436.50
		220.80	557	760	242.90	438.50
		222.00	561	763	244.20	439.60
		223.10	564	767	245.50	441.40
		224.30	568	770	246.80	442.70
		225.40	571	774	248.00	444.40

**"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND  
MAXIMUM FAMILY BENEFITS—Continued**

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1968 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		\$286.00	\$578	\$577	\$219.80	\$445.80
		287.70	578	581	250.50	447.50
		288.40	582	584	251.80	448.80
		290.00	585	588	253.00	450.60
		291.20	589	591	254.45	451.80
		292.30	592	595	255.60	453.70
		293.50	595	598	256.90	455.00
		294.60	599	602	258.10	456.80
		295.80	603	605	259.40	458.10
		296.90	606	609	260.60	459.80
		298.10	610	612	262.00	461.20
		299.20	613	616	263.20	462.90
		300.40	617	620	264.50	464.70
		301.50	621	623	265.70	466.00
		302.70	624	627	267.00	467.80
		303.80	628	630	268.20	469.40
		305.00	631	634	269.50	471.70
		306.10	635	637	270.80	473.90
		307.20	638	641	272.10	476.20
		308.40	642	644	273.30	478.30
		309.50	645	648	274.60	480.60
		310.70	649	652	275.80	482.70
		311.80	653	656	276.60	484.10
		312.90	657	660	277.40	485.50
		314.00	661	665	278.40	487.20
		315.10	666	670	279.40	489.00
		316.20	671	675	280.40	490.70
		317.30	676	680	281.40	492.50
		318.40	681	685	282.40	494.20
		319.50	686	690	283.40	496.00
		320.60	691	695	284.40	497.70
		321.70	696	700	285.40	499.50
		322.80	701	705	286.40	501.20
		323.90	706	710	287.40	503.00
		325.00	711	715	288.40	504.70
		326.10	716	720	289.40	506.50
		327.20	721	725	290.40	508.20
		328.30	726	730	291.40	510.00
		329.40	731	735	292.40	511.70
		330.50	732	740	293.40	513.50
		331.60	733	745	294.40	515.20
		332.70	734	750	295.40	517.00"

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1971 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1970 on the basis of such wages and self-employment income, such total of benefits for January 1971 or any subsequent month shall not be reduced to less than the larger of—

“(A) the amount determined under this subsection without regard to this paragraph, or

“(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to the amendment of this subsection in March 1971, for each such person for such month, by 110 percent and raising each such increased amount, if it is not a multiple of \$0.10, to the next higher multiple of \$0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1971, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1971, or”.

(c) Section 215(b)(4) of such Act is amended by striking out “December 1969” each time it appears and inserting in lieu thereof “December 1970”

(d) Section 215(c) of such Act is amended to read as follows:

“Primary Insurance Amount Under 1969 Act

“(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the amendment of this subsection in March 1971.

“(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before the date on which this subsection was amended in March 1971, or who died before such date.”

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1970 and with respect to lump-sum death payments under such title in the case of deaths occurring in and after the month in which this Act is enacted.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1970 on the basis of an application filed in or after the month in which this Act is enacted, and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1971, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(c) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

(g) Notwithstanding the provisions of sections 2(a)(10), 402(a)(7), 1002(a)(8), 1402(a)(8), and 1602(a)(13) and (14) of the Social Security Act, each State, in determining need for aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title

IV, of such Act, may disregard (and the plan may be deemed to require the State to disregard), in addition to any other amounts which the State is required or permitted to disregard in determining such need, any amount paid to an individual under title II of such Act (or under the Railroad Retirement Act of 1937 by reason of the first proviso in section 3(e) thereof), in any month after the month in which this Act is enacted, to the extent that (1) such payment is attributable to the increase in monthly benefits under the old-age, survivors, and disability insurance system for January, February, March, or April 1971 resulting from the enactment of this title, and (2) the amount of such increase is paid separately from the rest of the monthly benefit of such individual for January, February, March, or April 1971.

#### INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 202. (a)(1) Section 227(a) of the Social Security Act is amended by striking out "\$46" and inserting in lieu thereof "\$48.30", and by striking out "\$23" and inserting in lieu thereof "\$24.20"

(2) Section 227(b) of such Act is amended by striking out "\$46" and inserting in lieu thereof "\$48.30".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "\$46" and inserting in lieu thereof "\$48.30".

(2) Section 228(b)(2) of such Act is amended by striking out "\$46" and inserting in lieu thereof "\$48.30", and by striking out "\$23" and inserting in lieu thereof "\$24.20".

(3) Section 228(c)(2) of such Act is amended by striking out "\$23" and inserting in lieu thereof "\$24.20".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "\$46" and inserting in lieu thereof "\$48.30".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "\$23" and inserting in lieu thereof "\$24.20"

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1970.

#### INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 203. (a)(1)(A) Section 209(a)(5) of the Social Security Act is amended by inserting "and prior to 1972" after "1967".

(B) Section 209(a) of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$9,000 with respect to employment has been paid to an individual during any calendar year after 1971, is paid to such individual during any such calendar year;"

(2)(A) Section 211(b)(1)(E) of such Act is amended by inserting "and beginning prior to 1972" after "1967", and by striking out "; or" and inserting in lieu thereof "; and"

(B) Section 211(b)(1) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(F) For any taxable year beginning after 1971, (i) \$9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; or"

(3)(A) Section 213(a)(2)(ii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and before 1972, or \$9,000 in the case of a calendar year after 1971"

(B) Section 213(a)(2)(iii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and beginning before 1972, or \$9,000 in the case of a taxable year beginning after 1971".

(4) Section 215(e)(1) of such Act is amended by striking out "and the excess over \$7,800 in the case of any calendar year after 1967" and inserting in lieu thereof "the excess over \$7,800 in the case of any calendar year after 1967 and before 1972, and the excess over \$9,000 in the case of any calendar year after 1971".

(b)(1)(A) Section 1402(b)(1)(E) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and beginning before 1972" after "1967", and by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 1402(b)(1) of such Code is further amended by adding at the end thereof the following new subparagraph:

"(F) for any taxable year beginning after 1971, (i) \$9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; or"

(2) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "\$7,800" each place it appears and inserting in lieu thereof "\$9,000"

(3) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "\$7,800" and inserting in lieu thereof "\$9,000".

(4) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "\$7,800" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "\$9,000".

(5) Section 6413(c)(1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting "and prior to the calendar year 1972" after "after the calendar year 1967";

(B) by inserting after "exceed \$7,800," the following: "or (E) during any calendar year after the calendar year 1971, the wages received by him during such year exceed \$9,000.," and

(C) by inserting before the period at the end thereof the following: "and before 1972, or which exceeds the tax with respect to the first \$9,000 of such wages received in such calendar year after 1971".

(6) Section 6413(c)(2)(A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by striking out "or \$7,800 for any calendar year after 1967" and inserting in lieu thereof "\$7,800 for the calendar year 1968, 1969, 1970, or 1971, or \$9,000 for any calendar year after 1971".

(7) Section 6654(d)(2)(B)(ii) of such Code (relating to failure by individual to pay estimated income tax) is amended by striking out "\$6,600" and inserting in lieu thereof "\$9,000".

(c) The amendments made by subsections (a)(1) and (a)(3)(A), and the amendments made by subsection (b) (except paragraphs (1) and (7) thereof), shall apply only with respect to remuneration paid after December 1971. The amendments made by subsections (a)(2), (a)(3)(B), (b)(1),

and (b)(7) shall apply only with respect to taxable years beginning after 1971. The amendment made by subsection (a)(4) shall apply only with respect to calendar years after 1971.

CHANGES IN TAX SCHEDULES

SEC. 204. (a)(1) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out "and" at the end of paragraph (3), and by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 5.0 percent; and

"(5) with respect to wages received after December 31, 1975, the rate shall be 5.15 percent."

(2) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out "and" at the end of paragraph (3), and by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) with respect to wages paid during the calendar years 1973, 1974, and 1975, the rate shall be 5.0 percent; and

"(5) with respect to wages paid after December 31, 1975, the rate shall be 5.15 percent."

(b) The amendments made by subsection (a)(1) shall apply only with respect to taxable years beginning after December 31, 1971. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1971.

And the Senate agree to the same.

Mr. MILLS,  
Mr. WATTS,  
Mr. ULLMAN,  
Mr. BYRNES of Wisconsin,  
Mr. BETTS,

*Managers on the Part of the House.*

Mr. LONG,  
Mr. ANDERSON,  
Mr. TALMADGE,  
Mr. BENNETT,  
Mr. CURTIS,

*Managers on the Part of the Senate.*



## JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4890) to increase the public debt limit set forth in section 21 of the Second Liberty Bond Act, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

### INCREASE IN SOCIAL SECURITY BENEFITS

The Senate amendment added to the House bill a new title II increasing social security benefits and making related changes in the OASDI program.

#### *1. OASDI benefit increase*

The Senate amendment increases regular OASDI benefits by 10 percent with a minimum primary insurance amount of \$100 a month beginning January 1971.

The Senate amendment provides that families coming on the rolls after the effective date of the benefit increase, as well as families already on the rolls on such effective date, will be guaranteed the full amount of the 10-percent increase. When social security benefits have been increased in the past, the family maximum amounts have not been increased since they were based on a percentage of the worker's average monthly wage, which does not change with a benefit increase. The Senate amendment would change the basic nature of the family maximum by making it a percentage of the primary insurance amount rather than a percentage of the worker's average monthly wage. The Senate amendment would eliminate a problem which has arisen whenever social security benefits have been increased in the past. Those families whose benefits are limited by the family maximum and who came on the rolls after the effective date of a benefit increase have not shared in the percentage increase enacted. Those families on the rolls prior to the effective date of a benefit increase have been granted the benefit increase under a saving clause which has accompanied every recent benefit increase.

The conference agreement accepts a 10-percent benefit increase (including the increase in family maximum benefits) as in the Senate amendment, but with the 10-percent increase applied to the minimum benefit with a resulting minimum benefit of \$70.40 rather than \$100.

The managers believe that it is not necessary to increase the minimum benefit amount beyond the 10 percent provided in the conference agreement at this time since the Committee on Ways and Means is presently considering social security legislation, and it is the understanding of the managers that the minimum benefit is among a number of proposals included in that consideration.

Under the conference agreement each State is permitted (in determining the need of its public assistance recipients) to disregard any retroactive payment of the OASDI benefit increase provided by the bill for the months of January through April of 1971 which is expected to be paid out (by separate check) in June.

TABLE I.—ILLUSTRATIVE MONTHLY BENEFITS PAYABLE UNDER PRESENT LAW AND UNDER THE CONFERENCE AGREEMENT

Average monthly earnings	Benefit amount			
	Worker		Couple	
	Present law	Conference agreement	Present law	Conference agreement
\$76 .....	\$64.00	\$70.40	\$96.00	\$105.60
\$114 .....	91.90	101.10	137.90	151.70
\$150 .....	101.70	111.90	152.60	167.90
\$250 .....	132.30	145.60	198.50	218.40
\$350 .....	161.50	177.70	242.30	266.60
\$450 .....	189.80	208.80	284.70	313.20
\$550 .....	218.40	240.30	327.60	360.50
\$650 .....	250.70	275.80	376.10	413.70
\$750 .....	(c)	295.40	(c)	443.10

<sup>1</sup> Not applicable, since the highest possible average earnings is \$650.

## 2. Increase in benefits for certain individuals age 72 and over

The Senate amendment provides a 5-percent increase in the special benefits payable to certain individuals age 72 and over who are not insured for regular benefits. This increase would be effective for January 1971 and would raise payments from \$46 to \$48.30 for individuals and from \$69 to \$72.50 for couples.

The conference agreement accepts the provision of the Senate amendment.

## 3. Liberalization of earnings test

Under present law, a beneficiary may earn up to \$1,680 annually (or up to \$140 in a month) with no reduction in social security benefits. Each \$2 earned between \$1,680 and \$2,880 results in a \$1 reduction in benefits; each \$1 earned above \$2,880 reduces benefits by \$1. The Senate amendment would make two changes, effective January 1971:

(a) Beneficiaries could earn up to \$2,400 annually (up to \$200 in 1 month) with no reduction in benefits.

(b) For all earnings above \$2,400, benefits would be reduced \$1 for each \$2 earned.

This provision is omitted from the conference substitute.

It is the understanding of the managers that the House will be considering this matter in connection with social security legislation now pending before the Committee on Ways and Means and they expect that the legislation reported out by the Committee on Ways and Means will provide for an increase in the earnings test.

## 4. Changes in social security taxes

The cost of the Senate amendment would be met by increasing the tax base from \$7,800 to \$9,000 a year, beginning January 1972, and by increasing the tax rates on employers and employees. The tax base would similarly be increased for the self employed, although the tax rates for them scheduled in present law would not be raised.

Under present law, the OASDI tax rate is scheduled to remain at 4.6 percent through 1972 and to increase to 5 percent in 1973 and thereafter. Under the Senate-passed amendment, the rates would increase to 5 percent in 1973 (as under present law), to 5.3 percent in 1976, and to 5.6 percent in 1981.

The allocation of taxable wages to the disability insurance trust fund would be increased under the Senate amendment from 1.1 percent today to 1.25 percent beginning in 1981.

The conference agreement includes the increase in the tax base from \$7,800 to \$9,000 a year effective January 1972 provided under the Senate amendment.

Omission of the provisions of the Senate amendment providing a \$100 minimum primary insurance amount and increasing the earnings limit reduces the cost of the amendment. Therefore, the conference agreement provides for an increase in taxes in 1976 and after from 5 percent to 5.15 percent for employers and employees. This change results in keeping the program on an actuarially sound basis.

In addition, the conference agreement omits the change in the allocation to the disability insurance trust fund.

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

	Employees and employers, each				Self-employed			
	OASDI (percent)	HI (percent)	Total (percent)	Maximum tax	OASDI (percent)	HI (percent)	Total (percent)	Maximum tax
Present law: <sup>1</sup>								
1971-72.....	4.6	0.6	5.2	\$405.60	6.9	0.6	7.5	\$585.00
1973-75.....	5.0	.65	5.65	440.70	7.0	.65	7.65	596.70
1976-79.....	5.0	.7	5.7	444.60	7.0	.7	7.7	600.60
1980-86.....	5.0	.8	5.8	452.40	7.0	.8	7.8	608.40
1987 and after.....	5.0	.9	5.9	460.20	7.0	.9	7.9	616.20
Conference agreement:								
1971.....	4.6	.6	5.2	405.60	6.9	.6	7.5	585.00
1972 <sup>2</sup> .....	4.6	.6	5.2	468.00	6.9	.6	7.5	675.00
1973-75 <sup>2</sup> .....	5.0	.65	5.65	508.50	7.0	.65	7.65	688.50
1976-79 <sup>2</sup> .....	5.15	.7	5.85	526.50	7.0	.7	7.7	693.00
1980-86 <sup>2</sup> .....	5.15	.8	5.95	535.50	7.0	.8	7.8	702.00
1987 and after <sup>2</sup> .....	5.15	.9	6.05	544.50	7.0	.9	7.9	711.00

<sup>1</sup> Tax rates apply to annual earnings up to \$7,800.

<sup>2</sup> Tax rates apply to annual earnings up to \$9,000.

#### ACTUARIAL COST ESTIMATES

The old age, survivors, and disability insurance system, as modified by the conference agreement, has an estimated long-range cost that is in close balance with income. The old age and survivors insurance portion of the program has an actuarial imbalance of -0.06 percent of taxable payroll while the DI portion has an imbalance of -0.04 percent of taxable payroll. As a whole, the OASDI system has an actuarial imbalance of -0.10 percent of taxable payroll, which is within the acceptable limit of variation for long-range financing. Accordingly, the OASDI system as modified by the conference agreement is actuarially sound.

The combined employer-employee rate for the old age, survivors, and disability insurance system is compared with present law in the following table:

TABLE III.—OLD AGE, SURVIVORS, AND DISABILITY INSURANCE COMBINED EMPLOYER-EMPLOYEE RATE

Calendar year	Present law (percent)	Conference agreement (percent)
1971-72 .....	9.2	9.2
1973-75 .....	10.0	10.0
1976 and after .....	10.0	10.3

The allocation to the disability insurance program would under the conference agreement be exactly as under the present law—namely 1.1 percent of taxable payroll for all future years.

The self-employed rate for OASDI will also be the same under the conference agreement as under present law—namely 6.9 percent in 1971-72 and 7 percent thereafter.

The following table traces the changes in actuarial balance of the OASDI system from its situation under present law, according to the latest estimates, to that under the conference agreement:

TABLE IV.—CHANGES IN ACTUARIAL BALANCE OF OLD-AGE, SURVIVORS, AND DISABILITY SYSTEM AS PERCENTAGE OF TAXABLE PAYROLL, BY TYPE OF CHANGE, INTERMEDIATE-COST ESTIMATES, PRESENT LAW AND CONFERENCE AGREEMENT

	[In percent]		
	OASI	DI	Total
Actuarial balance of present system changes.....	+0.29	+0.05	+0.34
\$9,000 earnings base in 1972.....	+ .25	+ .02	+ .27
10-percent-benefit increase.....	- .78	- .10	- .88
Liberalized maximum family benefits.....	- .05	- .01	- .06
Revised contribution schedule.....	+ .23	.00	+ .23
Total effect of amendments.....	-.35	-.09	-.44
Actuarial balance under the conference agreement.....	-.06	-.04	-.10

Additional OASDI benefit payments resulting from the conference agreement, for selected years in the short-run future, are shown in the following table, by provision.

TABLE V.—ESTIMATED ADDITIONAL OASDI BENEFIT PAYMENTS IN CALENDAR YEARS 1971, 1972 AND 1975

	[In millions of dollars]		
	1971	1972	1975
General 10-percent benefit increase.....	3,120	3,572	3,994
5-percent increase in special payments to noninsured and transitional insured persons aged 72 and over.....	16	14	8
Liberalized family maximum benefits.....	20	63	152
Total.....	3,156	3,649	4,154

The following table shows short-range estimates of the progress of the OASI and DI trust funds, combined, under present law, and under the system as modified by the conference agreement:

TABLE VI.—PROGRESS OF THE OASI AND DI TRUST FUNDS, COMBINED, UNDER PRESENT LAW AND UNDER THE SYSTEM AS MODIFIED BY THE AMENDMENTS, CALENDAR YEARS 1971-75

[In billions of dollars]

Calendar year	Income		Outgo	
	Present law	Conference agreement	Present law	Conference agreement
1971.....	41.9	41.8	35.3	38.4
1972.....	45.7	47.7	36.9	40.6
1973.....	52.1	55.3	38.4	42.3
1974.....	55.3	58.9	39.9	44.0
1975.....	58.4	62.3	41.5	45.7
	Net increase in funds		Assets, end of year	
	Present law	Conference agreement	Present law	Conference agreement
1971.....	6.6	3.4	44.7	41.4
1972.....	8.9	7.2	53.5	48.6
1973.....	13.7	13.0	67.3	61.6
1974.....	15.4	14.9	82.6	76.5
1975.....	16.9	16.6	99.5	93.1

Mr. MILLS,  
 Mr. WATTS,  
 Mr. ULLMAN,  
 Mr. BYRNES OF WISCONSIN,  
 Mr. BETTS,  
*Managers on the Part of the House.*  
 Mr. LONG,  
 Mr. ANDERSON,  
 Mr. TALMADGE,  
 Mr. BENNETT,  
 Mr. CURTIS,  
*Managers on the Part of the Senate.*

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