

Staff Data and Materials Related to  
**Social Security Retirement Test**

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COMMITTEE ON FINANCE  
UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*

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Data and Materials Prepared by the Staff of the  
Committee on Finance for the Use of the

**SUBCOMMITTEE ON SOCIAL SECURITY**

GAYLORD NELSON, Wisconsin, *Chairman*



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## I. THE PRESENT RETIREMENT TEST

Social Security beneficiaries under age 72 have their benefits reduced when their earnings exceed certain limits. This is the so-called "retirement test," or "work clause," or "earnings limitation," or "earnings test" of the Old-Age, Survivors, and Disability Insurance (OASDI) system established by the Social Security Act. Present law permits beneficiaries age 65 and over to have higher annual earnings without loss of benefits than an individual under 65. With that one major exception, the other aspects of the test are applied equally to most beneficiaries under age 72.

### Annual Earnings Limitations

In any year, each beneficiary under age 72 (except disabled workers and disabled children of retired, disabled, or deceased workers—to whom the test is not applicable) may earn an amount described in the law for that year without any reduction in benefits. If a beneficiary exceeds this exempt amount, his benefits will be reduced by \$1 for every \$2 of annual earnings above that exempt amount. The point at which a person's earnings are so great that he will receive no benefits is referred to as the overall earnings limit. This limit will vary in relation to the amount of benefits to which a worker and his family are otherwise entitled.

For 1980, the exempt amount for an individual under 65 is \$3,720 and this amount will be increased each year in proportion to the rise in average earnings taxed for social security. For people age 65 and over, the exempt amount is \$5,000 for 1980, \$5,500 for 1981, and \$6,000 for 1982. Starting in 1983, the amount will rise by the same percentage as the amount for people under 65.

The following table shows what the level of the exempt amount has been since 1977 when the two-tiered system was enacted and estimates of what the exempt amounts will be through 1985.

**TABLE 1. RETIREMENT TEST EXEMPT AMOUNTS, 1977  
THROUGH 1985**

| <b>Calendar year</b> | <b>Under age 65</b> | <b>Age 65 and over</b> |
|----------------------|---------------------|------------------------|
| 1977                 | \$3,000             | \$3,000                |
| 1978                 | 3,240               | 4,000                  |
| 1979                 | 3,480               | 4,500                  |
| 1980                 | 3,720               | 5,000                  |
| 1981                 | 4,080               | 5,500                  |
| 1982                 | 4,440               | 6,000                  |
| 1983                 | 4,800               | 6,600                  |
| 1984                 | 5,280               | 7,320                  |
| 1985                 | 5,760               | 8,040                  |

Source: Office of the Actuary, SSA.

Estimates based on the economic assumptions accompanying the President's March update of the fiscal year 1981 Budget.

The following table compares the overall earnings limit for people over and under 65 at three benefit levels:

TABLE 2. EFFECT OF SOCIAL SECURITY EARNINGS TEST IN ILLUSTRATIVE CASES AS OF JULY 1980<sup>1</sup>

|  | Worker (and spouse) both age 65 |  |   | Worker (and spouse) both age 62 |  |   |   |
|--|---------------------------------|--|---|---------------------------------|--|---|---|
|  | Annual benefit                  | Total earnings and benefits before any benefits are withheld | Earnings at which all benefits are withheld | Annual benefit                  | Total earnings and benefits before any benefits are withheld | Earnings at which all benefits are withheld |   |
| 1. Minimum benefit:                                    |                                 |  |   |                                 |  |   |   |
| Worker only  | \$1,740.50                      | \$6,741.49   | \$8,481                                     | \$1,269.20                      | \$4,990.19   | \$6,259                                     |   |
| Worker and spouse                                      | \$2,611.70                      | 7,612.69   | 10,224                                      | 1,865.00                        | 5,585.99   | 7,450                                       | ∞ |
| 2. Federal minimum wage worker:                        |                                 |  |   |                                 |  |   |   |
| Worker only  | 3,857.00                        | 8,857.99   | 12,714                                      | 2,757.80                        | 6,478.79   | 9,236                                       |   |
| Worker and spouse                                      | 5,785.50                        | 10,786.49  | 16,571                                      | 4,051.20                        | 7,772.19   | 11,823                                      |   |
| 3. Career earnings equal to national average earnings: |                                 |  |   |                                 |  |   |   |
| Worker only  | 5,859.50                        | 10,860.49  | 16,719                                      | 4,110.60                        | 7,831.59   | 11,942                                      |   |
| Worker and spouse                                      | 8,790.20                        | 13,791.19  | 22,581                                      | 6,037.90                        | 9,758.89   | 15,796                                      |   |
| 4. Maximum benefit:                                    |                                 |  |   |                                 |  |   |   |
| Worker only  | 7,433.10                        | 12,434.09  | 19,867                                      | 5,234.00                        | 8,954.99   | 14,188                                      |   |
| Worker and spouse                                      | 11,150.00                       | 16,150.99  | 27,300                                      | 7,687.90                        | 11,408.89  | 19,096                                      |   |

<sup>1</sup> Assuming no earnings by the spouse.

### **The Monthly Measure of the Retirement Test**

Under the law in effect prior to 1978, a beneficiary was paid his benefit for any month in which he did not earn more than the monthly exempt amount (\$250 a month for 1977) and did not render "substantial services" in self-employment. The 1977 Social Security Amendments eliminated this provision starting January 1978 except for one "grace year" in which the individual concerned is paid his first monthly benefit. For example, an individual earns \$30,000 in the first half of 1980 and reaches age 65 in July when he retires. If the annual test applies, he should be paid no benefit for 1980. However, because it is the year in which he is first paid a benefit, he will be paid for the last 6 months of the year because he does not earn more than \$416.66 (one-twelfth of the annual exempt amount) in any month after June. Should he be recalled to his old job for the first half of 1981 and have the same earnings as he had for 1980, he would not be paid for any month of 1981 because of his earnings in the first half of the year.

### **The Age at Which the Test No Longer Applies**

At age 72 and thereafter, beneficiaries receive their monthly benefits without regard to their earnings. Until 1973, earnings throughout the year in which age 72 was reached were counted in the test. The 1972 amendments modified this provision so that earnings in and after the month of attaining age 72 would no longer affect the benefits payable for earlier months in the year.

Under the 1977 amendments, the age at which the test no longer applies will be lowered to 70 starting January 1982.

### **Earnings to Which the Test Applies**

In determining for beneficiaries in the United States whether or not the earnings limitations have been exceeded, only "wages" and "net earnings from self-employment" are considered (whether or not such wages or earnings are derived from employment covered by the Social Security Act). Income which is neither wages nor net earnings from self-employment is not counted. Thus, persons may receive any amount of income from investments (such as interest, dividends, and rentals from real estate), and any amount of income from pensions or annuities without having any reduction in their benefits.

The reason why only "earned income" is counted in applying the test is generally related to the purpose of the program as providing an income in lieu of wages or self-employment income.

### **Effect on Dependents and Survivors**

If the dependents of a retired worker are receiving benefits on the basis of his earnings record, their benefits will be reduced if the retired worker exceeds the earnings limitation (even if the dependents, as to their own earnings, have themselves stayed within the earnings limits). In making deductions, all the family's benefits are added together, and the reductions are made in the total family benefit. If a dependent (including the eligible dependents of a disability beneficiary) exceeds the earnings limitations, the benefit for that dependent will be reduced, but the benefits of the other members of the family will not be affected.

### **Test for Beneficiaries Outside the United States**

The retirement test is different for people who work outside the United States. Any such work that is in covered employment (such as work outside the United States for an American corporation) is considered under the regular test. Employment which is not covered by the Social Security Act is treated differently: a person under age 72 in this situation will not be paid a benefit for any month in which he works on seven or more calendar days.



## II. LEGISLATIVE HISTORY OF THE RETIREMENT TEST

When the Social Security Act first passed the House of Representatives there was no provision restricting the amount an individual might earn and still receive his retirement benefit. However, the law which was finally enacted contained a provision added by the Senate which prohibited payment for any month in which the beneficiary "received wages with respect to regular employment." In its report to the Senate, the Committee on Finance pointed out that the House-passed bill would have paid benefits to people age 65 and over even though they continued in regular employment. The Committee described this as "an anomaly which we believe should not be permitted" because "There is no need for payment of old-age benefits to employees who continue in employment."

Although Congress has always provided a retirement test in the social security program, it has modified the definition of retirement a number of times. Originally the law prohibited a person from drawing a benefit for any month in which he had wages from "regular employment." The term "regular employment," however, was not defined. This test was never applied because the law was amended in 1939, and the first monthly social security benefits were not paid until January 1940. Under the 1939 amendments, a test was instituted under which a month's benefit was withheld for any month in which a beneficiary earned more than \$14.99 in covered employment. The Social Security Amendments of 1950 raised the earnings limitation from \$14.99 to \$50 a month; and the amendments of 1952 further increased it to \$75 a month. The amendments of 1950 also eliminated the earnings test for beneficiaries aged 75 and over.

The 1954 amendments lowered the age at which earnings were exempt from the test from 75 to 72. They also changed the earnings limitation from a simple monthly test to one that measured both monthly and yearly earnings. Under this test one month's benefit was withheld for each \$80, or fraction thereof, that a beneficiary's annual earnings (from both covered and noncovered employment) exceeded \$1,200 a year. However, no benefit was withheld for any month in which the beneficiary both received wages of \$80 or less and did not participate in substantial self-employment. Thus, if a beneficiary earned \$1,200.01, he would lose one benefit check. If he earned \$1,280.01, he would lose two benefit checks (disregarding the monthly measure) and so on until all twelve checks were lost in a year in which a beneficiary earned more than \$2,080. The Social Security Amendments of 1958 increased the monthly measure—the amount that could be earned in a month and still receive a benefit—from \$80 to \$100.

The 1960 amendments changed the retirement test by eliminating the provision that a month's benefit be lost for each \$100 earned in excess of \$1,200 and substituting a provision that a beneficiary would lose \$1 in benefits for every \$2 of earnings above \$1,200 and below \$1,500, and \$1 in benefits for every \$1 of earnings over \$1,500. This legislation eliminated from the retirement test the possibility, which existed in previous law, that a beneficiary might lose more in benefits than he realized by a given increase in earned income over the \$1,200 limit.

The retirement test was changed by the 1961 Social Security Amendments by increasing from \$300 to \$500 the amount of earnings

over \$1,200 that are subject to reduction at the rate of \$1 of benefits for every \$2 of earnings.

The 1965 Social Security Amendments (a) increased the annual exempt amount from \$1,200 to \$1,500; (b) increased the upper limit of the \$1-for-\$2 "band" from \$1,700 to \$2,700 so that \$1 in benefits is withheld for each \$2 of earnings between \$1,500 and \$2,700, with \$1-for-\$1 reductions above \$2,700; and (c) permitted payment of full benefits to a beneficiary, regardless of the amount of his annual earnings, for any month in which he did not earn wages of more than \$125, rather than \$100.

The 1967 Social Security Amendments (a) increased the annual exempt amount from \$1,500 to \$1,680; (b) increased the upper limit of the \$1-for-\$2 "band" from \$2,700 to \$2,880 so that \$1 in benefits was withheld for each \$2 of earnings between \$1,680 and \$2,880 with \$1-for-\$1 reduction above \$2,880; and (c) permitted payment of full benefits to a beneficiary, regardless of the amount of his annual earnings, for any month in which he did not earn wages of more than \$140, rather than \$125.

The Social Security Amendments of 1972, effective January 1973, (a) increased the annual exempt amount from \$1,680 to \$2,100; (b) eliminated the \$1-for-\$1 reduction so that regardless of how much an individual earned, each \$2 earned in excess of \$2,100 a year would cause only a \$1 reduction in benefits; (c) permitted payment of full benefits to a beneficiary, regardless of the amount of his annual earnings, for any month in which he did not earn wages of more than \$175, rather than \$140; (d) provided that in the year in which an individual attained age 72, earnings in and after the month in which he reached age 72 would not be included in determining his total earnings for that year; and (e) starting in 1975 the amount of exempt earnings was to be automatically increased in proportion to the rise in the average earnings taxed for social security purposes each time there was an automatic cost-of-living increase in benefits.

Subsequent legislation increased the annual exempt amount to \$2,300 a year and the automatic increase provisions raised it to \$3,000 for 1976.

The Social Security Amendments of 1977 (Public Law 95-216) raised to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and \$6,000 in 1982 the annual amount of earnings a beneficiary age 65 to 71 may have without having any benefits withheld. After 1982, the limitation will be adjusted automatically at the same rate that earnings rise in the economy. The cost of this change is estimated to be \$0.6 billion in fiscal year 1981. The retirement test of the prior law, which increases automatically as national earnings levels rise, continues to apply to beneficiaries under age 65 (see table 1).

The age at which individuals may receive full benefits without regard to their earnings will be reduced as a result of the 1977 amendments from 72 to 70, beginning in 1982.

The amendments also eliminated the monthly exception to the retirement test—the provision in prior law under which full social security benefits were paid for any month in which a person did not engage in substantial self-employment and earned one-twelfth of the annual retirement test amount, or less, regardless of total earnings for the year. However, the monthly exception was retained for the first year in which an individual begins to receive retirement benefits.

The following table provides a quick-reference summary of the history of the retirement test.

TABLE 3. - HISTORY OF RETIREMENT TEST

| Act                 | Beneficiaries exempt | Earnings subject to test       | Amount permitted without reduction in benefits |                              | Reduction in monthly benefits                      | Effective year |
|---------------------|----------------------|--------------------------------|--|------------------------------|--|----------------|
|                     |                      |                                | Annual earnings                                | Monthly wages <sup>1,2</sup> |  |                |
| 1935                |                      | Covered                        |  |                              | Full monthly benefit                               |                |
| 1939                |                      |                                |  | \$14.99                      |  | 1940           |
| 1950                | Aged 75 and over     |                                | \$ 600   | 50.00                        |  | 1951           |
| 1952                |                      |                                | \$ 900   | 75.00                        |  | 1953           |
| 1954                | Aged 72 and over     | All <sup>4</sup>               | 1,200  | 80.00                        | 1 mo benefit for each \$80 or fraction thereof.    | 1955           |
| 1956                | Disabled             |                                |  |                              |  | 1958           |
| 1958                |                      |                                |  | 100.00                       |  | 1959           |
| 1960                |                      |                                |  |                              | \$1 for each \$2 of earnings from \$1,201-\$1,500. | 1961           |
|                     |                      |                                |  |                              | \$1 for each \$1 of earnings over \$1,500.         |                |
| 1961                |                      |                                |  |                              | \$1 for each \$2 of earnings from \$1,201-\$1,700. | 1962           |
|                     |                      |                                |  |                              | \$1 for each \$1 of earnings over \$1,700.         |                |
| 1965                |                      |                                | 1,500  | 125.00                       | \$1 for each \$2 of earnings from \$1,501-\$2,700. | 1966           |
|                     |                      |                                |  |                              | \$1 for each \$1 of earnings over \$2,700.         |                |
| 1967                |                      |                                | 1,680  | 140.00                       | \$1 for each \$2 of earnings from \$1,681-\$2,880. | 1968           |
|                     |                      |                                |  |                              | \$1 for each \$1 of earnings over \$2,880.         |                |
| 1972                |                      | Excludes earnings after age 72 | \$ 2,100                                       | \$ 175.00                    | \$1 for each \$2 of earnings over \$2,100          | 1973           |
| 1973                |                      |                                | \$ 2,400                                       | \$ 200.00                    | \$1 for each \$2 of earnings over \$2,400          | 1974           |
| 1973 <sup>6</sup>   |                      |                                | \$ 2,520                                       | \$ 210.00                    | \$1 for each \$2 of earnings over \$2,520          | 1975           |
| 1973 <sup>6</sup>   |                      |                                | \$ 2,760                                       | \$ 230.00                    | \$1 for each \$2 of earnings over \$2,760          | 1976           |
| 1973 <sup>6</sup>   |                      |                                | \$ 3,000                                       | \$ 250.00                    | \$1 for each \$2 of earnings over \$3,000          | 1977           |
| 1973 <sup>6,7</sup> |                      |                                | 3,240  | \$ 270.00                    | \$1 for each \$2 of earnings over \$3,240          | 1978           |

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FOR BENEFICIARIES AGED 65 TO 72

|      |   |       |        |   |      |
|------|---|-------|--------|---|------|
| 1977 |   | 4,000 | 333.33 | \$1 for each \$2 of earnings over \$4,000 | 1978 |
|      |   | 4,500 | 375.00 | \$1 for each \$2 of earnings over \$4,500 | 1979 |
|      |   | 5,000 | 416.66 | \$1 for each \$2 of earnings over \$5,000 | 1980 |
|      |   | 5,500 | 458.33 | \$1 for each \$2 of earnings over \$5,500 | 1981 |
|      | Aged 70 and over . . . Excludes earnings after age 70 . . . | 6,000 | 500.00 | \$1 for each \$2 of earnings over \$6,000 | 1982 |

<sup>1</sup> Monthly test for self-employment income is defined in terms of substantial gainful services.

<sup>2</sup> Monthly test eliminated except for year of retirement, beginning in 1978.

<sup>3</sup> Applied to self-employment income only.

<sup>4</sup> Special provisions for earnings in noncovered employment outside United States.

<sup>5</sup> Subject to automatic provisions.

<sup>6</sup> Became effective due to automatic provisions.

<sup>7</sup> Only applicable to beneficiaries aged 64 and under. See following section.

Source: Office of the Actuary, March 1978 publication: "History of the Provisions of Old Age, Survivors, Disability, and Health Insurance, 1935-1977."

### III. WHO IS AFFECTED BY THE RETIREMENT TEST

The latest published information on persons affected by the retirement test is for calendar year 1975 ("Beneficiaries Affected by the Annual Earnings Test in 1975," *Social Security Bulletin*, December, 1978). Data concerning persons affected by the retirement test must be cautiously interpreted. The 1975 data do not reflect the impact of very substantial changes in the retirement test which are being phased in over a period of years under the 1977 Social Security Amendments. Moreover, it should be emphasized that statistics concerning persons who have their benefits reduced or eliminated by the retirement test are based on individuals who have actually applied for benefits. Persons age 62-65 generally would not apply for benefits if they were continuing to work at a sufficiently high wage level to rule out any benefit payment under the retirement test. The reason for this is that benefits in that age range are actuarially reduced and it could be disadvantageous to establish technical eligibility. On the other hand, it is highly advantageous for persons age 65 and over to file for benefits even if all benefits will be withheld under the retirement test. This is because establishment of social security benefit eligibility is required in order to receive medicare benefits (which are payable without regard to the retirement test).

In 1975, 1,319 million retired-worker beneficiaries (14 percent of all retired-worker beneficiaries) had benefits reduced or eliminated by the retirement test. Approximately 311 thousand of these retired worker beneficiaries had dependents whose benefits were also affected on account of the worker's earnings. In addition, benefits were reduced or eliminated for 336 thousand dependents and survivors on account of their own earnings. The total amount of benefits withheld under the retirement test in 1975 was \$3 billion.

As previously mentioned, these figures do not include individuals who had not received benefits that because no application was made. Approximately 2.4 million workers between ages 62 and 71 who were eligible for benefits had not applied.

#### Retired Worker Beneficiaries

Of those retired-worker beneficiaries who had benefits reduced, 34 percent lost all benefits. Retired workers and their dependents had \$2.7 billion withheld out of a total amount of \$4.3 billion that would have been paid without the retirement test. Approximately 57 percent of the retired workers affected were men and 43 percent were women. Eighty-three percent of the men and 78 percent of the women were 65-71 years of age.

The total number of retired worker beneficiaries affected by the test declined from 1,556 million in 1970 to 1,319 million in 1975. For men these figures represent a 16 percent decline; for women, a 13 percent decline. A more detailed table showing this change and other effects of the test on retired worker beneficiaries is provided in table 7.

### **Dependent and Survivor Beneficiaries**

The 336,000 dependent and survivor beneficiaries affected by the test represented only 3.6 percent of the 9.3 million such persons on the rolls in 1975. Seventy-one percent of them were survivors; 16 percent were dependents of disabled workers and 13 percent were dependents of retired workers. Widows and widowed mothers accounted for more than 60 percent of all the dependents and survivors affected by the test, and almost two-thirds of that group were widowed mothers. The next largest single group was spouses of disabled workers, representing almost 10 percent of all dependents and survivors affected by the test.

These groups of beneficiaries lost about \$300 million, or 57 percent of the \$529 million that would have been paid to them without the retirement test.

The ratio of benefits withheld to benefits before withholding did not differ much between these groups. Average withholding was 66 percent for spouses of disabled workers; 66 percent for spouses of retired workers; 49 percent for widows; and 65 percent for widowed mothers and fathers.

A more detailed table showing the effect of the retirement test on these groups of beneficiaries is provided in table 8.

#### **IV. ISSUES RELATING TO THE ELIMINATION OF THE MONTHLY MEASURE**

The monthly measure of retirement, a feature of the social security program's earnings limitation provision, was eliminated by the Congress in the 1977 Social Security Amendments. Generally speaking, the monthly measure was retained only for the first year of retirement.

Since adoption of the 1977 legislation, problems with the particular language enacted and related earnings limitation issues have come to the attention of the Congress and the Administration. In 1978 and again in 1979 the Administration submitted proposed legislation to correct certain unintended results related to the elimination of the monthly measure, and a number of bills have been introduced in the 96th Congress dealing with that change.

#### **Background**

From 1940, when monthly benefits first became payable, through 1977, the social security program operated with a monthly measure of retirement. The first annual test of retirement was added to the law in 1951 when self-employed individuals were brought under the program. (This was done because it was considered impossible in many cases for self-employed persons to compute their earnings on a monthly basis.) No matter how high his annual earnings, however, a self-employed beneficiary could get a benefit for any month in which he did not render substantial services in his business.

As a result of criticisms relating to the different treatment given to wage earners and self-employed persons under the test, Congress provided under the 1954 amendments that earnings from self-employment and wage employment would be treated on a comparable basis for retirement test purposes, and that an annual earnings test would be applied to wages as well as to earnings from self-employment.

This provision for a combined monthly-annual retirement test became effective in 1955. In the years that followed, there was increasing concern over the fact that the test had the result of permitting payment of benefits to beneficiaries who had substantial annual earnings. Responding to requests from the Congress, the Department of Health, Education, and Welfare submitted reports in 1960 and in 1969 on whether there should be a change in the monthly test. In each case the finding was that no change should be made. The 1969 report cited the administrative complexities that elimination of the monthly test would entail. The major function of the monthly test was described as making possible the payment of benefits beginning with the first month of retirement.

However, in 1975 the Advisory Council on Social Security recommended in its report that the monthly test be eliminated except for the first year a cash benefit is received so that a beneficiary could be paid benefits beginning with the first month of retirement. The Advisory Council's report observed that :

The present test, with a combined annual-monthly measure of earnings, creates an anomaly by permitting the payment of benefits in some situations where payment is difficult to justify. For example, a beneficiary who earns, say, \$15,000 a year and who works regularly throughout the year has all benefits withheld. A beneficiary, however, who earns the same amount, but works only part of the year, say 8 months, can receive benefits for the remaining 4 months. Also, people who customarily work less than a full 12 months each year (e.g., in seasonal employment) can, upon reaching the age of eligibility for benefits, receive some social security benefits during the year even though their work patterns have not changed and their annual earnings are substantial.

Budgets submitted by the Administration for fiscal years 1976, 1977 and 1978 included the Advisory Council's recommendation for elimination of the monthly measure.

### **The 1977 Amendments**

The Social Security Amendments of 1977, as approved by the Ways and Means Committee and passed by the House, included a provision to eliminate the monthly test. The Finance Committee did not approve the provision when it reported its version of the 1977 amendments, but a provision identical to the House provision was added to the bill by a Senate floor amendment. The provision was thus not an issue before the House-Senate conference, and was enacted into law as part of Public Law 95-216.

As enacted, Public Law 95-216 provided generally that an individual could use the monthly earnings test only in a year in which he first becomes entitled to social security benefits, and in which there is a month when he does not earn over one-twelfth the annual exempt amount or perform substantial services in self-employment. The purpose of providing the monthly test for this "grace year" was to assure that an individual who retired during a year after earning a substantial amount earlier in the year would get benefits for the months in which the beneficiary actually was retired. This provision was effective for benefits payable after December 1977.

### **Effects of the 1977 Provision**

Pending before the committee are a number of bills designed to correct problems which have arisen as the result of the 1977 elimination of the monthly measure. Certain categories of beneficiaries, such as mothers and children, as well as retired workers entitled to medicare, have experienced unintended difficulties as a result of the new provision. The repeal of the monthly measure also has raised questions of how to treat certain earnings attributable to services performed prior to retirement. In addition, a number of beneficiaries were adversely affected by the retroactive application of the provision.

More specifically, legislative proposals before the committee address the following issues:



*Effect on beneficiaries who are not retirees.*—Although the provision to eliminate the monthly measure was designed primarily with retirees in mind, it has produced unforeseen results with respect to beneficiaries who are entitled to child's (including student's) benefits, or mother's benefits. These beneficiaries often have substantial earnings in the year in which they enter or reenter the work force. If their earnings are above the exempt amount allowed under the annual test, the benefits they have received in the months prior to going to work may constitute overpayments and have to be repaid, either in part or in full. It has been pointed out that in many cases these beneficiaries cannot anticipate at the beginning of the year whether they will have earnings later in the year, or the amount of such earnings. Requiring repayment in this circumstance thus can cause financial hardship, and can also discourage the individual from going to work. It has been proposed that these beneficiaries be allowed to use a monthly earnings test in the year in which their benefits terminate as well as in the year they retire. H.R. 5295, as passed by the House, includes a provision which would have this effect.

*Effect on certain medicare beneficiaries.*—Under current law, an individual must file for social security cash benefits in order to be entitled to hospital insurance benefits under medicare. This is the case even though the individual will not be eligible for cash benefits because his earnings are too high. As a result, his "grace year" may be inadvertently triggered by an isolated month of no earnings or low earnings. When he actually retires in some later year, he is not eligible for the monthly test and may therefore be ineligible for cash benefits until the following year. Proposals to resolve this problem, including a provision in H.R. 5295, provide generally for separate applications for cash benefits and for hospital insurance benefits in order to reserve the "grace year" for the year the individual actually retires.

*Treatment of self-employed income attributable to services performed prior to the year of retirement.*—The conversion to an annual test for all years except the year of retirement has brought into focus the issue of how certain kinds of earnings from self-employment should be treated for retirement test purposes.

Among those who claim that the conversion has affected them adversely are self-employed insurance agents, lawyers, accountants, real estate agents, and farmers. Under a combined annual-monthly earnings test in effect prior to 1978, a self-employed beneficiary could receive a benefit for any month in which he did not render substantial services in self-employment, even if his annual earnings were substantial. The primary test used to determine whether an individual had engaged in substantial services was whether he worked over 45 hours a month in self-employment. As a result, while the monthly earnings test was in effect, certain self-employed beneficiaries receiving income based on services rendered before retirement could receive 12 months of social security benefits so long as they did not breach the substantial services test.

Self-employed special and general insurance agents who sell insurance policies on which they receive renewal commissions—commissions that may have been planned for use as retirement income—have claimed to be particularly adversely affected. Under applicable tax law,

income from the commissions is counted as income for social security and Federal income tax purposes in the year in which the income is received. As long as the monthly test was in effect, the agents could receive 12 months of social security benefits, since the test for self-employed beneficiaries under the substantial services test was 45 hours of work or less per month. With the monthly earnings test repealed, many of these agents lose some or all of their social security benefits when their commission income from sales in previous years is substantial.

Similarly affected by the repeal of the monthly test are certain retired partners such as lawyers and accountants. The substantial services test had application to those beneficiaries who had retired from a partnership and were receiving a return of the capital (equity or debt) or work-in-progress payments they had invested in the partnership. Under the monthly earnings test prior to 1978, partners receiving such payments could also receive full social security benefits for any month in which they did not perform substantial services in self-employment. With elimination of the monthly test the payments to the retired partner result in many cases in reductions or complete withholding of benefits.

Another group of self-employed beneficiaries affected by the 1977 amendment is farmers. Prior law permitted farmers to sell a crop in a year after the year of retirement without having that income result in a loss of social security benefits for any month so long as the farmer did not perform substantial services in self-employment in any month of the year in which the crop was sold. Now that the substantial services test is limited to the year of retirement, income from the sale of a crop raised in the year of retirement or a year prior to retirement can affect a retired farmer's benefits under the annual earnings limitation, whether or not he performs substantial services in the year of the sale.

A number of bills have been introduced which would address the issue raised by these effects of the 1977 amendments. Generally these proposals have the effect of excluding from income, for earnings test purposes, self-employment income that results from services performed in prior years. H.R. 5295 includes a provision of this nature.

*Effect of retrospective application of the provision to eliminate the monthly test.*—The elimination of the monthly test under the 1977 Amendments was effective on a retrospective basis. As a result, any individual who filed an application for cash benefits and who had one or more months of earnings below the monthly exempt amount before January 1978 is considered to have already used the one "grace year" during which he is entitled to use the monthly test. This has had the effect of reducing or eliminating benefits to individuals who drew benefits prior to 1978, but had not yet actually retired. For example, a beneficiary who used his "grace year" before 1978 may substantially retire in the middle of some later year, but receive no benefits or reduced benefits for the rest of that year because of his earnings in the first 6 months.

H.R. 5295, as passed by the House, includes a provision which would give all beneficiaries one "grace year" after 1977, thus restoring benefits to individuals affected by the retrospective implementation of the 1977 amendment.

## V. DESCRIPTION OF H.R. 5295, AS PASSED BY THE HOUSE

The House bill would amend the Social Security Act to make the following changes:

1. It would provide, in the case of an individual receiving wife's insurance benefits by reason of having a child in her care or in the case of an individual receiving child's or mother's (including father's) insurance benefits, that a monthly measure of excess earnings under the earnings test will be applied in the year in which the individual's entitlement to such benefits ends. As a result, in that year the individual could receive full benefits for any month in which he neither works for wages in excess of the monthly measure (one-twelfth of the annual exempt amount) nor renders substantial services in self-employment, regardless of the amount of annual earnings. (Under present law, pursuant to the 1977 amendments, a strictly annual test is applied in all cases except during the initial year of entitlement.)

This amendment would be effective for months after December 1977, thereby providing retroactive relief for beneficiaries of the types involved who were adversely affected by the 1977 amendments.

2. The bill would amend the Act to permit an individual to file separately for cash benefits and for medicare benefits. This would have the effect of reserving the "grace year" for the year the individual actually retires.

The House bill would also provide that an individual who filed application for social security cash benefits at any time prior to the effective date of the bill would be deemed to have filed a separate application for medicare benefits at that time (without regard to whether the application for cash benefits remained in effect). As a result, individuals who had to file for cash benefits in the past solely to become entitled to medicare benefits, and who consequently triggered their "grace year" under the earnings test, could have their monthly "grace year" restored, and any benefit withheld as a result, made payable.

This amendment (and the separate applications for medicare benefits thereunder) would be effective beginning with the third month after enactment.

3. The bill includes an amendment which would benefit individuals in certain types of self-employment by providing for the exclusion from gross income for earnings test purposes any income of an individual entitled to retirement benefits which is attributable to services performed before the months in which such individual initially became entitled to those benefits.

This amendment would be effective for months after December 1977, so that individuals who had benefits withheld after that month because of income attributable to pre-entitlement services may have such benefits restored.

4. Finally, to deal generally with the issue of the retrospective effect of the 1977 amendments, the bill provides that every beneficiary would be entitled to the monthly earnings test in the first year after 1977 in which he had a month for which he was entitled to a social security benefit and in which his earnings were less than one-twelfth the annual exempt amount and no substantial services in self-employment were rendered.

TABLE 4. OASDI COST ESTIMATES FOR A BILL MODIFYING THE RETIREMENT TEST MONTHLY MEASURE H.R. 5295 AS PASSED BY THE HOUSE OF REPRESENTATIVES, FISCAL YEARS 1981-85

| Provision   | Additional OASDI benefit payments in fiscal years 1981-85<br>(in millions) |                   |                  |                  |                  |
|---|--|-------------------|------------------|------------------|------------------|
|   | 1981 <sup>1</sup>  | 1982              | 1983             | 1984             | 1985             |
| 1. For persons receiving mother's or child's benefits, provide for application of monthly measure in year in which entitlement to such benefits is terminated | (-)  | <sup>3</sup> \$70 | \$31             | \$33             | \$36             |
| 2. Provide that an individual applying for Medicare at age 65 does not also have to apply for retirement benefits at the same time                            | <sup>1</sup> \$-4  | 3                 | 7                | 10               | 13               |
| 3. Exclude all self-employment deferred income earned prior to entitlement  | 36   | 14                | 15               | 16               | 17               |
| 4. For all beneficiaries, provide for application of monthly measure in the first year after 1977 in which a "non-work" month occurs                          | 58   | 2                 | ( <sup>2</sup> ) | ( <sup>2</sup> ) | ( <sup>2</sup> ) |
| <b>Total for H.R. 5295</b>  | <b>90</b>  | <b>89</b>         | <b>53</b>        | <b>59</b>        | <b>66</b>        |

<sup>1</sup> Payments in 1981 include all additional benefits for months prior to 1981.

<sup>2</sup> Less than \$500,000.

<sup>3</sup> This estimate is based on the assumption that under present law, in the face of pending legislation, overpayments for 1978 and later will not be recovered until after fiscal year 1981.

<sup>4</sup> The estimated initial reduction in benefits is due to later filing of applications for OASI benefits.

Notes: (1) The estimates for each provision reflect the effects of the provisions that precede it in the table. (2) The bill is assumed to be enacted in September 1980. (3) The above estimates are based on the assumptions in the March update of the President's 1981 budget.

## **VI. OTHER PROPOSALS TO AMEND THE RETIREMENT TEST**

### **S. 248, introduced by Senator Dole**

S. 248 provides for excluding from income, for earnings test purposes, income derived from the sale of agricultural or horticultural commodities (including livestock, bees, poultry and fur-bearing animals and wildlife) produced in a prior year. This exclusion would apply only in the case of a year in which the individual did not perform substantial services (as determined by the Secretary), and only if the individual had not used the exclusion in a prior year.

### **S. 1287, introduced by Senator Goldwater**

S. 1287 would repeal the retirement test for all beneficiaries age 65 and over beginning in 1983.

### **S. 1418, introduced by Senator Jepsen**

S. 1418 is identical to S. 1287, but would become applicable beginning in 1980.

### **S. 1498, introduced by Senator Matsunaga**

S. 1498 would allow an individual to exclude from income for retirement test purposes any self-employment income received in a given year which was substantially attributable to services performed by the individual in previous years. This exclusion would be permitted only if the income based on prior year services constituted at least half of the individual's total self-employment income for the year in question. If an individual used this exclusion, no benefits would be payable on his account for any month during that year in which he performed substantial self-employment services or had wage earnings in excess of one-twelfth of the annual exempt amount.

### **S. 1554, introduced by Senator Durkin**

S. 1554 provides that renewal commissions received by a retired insurance agent from insurance policies which were sold by him before his retirement, shall not be taken into account in determining his net earnings from self-employment for purposes of the earnings test.

**S. 2034, introduced by Senator Durenberger**

S. 2034, like S. 1554, provides that renewal commissions received by a retired insurance agent from insurance policies which were sold by him before his retirement, shall not be taken into account in determining his net earnings from self-employment for purposes of the earnings test. In addition, the bill provides for excluding from income, for earnings test purposes, income derived from the sale of agricultural or horticultural commodities produced in a prior year. As under S. 218, this exclusion would apply only in the case of a year in which the individual did not perform substantial services (as determined by the Secretary), and only if the individual had not used the exclusion in a prior year.

**S. 2083, introduced by Senator Thurmond**

S. 2083 provides for excluding (after 1977) from gross income for earnings test purposes any income of an individual entitled to retirement benefits which is attributable to services performed before the month in which the individual initially became entitled to those benefits.

**S. 2208, introduced by Senator Laxalt**

S. 2208 provides for phasing out the application of the earnings test in the case of individuals age 65 and over. The earnings test would not apply to individuals age 70 and over in 1980, age 69 and over in 1981, age 68 and over in 1982, age 67 and over in 1983, age 66 and over in 1984, and age 65 and over in 1985.

**TABLE 5.—OASDI COST ESTIMATES FOR SELECTED PROPOSALS TO MODIFY THE RETIREMENT TEST**

| Retirement test proposal   | Bill No. | Effective<br>Jan. 1 | Additional OASDI benefit payments in fiscal<br>years 1981-85 |       |       |       |       |
|--|----------|---------------------|--|-------|-------|-------|-------|
|  |          |                     | 1981   | 1982  | 1983  | 1984  | 1985  |
| <b>Monthly retirement test</b>   |          |                     | <b>(Amounts in millions)</b>                                 |       |       |       |       |
| 1. Exclude renewal commissions from life insurance policies sold prior to year of attainment of age 65 from income of beneficiaries aged 65 and over.....      | S. 1554  | 1978                | \$9.0  | \$4.0 | \$4.0 | \$4.0 | \$5.0 |
| 2. Exclude income from sale of farm commodities produced in a prior year from income in 1 (and only 1) year in which no substantial services are rendered..... | S. 248   | 1978                | 9.0  | 3.0   | 3.0   | 4.0   | 4.0   |
| 3. Same as proposals 1 and 2, combined.....  | S. 2034  | 1978                | 18.0   | 7.0   | 7.0   | 8.0   | 9.0   |
| 4. Provide alternate retirement test for certain individuals with self-employment deferred income.....   | S. 1498  | 1981                | 11.0   | 13.0  | 14.0  | 15.0  | 16.0  |
| 5. Exclude all self-employment deferred income earned prior to entitlement.....  | S. 2083  | 1978                | 36.0   | 14.0  | 15.0  | 16.0  | 17.0  |

Eliminate retirement test for persons aged 65 and over

(Amounts in billions)

|   |         |      |                  |     |     |     |     |
|---|---------|------|------------------|-----|-----|-----|-----|
| 6. Eliminate retirement test for persons aged 65 and over   | S. 1287 | 1983 |                  |     | .9  | 2.1 | 2.2 |
| 7. Eliminate retirement test for persons aged 65 and over   | S. 1418 | 1980 | <sup>1</sup> 3.7 | 2.4 | 2.1 | 2.1 | 2.2 |
| 8. Phase out retirement test for persons aged 65 and over by gradually lowering the age at which the test no longer applies | S. 2208 | 1980 | <sup>1</sup> .9  | .6  | .8  | 1.3 | 1.9 |

<sup>1</sup> The enactment of each proposal was assumed to be in September 1980.

Note: The above estimates are based on the assumptions in the March update of the President's 1981 budget.

Source: Social Security Administration.



**TABLE 6.—NUMBER AND PERCENTAGE DISTRIBUTION OF RETIRED-WORKER BENEFICIARIES UNDER AGE 72 ON ROLLS AT END OF YEAR AND OF THOSE AFFECTED BY EARNINGS TEST AND AMOUNT OF BENEFITS WITHHELD AND BEFORE WITHHOLDING, BY SEX AND AGE GROUP 1970-75\***

| Sex and age | Retired-worker beneficiaries |                           |           |                           |                           |  |                                   |             |  |                               |
|-------------|------------------------------|---------------------------|-----------|---------------------------|---------------------------|--|-----------------------------------|-------------|--|-------------------------------|
|             | On rolls at end of year      |                           |           |                           | Affected by earnings test |  |                                   |             |  |                               |
|             | Number                       | Percent-age dis-tribution | Number    | Percent-age dis-tribution | Percent on rolls          | Percent eligible for benefits <sup>1</sup> | Amount of benefits (in thousands) |             | Ratio of benefits withheld to amount before with-holding | Percent who lost all benefits |
|             |                              |                           |           |                           |                           | Withheld                                   | Before withholding                |             |  |                               |
| 1975        |                              |                           |           |                           |                           |  |                                   |             |  |                               |
| Total       | 9,319,297                    | 100.0                     | 1,318,772 | 100.0                     | 14.2                      | 11.3                                       | \$2,684,559                       | \$4,252,463 | 0.63   | 34                            |
| Men         | 5,269,351                    | 56.5                      | 921,667   | 69.9                      | 17.5                      | 14.1                                       | 2,080,963                         | 3,210,208   | .65  | 39                            |
| Women       | 4,049,946                    | 43.5                      | 397,105   | 30.1                      | 9.8                       | 7.7  | 603,596                           | 1,042,255   | .60  | 21                            |
| Men         | 5,269,351                    | 100.0                     | 921,667   | 100.0                     | 17.5                      | 14.1                                       | 2,080,963                         | 3,210,208   | .65  | 39                            |
| 62 to 64    | 874,628                      | 16.6                      | 148,008   | 16.1                      | 16.9                      | 7.0  | 208,876                           | 426,278     | .49  | 11                            |
| 65 to 71    | 4,394,723                    | 83.4                      | 773,659   | 83.9                      | 17.6                      | 17.4                                       | 1,872,087                         | 2,783,930   | .67  | 44                            |
| Women       | 4,049,946                    | 100.0                     | 397,105   | 100.0                     | 9.8                       | 7.7  | 603,596                           | 1,042,255   | .58  | 21                            |
| 62 to 64    | 889,656                      | 22.0                      | 94,401    | 23.8                      | 10.6                      | 5.6  | 84,796                            | 178,422     | .48  | 6                             |
| 65 to 71    | 3,160,290                    | 78.0                      | 302,704   | 76.2                      | 9.6                       | 8.7  | 518,800                           | 863,833     | .60  | 26                            |

TABLE 4. OASDI COST ESTIMATES FOR A BILL MODIFYING THE RETIREMENT TEST MONTHLY MEASURE H.R. 5295 AS PASSED BY THE HOUSE OF REPRESENTATIVES, FISCAL YEARS 1981-85

| Provision   | Additional OASDI benefit payments in fiscal years 1981-85<br>(in millions) |                   |                  |                  |                  |
|---|--|-------------------|------------------|------------------|------------------|
|   | 1981 <sup>1</sup>  | 1982              | 1983             | 1984             | 1985             |
| 1. For persons receiving mother's or child's benefits, provide for application of monthly measure in year in which entitlement to such benefits is terminated | (-)  | <sup>3</sup> \$70 | \$31             | \$33             | \$36             |
| 2. Provide that an individual applying for Medicare at age 65 does not also have to apply for retirement benefits at the same time                            | <sup>1</sup> \$-4  | 3                 | 7                | 10               | 13               |
| 3. Exclude all self-employment deferred income earned prior to entitlement  | 36   | 14                | 15               | 16               | 17               |
| 4. For all beneficiaries, provide for application of monthly measure in the first year after 1977 in which a "non-work" month occurs                          | 58   | 2                 | ( <sup>2</sup> ) | ( <sup>2</sup> ) | ( <sup>2</sup> ) |
| <b>Total for H.R. 5295</b>  | <b>90</b>  | <b>89</b>         | <b>53</b>        | <b>59</b>        | <b>66</b>        |

<sup>1</sup> Payments in 1981 include all additional benefits for months prior to 1981.

<sup>2</sup> Less than \$500,000.

<sup>3</sup> This estimate is based on the assumption that under present law, in the face of pending legislation, overpayments for 1978 and later will not be recovered until after fiscal year 1981.

<sup>4</sup> The estimated initial reduction in benefits is due to later filing of applications for OASI benefits.

Notes: (1) The estimates for each provision reflect the effects of the provisions that precede it in the table. (2) The bill is assumed to be enacted in September 1980. (3) The above estimates are based on the assumptions in the March update of the President's 1981 budget.

**TABLE 5.—OASDI COST ESTIMATES FOR SELECTED PROPOSALS TO MODIFY THE RETIREMENT TEST**

| Retirement test proposal   | Bill No. | Effective<br>Jan. 1 | Additional OASDI benefit payments in fiscal<br>years 1981-85 |       |       |       |       |
|--|----------|---------------------|--|-------|-------|-------|-------|
|  |          |                     | 1981   | 1982  | 1983  | 1984  | 1985  |
| <b>Monthly retirement test</b>   |          |                     | <b>(Amounts in millions)</b>                                 |       |       |       |       |
| 1. Exclude renewal commissions from life insurance policies sold prior to year of attainment of age 65 from income of beneficiaries aged 65 and over.....      | S. 1554  | 1978                | \$9.0  | \$4.0 | \$4.0 | \$4.0 | \$5.0 |
| 2. Exclude income from sale of farm commodities produced in a prior year from income in 1 (and only 1) year in which no substantial services are rendered..... | S. 248   | 1978                | 9.0  | 3.0   | 3.0   | 4.0   | 4.0   |
| 3. Same as proposals 1 and 2, combined.....  | S. 2034  | 1978                | 18.0   | 7.0   | 7.0   | 8.0   | 9.0   |
| 4. Provide alternate retirement test for certain individuals with self-employment deferred income.....   | S. 1498  | 1981                | 11.0   | 13.0  | 14.0  | 15.0  | 16.0  |
| 5. Exclude all self-employment deferred income earned prior to entitlement.....  | S. 2083  | 1978                | 36.0   | 14.0  | 15.0  | 16.0  | 17.0  |

Eliminate retirement test for persons aged 65 and over

(Amounts in billions)

|   |         |      |                  |     |     |     |     |
|---|---------|------|------------------|-----|-----|-----|-----|
| 6. Eliminate retirement test for persons aged 65 and over   | S. 1287 | 1983 |                  |     | .9  | 2.1 | 2.2 |
| 7. Eliminate retirement test for persons aged 65 and over   | S. 1418 | 1980 | <sup>1</sup> 3.7 | 2.4 | 2.1 | 2.1 | 2.2 |
| 8. Phase out retirement test for persons aged 65 and over by gradually lowering the age at which the test no longer applies | S. 2208 | 1980 | <sup>1</sup> .9  | .6  | .8  | 1.3 | 1.9 |

<sup>1</sup> The enactment of each proposal was assumed to be in September 1980.

Note: The above estimates are based on the assumptions in the March update of the President's 1981 budget.

Source: Social Security Administration.

| 1973  |           |       |           |       |      |      |           |           |     |                  |
|-------|-----------|-------|-----------|-------|------|------|-----------|-----------|-----|------------------|
| Total | 8,758,863 | 100.0 | 1,386,232 | 100.0 | 15.8 | 12.4 | 2,435,330 | 3,588,546 | .68 | 41               |
| Men   | 4,992,337 | 57.0  | 976,110   | 70.4  | 19.6 | 15.4 | 1,870,599 | 2,693,016 | .69 | 46               |
| Women | 3,766,526 | 43.0  | 410,122   | 29.6  | 10.9 | 8.5  | 564,731   | 895,530   | .63 | 29               |
| 1972  |           |       |           |       |      |      |           |           |     |                  |
| Total | 8,361,162 | 100.0 | 1,496,571 | 100.0 | 17.9 | 13.8 | 2,301,154 | 3,269,247 | .70 | ( <sup>1</sup> ) |
| Men   | 4,800,876 | 57.4  | 1,042,589 | 69.7  | 21.7 | 16.8 | 1,740,914 | 2,440,306 | .71 | ( <sup>1</sup> ) |
| Women | 3,560,286 | 42.6  | 453,982   | 30.3  | 12.8 | 9.7  | 560,240   | 828,941   | .68 | ( <sup>1</sup> ) |
| 1970  |           |       |           |       |      |      |           |           |     |                  |
| Total | 7,674,438 | 100.0 | 1,555,678 | 100.0 | 20.3 | 15.2 | 1,998,225 | 2,792,429 | .72 | ( <sup>1</sup> ) |
| Men   | 4,455,453 | 58.1  | 1,097,672 | 70.6  | 24.6 | 18.5 | 1,523,994 | 2,102,706 | .72 | ( <sup>1</sup> ) |
| Women | 3,218,985 | 41.9  | 458,006   | 29.4  | 14.2 | 10.6 | 474,231   | 689,723   | .69 | ( <sup>1</sup> ) |

<sup>1</sup> Percent of those aged 62 to 71 who would be eligible to receive retired-worker benefits at end of year. Excludes disabled-worker beneficiaries aged 62 to 64.

<sup>2</sup> Data not available.

Source: Social Security Bulletin, December 1978.

Note: Data reflect only those individuals who have actually applied for benefits.

TABLE 7.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AVERAGE BENEFIT WITHHELD AND BEFORE WITHHOLDING, AND PERCENT WHO LOST ALL BENEFITS, BY SEX, TYPE OF EMPLOYMENT, AND PRIMARY INSURANCE AMOUNT, 1975

| Sex, type of employment, and primary insurance amount | Total   |          | Percentage distribution, by amount of earnings |                   |                    |                    |                    |                  |         | Average benefit amount |                    | Ratio of benefits withheld to amount before withholding | Percent who lost all benefits |
|---|---------|----------|--|-------------------|--------------------|--------------------|--------------------|------------------|---------|------------------------|--------------------|---|-------------------------------|
|   | Number  | Per cent | Total  | Less than \$4,000 | \$4,000 to \$5,999 | \$6,000 to \$7,999 | \$8,000 to \$9,999 | \$10,000 or more | Unknown | Withheld               | Before withholding |   |                               |
| Men   | 921,667 | 100.0    | 100  | 16.9              | 12.1               | 13.1               | 10.1               | 40.7             | 7.1     | \$2,258                | \$3,483            | 0.65  | 39                            |
| Wage and salary                                       | 613,478 | 66.6     | 100  | 18.6              | 12.8               | 14.5               | 11.4               | 42.3             | .4      | 2,294                  | 3,647              | .63   | 35                            |
| Less than \$200                                       | 46,791  | 5.1      | 100  | 44.2              | 24.3               | 14.7               | 5.1                | 10.4             | 1.3     | 874                    | 1,899              | .46   | 19                            |
| \$200 to \$299.90                                     | 173,471 | 18.8     | 100  | 30.3              | 20.9               | 24.1               | 12.4               | 11.7             | .6      | 1,512                  | 3,127              | .48   | 17                            |
| \$300 or more   | 393,216 | 42.7     | 100  | 10.4              | 7.8                | 10.1               | 11.7               | 59.6             | .3      | 2,806                  | 4,084              | .69   | 44                            |
| Self-employed   | 138,987 | 15.1     | 100  | 15.4              | 11.6               | 11.2               | 7.8                | 53.8             | .2      | 2,645                  | 3,815              | .69   | 46                            |
| Less than \$200                                       | 11,221  | 1.2      | 100  | 47.3              | 22.1               | 13.1               | 5.1                | 12.0             | .4      | 913                    | 2,026              | .45   | 21                            |
| \$200 to \$299.90                                     | 47,989  | 5.2      | 100  | 23.9              | 18.1               | 15.1               | 8.5                | 34.2             | .2      | 1,811                  | 3,238              | .53   | 33                            |
| \$300 or more   | 79,777  | 8.7      | 100  | 5.9               | 6.3                | 8.3                | 7.8                | 71.6             | .1      | 3,390                  | 4,417              | .77   | 58                            |
| Wage and salary and self-employed                     | 26,236  | 2.8      | 100  | 11.6              | 11.2               | 12.6               | 10.4               | 54.1             | .1      | 2,517                  | 3,790              | .66   | 42                            |
| Less than \$200                                       | 1,708   | .2       | 100  | 34.2              | 24.1               | 15.6               | 7.6                | 18.4             | .1      | 967                    | 1,887              | .51   | 27                            |
| \$200 to \$299.90                                     | 7,563   | .8       | 100  | 19.2              | 18.1               | 19.0               | 12.4               | 31.2             | .1      | 1,760                  | 3,113              | .57   | 30                            |
| \$300 or more   | 16,965  | 1.8      | 100  | 5.9               | 6.8                | 9.4                | 9.9                | 67.9             | .1      | 3,011                  | 4,283              | .70   | 48                            |

|                                   |         |       |     |      |      |      |      |      |      |       |       |     |    |
|-----------------------------------|---------|-------|-----|------|------|------|------|------|------|-------|-------|-----|----|
| Unknown                           | 142,966 | 15.5  | 100 | 12.1 | 9.5  | 9.1  | 6.7  | 18.6 | 44.0 | 1,679 | 2,404 | .70 | 48 |
| Less than \$200                   | 39,078  | 4.2   | 100 | 15.0 | 9.9  | 7.2  | 5.7  | 17.6 | 44.6 | 1,114 | 1,529 | .73 | 53 |
| \$200 to \$299.90                 | 46,165  | 5.0   | 100 | 17.1 | 14.5 | 12.9 | 6.2  | 8.9  | 40.4 | 1,639 | 2,535 | .65 | 38 |
| \$300 or more                     | 57,723  | 6.3   | 100 | 6.3  | 5.2  | 7.4  | 7.8  | 27.1 | 46.2 | 2,575 | 3,785 | .68 | 53 |
| Women                             | 397,105 | 100.0 | 100 | 29.5 | 20.3 | 18.0 | 10.8 | 16.7 | 4.7  | 1,520 | 2,625 | .58 | 21 |
| Wage and salary                   | 320,865 | 80.8  | 100 | 30.9 | 21.4 | 19.3 | 11.5 | 16.7 | .2   | 1,557 | 2,757 | .56 | 18 |
| Less than \$200                   | 77,541  | 19.5  | 100 | 62.4 | 24.8 | 8.2  | 2.1  | 2.1  | .4   | 641   | 1,754 | .37 | 9  |
| \$200 to \$299.90                 | 150,835 | 38.0  | 100 | 28.4 | 28.0 | 27.7 | 10.7 | 5.0  | .2   | 1,391 | 2,696 | .52 | 12 |
| \$300 or more                     | 92,489  | 23.3  | 100 | 8.7  | 7.9  | 14.7 | 20.5 | 48.0 | .2   | 2,595 | 3,699 | .70 | 35 |
| Self-employed                     | 14,786  | 3.7   | 100 | 27.8 | 17.9 | 14.9 | 8.9  | 30.4 | .1   | 1,926 | 2,935 | .66 | 38 |
| Less than \$200                   | 3,349   | .9    | 100 | 54.2 | 20.2 | 11.7 | 4.6  | 9.2  | .1   | 806   | 1,774 | .45 | 21 |
| \$200 to \$299.90                 | 6,107   | 1.5   | 100 | 30.9 | 24.3 | 17.6 | 8.3  | 18.8 | .1   | 1,544 | 2,734 | .56 | 31 |
| \$300 or more                     | 5,330   | 1.3   | 100 | 7.7  | 9.3  | 13.9 | 11.8 | 57.2 | .1   | 3,068 | 3,894 | .76 | 58 |
| Wage and salary and self-employed | 3,777   | 1.0   | 100 | 19.9 | 16.9 | 19.1 | 12.5 | 31.5 | .1   | 1,923 | 3,024 | .64 | 32 |
| Less than \$200                   | 712     | .2    | 100 | 43.6 | 26.8 | 15.8 | 4.7  | 9.0  | .1   | 796   | 1,721 | .46 | 19 |
| \$200 to \$299.90                 | 1,416   | .4    | 100 | 21.0 | 22.4 | 25.4 | 13.8 | 17.3 | .1   | 1,545 | 2,722 | .57 | 24 |
| \$300 or more                     | 1,649   | .4    | 100 | 8.5  | 8.0  | 15.0 | 14.1 | 54.3 | .1   | 2,194 | 3,844 | .57 | 43 |
| Unknown                           | 57,677  | 14.5  | 100 | 22.4 | 15.3 | 11.5 | 7.3  | 12.2 | 31.3 | 1,184 | 1,782 | .66 | 41 |
| Less than \$200                   | 26,382  | 6.6   | 100 | 31.2 | 14.3 | 7.7  | 5.0  | 8.9  | 32.9 | 867   | 1,393 | .62 | 33 |
| \$200 to \$299.90                 | 20,150  | 5.1   | 100 | 20.9 | 22.6 | 16.9 | 7.0  | 5.4  | 27.2 | 1,271 | 1,978 | .64 | 30 |
| \$300 or more                     | 11,145  | 2.8   | 100 | 4.6  | 4.6  | 10.9 | 13.4 | 32.1 | 34.4 | 1,776 | 2,400 | .74 | 47 |

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Source: Social Security Bulletin, December 1978.

Note: Data reflect only those individuals who have actually applied for benefits.

TABLE 8.—NUMBER OF DEPENDENT AND SURVIVOR BENEFICIARIES WHO LOST BENEFITS BECAUSE OF OWN EARNINGS, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AVERAGE BENEFIT AMOUNT WITHHELD AND BEFORE WITHHOLDING, BY TYPE OF BENEFICIARY AND AGE, 1975

| Type of beneficiary and age     | Number | Total | Percentage distribution, by amount of earnings |                    |                    |                 |          | Average benefit amount |                    | Ratio of benefits withheld to amount before withholding |
|---------------------------------|--------|-------|--|--------------------|--------------------|-----------------|----------|------------------------|--------------------|---|
|                                 |        |       | Less than \$3,000                              | \$3,000 to \$5,999 | \$6,000 to \$8,999 | \$9,000 or more | Un-known | Withheld               | Before withholding |   |
| Dependents of retired workers:  |        |       |  |                    |                    |                 |          |                        |                    |   |
| Wives                           | 34,939 | 100   | 9.6  | 30.8               | 22.3               | 18.0            | 19.3     | \$638                  | \$974              | 0.66  |
| Under 35                        | 359    | 100   | 11.1   | 40.2               | 24.0               | 11.1            | 13.6     | 474                    | 856                | .55   |
| 35 to 49                        | 5,559  | 100   | 6.9  | 39.7               | 23.8               | 16.6            | 13.0     | 550                    | 894                | .62   |
| 50 to 61                        | 15,955 | 100   | 8.1  | 41.0               | 23.0               | 16.9            | 11.0     | 579                    | 915                | .63   |
| 62 to 64                        | 3,335  | 100   | 23.0   | 29.1               | 11.7               | 19.9            | 16.3     | 530                    | 929                | .57   |
| 65 to 71                        | 9,731  | 100   | 9.1  | 18.3               | 14.5               | 20.2            | 37.9     | 832                    | 1,141              | .73   |
| Children                        | 9,545  | 100   | 29.0   | 46.6               | 8.0                | 3.6             | 12.8     | 456                    | 979                | .47   |
| Under 18                        | 905    | 100   | 34.5   | 33.2               | 2.4                | 3.5             | 26.4     | 378                    | 950                | .40   |
| 18 and over                     | 8,640  | 100   | 28.4   | 48.0               | 8.8                | 4.0             | 10.8     | 464                    | 981                | .47   |
| Dependents of disabled workers: |        |       |  |                    |                    |                 |          |                        |                    |   |
| Wives                           | 44,690 | 100   | 6.9  | 38.7               | 26.2               | 16.3            | 11.9     | 564                    | 925                | .61   |
| Under 35                        | 5,494  | 100   | 7.4  | 38.9               | 25.0               | 13.2            | 15.5     | 467                    | 860                | .54   |
| 35 to 49                        | 22,434 | 100   | 6.2  | 38.6               | 26.7               | 16.7            | 11.8     | 562                    | 928                | .61   |
| 50 to 61                        | 15,986 | 100   | 7.3  | 39.2               | 26.2               | 16.9            | 10.4     | 609                    | 957                | .64   |
| 62 to 71                        | 776    | 100   | 17.3   | 27.8               | 14.2               | 18.0            | 22.7     | 469                    | 743                | .63   |
| Children                        | 9,155  | 100   | 28.2   | 49.3               | 8.2                | 6.0             | 8.3      | 396                    | 862                | .46   |
| Under 18                        | 1,215  | 100   | 39.1   | 41.8               | 3.4                | 4.1             | 11.6     | 353                    | 928                | .38   |
| 18 and over                     | 7,940  | 100   | 26.6   | 50.4               | 8.9                | 6.3             | 7.8      | 403                    | 851                | .47   |



| Survivors of deceased workers: |         |     |      |      |      |      |      |       |       |     |
|--------------------------------|---------|-----|------|------|------|------|------|-------|-------|-----|
| Widows                         | 72,824  | 100 | 27.3 | 40.8 | 12.6 | 11.6 | 7.7  | 1,040 | 2,132 | .49 |
| Under 62                       | 14,800  | 100 | 32.8 | 49.7 | 6.1  | 6.8  | 4.6  | 734   | 1,728 | .42 |
| 62 to 64                       | 31,442  | 100 | 27.5 | 44.6 | 11.7 | 10.9 | 5.3  | 1,011 | 2,162 | .47 |
| 65 to 71                       | 26,582  | 100 | 24.0 | 31.3 | 17.3 | 15.0 | 12.4 | 1,246 | 2,325 | .54 |
| Widowed mothers                | 135,464 | 100 | 7.6  | 30.7 | 27.8 | 22.5 | 11.4 | 1,150 | 1,767 | .65 |
| Under 35                       | 15,946  | 100 | 8.5  | 33.9 | 28.7 | 17.2 | 11.7 | 1,072 | 1,823 | .59 |
| 35 to 49                       | 66,694  | 100 | 6.8  | 30.1 | 28.4 | 23.8 | 10.9 | 1,110 | 1,753 | .63 |
| 50 to 64                       | 52,824  | 100 | 8.4  | 30.5 | 26.8 | 22.5 | 11.8 | 1,236 | 1,769 | .70 |
| Widowed fathers                | 2,705   | 100 | 3.0  | 11.6 | 15.4 | 50.0 | 20.0 | 542   | 840   | .65 |
| Under 35                       | 635     | 100 | 4.1  | 15.7 | 16.4 | 47.3 | 16.5 | 721   | 1,049 | .69 |
| 35 to 49                       | 1,165   | 100 | 2.3  | 9.8  | 12.4 | 52.8 | 22.7 | 487   | 811   | .60 |
| 50 to 64                       | 905     | 100 | 3.2  | 12.6 | 15.6 | 49.2 | 19.4 | 489   | 730   | .67 |
| Children                       | 26,197  | 100 | 31.2 | 49.0 | 9.6  | 4.3  | 5.9  | 542   | 1,510 | .36 |
| Under 18                       | 2,670   | 100 | 47.4 | 41.1 | 3.0  | 2.1  | 6.4  | 484   | 1,770 | .27 |
| 18 and over                    | 23,527  | 100 | 29.5 | 49.9 | 10.3 | 4.6  | 5.7  | 549   | 1,481 | .37 |
| Parents                        | 10      | 100 | 40.0 | 30.0 | 10.0 | 10.0 | 10.0 | 574   | 1,677 | .35 |

Source: Social Security Bulletin, December 1978.