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STAFF DATA WITH RESPECT TO H.R. 1

## SOCIAL SECURITY CASH BENEFITS

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



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## SOCIAL SECURITY CASH BENEFITS

### 1. Major Issues

#### ***A. Automatic Increases in Benefits, Taxes, and Retirement Test (Earnings Limitation)***

The automatic cost of living benefit increase provision in H.R. 1 is generally similar to the provision passed by the Senate in 1970, but the method of financing is quite different.

*Benefit Increase.*—The House bill would require the Secretary of Health, Education, and Welfare to make cost-of-living increases in benefits each January if the consumer price index had risen by at least 3 percent over a period specified in the law. However, no increase would go into effect in any January if in the prior year legislation increasing benefits had either been enacted or become effective. Under the bill, the first cost-of-living increase could be no earlier than January 1974.

The rise in the consumer price index would be measured generally from the second calendar quarter of a year to the second calendar quarter of the next year. However, when the previous increase came about as the result of specific legislation, the rise in the consumer price index would be measured from the calendar quarter in which the increase was effective. The amount of the automatic increase would be equal to the percentage rise in the consumer price index.

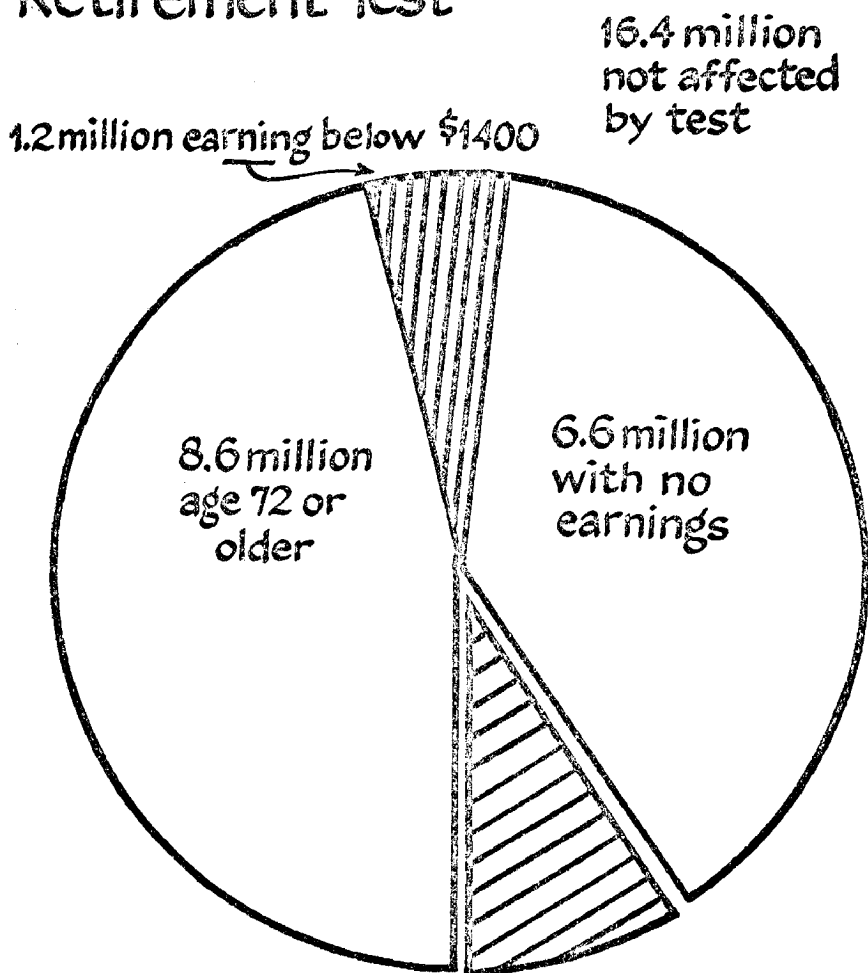
The Secretary of Health, Education, and Welfare would be required to notify the Committees on Finance and Ways and Means whenever the consumer price index rose by 2.5 percent.

This part of the provision is similar to the provision passed by the Senate in 1970.

*Tax Increase.*—Under the House bill, each time an automatic cost-of-living benefit increase went into effect the limitation on wages taxable under social security (currently \$9,000 and scheduled to rise to \$10,200 in 1972 under H.R. 1) would be increased according to the rise in average taxable wages, rounded to the nearest \$300. Thus, under the House bill the entire cost of the higher benefits would be paid by persons earning more than the current limit on taxable wages.

The provision passed by the Senate in 1970 would have required financing, half through an increase in the limitation on wages taxable and half through an increase in the tax rate, sufficient to meet the full cost of each cost-of-living increase, without reducing or increasing any actuarial imbalance that existed at the time.

# Number of People 65 and Older Affected by the Social Security Retirement Test



1.9 million affected by test:

- 0.3 mil. earning \$1400-\$1600
- 0.1 mil. earning over \$1680 and getting all benefits for months entitled
- 0.7 mil. getting reduced benefits
- 0.8 mil. getting no benefits

The Senate modification was based on these considerations:

1. The financing in the House bill bears no relationship to the actual cost of the benefit increase. Estimates based on various assumptions show that the financing in the House bill might result in very substantial reserves in the trust fund within a short period of time (about \$350 million by 1985, compared with about \$41 million today). Financing under the Senate provision was tailored to the amount needed to pay for the benefit increase based on a new actuarial evaluation each time.

2. The Senate provision required that half of the needed funding come from increases in the tax rate in order that all persons contributing to the social security system pay some part of the cost of the increased benefits.

*Automatic Increase in Retirement Test (Earnings Limitation).*—Under H.R. 1, each time an automatic cost-of-living increase went into effect the earnings limitation under the retirement test would be increased in proportion to the increase in average covered wages.

The provision passed by the Senate in 1970 would have increased the exempt amount every two years, regardless of whether benefits were increased.

*Staff Suggestion.*—It is recommended that the committee adopt its 1970 approach to financing the automatic increases as a substitute for the financing provisions in the House bill.

### ***B. Liberalization of the Retirement Test (Earnings Limitation)***

Under H.R. 1, the amount that a beneficiary under age 72 could earn and still be paid all of his social security benefits would be increased effective January 1972 from the present \$1,680 to \$2,000 a year. Under present law, benefits are reduced by \$1 for each \$2 of earnings between \$1,680 and \$2,880 and for each \$1 of earnings above \$2,880. The bill would provide for a \$1 reduction of each \$2 of all earnings above \$2,000; there would be no \$1-for-\$1 reduction as under present law. Also, in the year in which a person attained age 72, his earnings in and after the month in which he attains age 72 would not be included, as under present law, in determining his total earnings for the year.

The provision is similar to the provision reported by the Committee on Finance in 1970. On the Senate floor, however, the exempt amount was increased to \$2,400. The Senate floor amendment to the debt ceiling bill in March 1971, which increased social security benefits by 10 percent, also increased the exempt amount to \$2,400. The \$2,400 exempt amount, however, was dropped in conference.

*Long-range Cost.*—The long-range cost of the provision in H.R. 1 is estimated at 0.16 percent of taxable payroll (\$800 million on an average annual basis). The additional costs of increasing the exempt amount above the \$2,000 called for in H.R. 1 are shown in the following table:

Annual exempt amount	Long-range cost as a percent of taxable payroll	Cost on an average annual basis
\$2,100.....	0.03	\$150,000,000
\$2,400.....	.10	500,000,000
\$2,700.....	.16	800,000,000
\$3,000.....	.21	1,050,000,000
\$3,600.....	.31	1,550,000,000
\$4,200.....	.39	1,950,000,000
Elimination of earnings limitation.....	.59	2,950,000,000

*Staff Suggestion.*—Following the Committee's direction to the staff on February 22, the staff is exploring ways of providing a higher earnings limitation for individuals who have been employed in covered employment for a substantial period but who receive relatively low benefits. Accordingly, it is suggested that this subject be passed over at this time.

### ***C. Raising the Across-the-Board Benefit Increase Rather Than Increases for Specified Groups of Beneficiaries***

Under the House bill, about 43 percent of the long-range costs would go toward increased benefits to everyone who is entitled to social benefits, and about 57 percent would go toward increasing the benefits of specified groups such as widows, working wives, people who continue to work after 65, children who are adopted, blind people, etc.

The House bill contains three major provisions which would increase benefits for specific groups and which were not in the 1970 Senate-passed social security bill:

Provision	Long-range cost as a percent of taxable payroll	Cost on an average annual basis
Additional dropout years.—Allows a beneficiary to disregard 1 additional year of low earnings (for purposes of computing average monthly wages on which benefits are based) for each 15 years of coverage.....	0.20	\$1,000,000,000
Combined earnings for couple.—Allows couples married at least 20 years to combine wage credits (up to maximum taxable wages for any one year) for benefit computation purposes....	.18	900,000,000
Actuarially reduced benefits.—Eliminates the provision in present law under which the actuarial reduction made in 1 benefit (for example, a widow's benefit) lowers the amount of another type of benefit taken later based on another earnings record (for example, a retirement benefit based on one's own earnings).....	.13	650,000,000
<b>Total.....</b>	<b>.51</b>	<b>2,550,000,000</b>



This same amount could be used instead to increase the 5 percent across-the-board benefit increase in the House bill to a 10 percent increase.

*Staff Suggestion.*—It is recommended that the committee provide a 10% across-the-board benefit increase in lieu of these three provisions in the House bill.

#### **D. Minimum Social Security Benefit and Special Minimum Benefit**

H.R. 1 increases the minimum benefit, presently \$70.40, by 5 percent to \$74.00. However, the House bill would provide a new special minimum benefit of \$5 times the number of years a person worked in covered employment. The benefit would thus be \$75 for a person who had 15 years of coverage, \$100 for a person with 20 years of coverage, \$125 for a person with 25 years of coverage, with a maximum of \$150 for a person with 30 or more years of coverage. These special minimum benefits would not be raised under the automatic benefit increase provisions of the House bill.

In contrast, the 1970 Senate bill provided a \$100 minimum social security benefit regardless of the number of years of covered employment.

The costs of the two approaches are shown in the table below:

Proposal	Long-range cost as a per- cent of taxable payroll	Cost on an average annual basis
1. Special minimum benefit of \$5 times number of years worked in covered employment (as in House bill).....	0.12	\$600,000,000
2. \$100 minimum benefit (assuming a 5-percent across-the-board benefit increase):		
(a) With the special minimum benefit.....	.27	1,350,000,000
(b) Without the special minimum benefit..	.26	1,300,000,000
3. \$100 minimum benefit (assuming a 10-percent across-the-board benefit increase):		
(a) With the special minimum benefit.....	.23	1,150,000,000
(b) Without the special minimum benefit..	.21	1,050,000,000

The provision in the House bill was specifically designed as an alternative to a across-the-board increase in the minimum benefit for all social security recipients. The House bill is based on the philosophy that it is appropriate to provide a more substantial minimum benefit for individuals who have contributed to the social security program over a long period of time, but that it is not appropriate to provide such a benefit to individuals whose connection with the social security program is minimal.

*Who receives the minimum benefit.*—Aged persons drawing benefits based on the minimum primary insurance amount (PIA) are those who had very low earnings in covered employment, irregular covered employment, a short period of covered employment, or some combination of such circumstances. For example, social security coverage may have been earned on a second job either before, while, or after working in a job where they earned another public pension. There is a fair

amount of evidence that low average earnings are more a reflection of only a partial attachment to the labor force rather than a reflection of longtime regular employment at low wages.

This is reflected in the Social Security Administration's statistics. About half of the cases with a minimum primary insurance amount represented retired women who were either widowed or had never been married. This high proportion undoubtedly reflects their low earnings and nominal labor force attachment during the years of child-bearing and child-rearing.

For married couples with benefits based on the minimum primary insurance amount, a significantly higher proportion received a second public pension (railroad retirement, civil service, or military retirement) than did those receiving higher social security benefits.

Social Security Administration statistics show that about 16 percent of the men and 25 percent of the women entitled to benefits based on the minimum primary insurance amount had no covered earnings during the 11 years prior to entitlement. More than two-thirds of the men and four-fifths of the women had worked during 8 or less of the 15 years prior to entitlement. Since 60 percent of the men and 45 percent of the women having 8 or fewer years of covered earnings worked under social security in the year before becoming entitled to the minimum benefit, this would tend to support the assumption that many persons receiving minimum benefits had not worked in covered employment until their later years, and then acquired insured status in the years shortly before filing for benefits.

*Staff Suggestion.*—It is recommended that the Committee approve the special minimum benefit provision of the House bill.

## 2. Other Issues

### ***A. Tightening Procedures for the Assigning and Use of Social Security Numbers***

Two types of situations have recently been brought to the Committee's attention which demonstrate the ease with which additional social security numbers can be obtained and subsequently used for fraudulent purposes. The first situation involved the use of several social security numbers in applying for welfare payments under different names; the second situation concerned the use of social security numbers by aliens entering the United States illegally.

In view of these situations, and with the increasing reliance on the social security number as an identifier, there is a need to take steps to eliminate the issuance of more than one social security number in the future and to provide penalties for the fraudulent obtaining or use of a social security number.

*Provision in H.R. 1.*—H.R. 1 contains a provision which was in the 1970 Senate bill and which reflects continuing concern about the possible misuse of the social security number. It would provide a criminal penalty for knowingly furnishing incorrect information in order to establish a false identity when obtaining a social security number. Such a penalty should discourage applicants from furnishing such false information, thus reducing the opportunities for fraud and per-

mitting the Social Security Administration to improve the accuracy of its records and accounts.

*Proposals to expand the penalty provision now in H.R. 1.*—The Committee may wish to consider expanding the penalty provision in H.R. 1 to cover two additional situations: (1) when an individual knowingly and willfully uses a social security number that was obtained (at any time) by a person (himself or anyone else) who knowingly furnished false information to apply for benefits under the social security or welfare programs; and (2) when an individual applies for such benefits and willfully and knowingly uses a social security number which was not assigned to him or which conceals his true identity, for example, a number he made up or a number on a counterfeit social security card.

*Issuance of new social security numbers.*—In addition, the Committee might consider adding three new provisions to provide more stringent procedures for the assignment and use of social security numbers, and to help assure that the social security number is based on correct identifying information.

First, the Secretary of Health, Education, and Welfare could be directed to assign social security numbers, beginning January 1, 1974, to children upon entry into the first grade of elementary school, when evidence of each child's full name, date and place of birth, parents' names, and other information required for the assignment of a social security number is generally available in the form of a birth certificate or other convincing document. Although there would be no statutory requirement, it would be expected that children in higher grades would be assigned numbers in stages, as soon as possible over the next several years, and that these numbers would also be assigned on the basis of evidence such as birth certificates.

Second, the Secretary of Health, Education, and Welfare, in cooperation with the Departments of State and Justice, could be directed to assign social security numbers, at the time of their admission to the United States, to immigrants legally admitted for permanent residence in the United States and nonimmigrant aliens who are legally admitted with permission to work, after December 31, 1973. In assigning numbers to such aliens, the Secretary would require convincing evidence of their identity and age.

Third, the Secretary of Health, Education, and Welfare could be directed to assign a social security number to all recipients of welfare benefits (including children). Convincing evidence would be required to verify the age and identity of the applicant before a number would be assigned.

After the procedures for issuing social security numbers to school children, aliens, and welfare applicants have been in effect long enough to support the presumption that all persons above school entrance age have been enumerated, the burden of proof would rest on every applicant for a social security number above school entrance age to provide convincing reasons establishing that he had not previously been assigned a social security number. When such individuals established to the satisfaction of the Social Security Administration that they had been assigned no number previously, they would be assigned numbers using the personal data provided by birth certificates or other convincing documents.

## **B. Benefits for Dependent Sisters and Brothers**

*Present Law.*—Social security protection is now provided for a worker's wife, widow, and children, and, where actual dependency on the worker is established, for a worker's aged husband, widower, or surviving parent.

In a number of cases a woman is not able to qualify for benefits because she has never worked but has lived with and been dependent on a brother (who may be a bachelor or a widower), acting as his housekeeper over most of her lifetime. These women may never have married or may have been widowed or divorced relatively early in their lives. Also, sometimes two sisters live together, with one doing outside work and the other one keeping house. It is not a customary pattern for a worker to support an adult brother; it does happen occasionally, though, especially in cases where the brother is disabled.

*Possible Amendment.*—The Committee may wish to consider extension of benefits to dependent sisters and dependent disabled brothers; this would be in keeping with the objective of protecting the dependents of a worker from loss of support when his earnings stop. The benefit amount for sisters and disabled brothers might be set equal to 50 percent of a retired or disabled worker's benefit (like a husband's or wife's benefit), actuarially reduced if taken at age 62–65. For survivor benefits, a dependent sister would be treated in the same way as a widow, and a disabled dependent brother would be treated in the same way as a widower. If more than one sister or brother were entitled to benefits based on one worker's earning, each would be entitled to 75 percent of the worker's primary insurance amount.

*Cost.*—The cost of the proposal is estimated at 0.01 percent of taxable payroll.

## **C. Benefits for Grandchildren**

The 1970 Senate-passed bill contained a floor amendment which would have provided benefits for a grandchild (a) who was adopted by his grandparent or (b) who was not adopted but who was receiving at least one-half of his support from the grandparent at the time the child's application for benefits was filed. In both instances the child would have been eligible only if he was under 18 at the time he began living with the grandparent.

H.R. 1 contains a more limited provision under which a grandchild could qualify for benefits only if both of his parents had died and he was living with the grandparent at the time the grandparent qualified for social security benefits. In addition, a grandchild could qualify for benefits on the basis of a deceased grandparent's earnings if the child was adopted by the surviving grandparent and neither of his parents were living with or contributing to the support of the child at the time of the grandparent's death.

*Staff Suggestion.*—The Committee may wish to make the House provision applicable also to cases in which the grandchild's parents are totally disabled.

*Cost.*—It is estimated that such an amendment would have a negligible cost.

## **D. Payments by an Employer to a Former Employee Who Has Become Disabled**

Under present law, social security taxes are levied against wages paid to an employee's estate or survivor after the year of his death,

even though those wages cannot be used in determining either eligibility for or the amount of social security benefits. This has worked a particular hardship in the case of deceased life insurance salesmen whose renewal commissions have been taxed for many years after their death without increasing the social security benefits paid to them or to their survivors.

The House bill would eliminate this problem by excluding from the definition of wages amounts earned by a worker which are paid after the year in which he died.

*Staff Suggestion.*—It was called to the Committee's attention during testimony that a similar problem exists when an individual becomes totally disabled. The Committee may wish to amend the House provision to exclude for social security taxation payments made by an employer to a former employee after he has become disabled.

*Cost.*—It is estimated that such an amendment would have a negligible cost.

### ***E. Social Security Taxes for Clergymen***

When social security coverage was provided for church employees and clergymen in the 1954 amendments, the constitutional question of taxing churches was a major consideration in determining how it would be done. Because it was felt a compulsory tax could not be levied, it was necessary to permit coverage of church employees at the option of the church. Clergymen, however, were permitted an individual option (without requiring any action by their church) as to whether they would be covered; coverage was on a self-employment basis. This option had to be exercised within two years after the effective date of the amendments or within two years after ordination. Over the years, clergymen who had not exercised the option requested extensions of the deadline so that they might do so. Until 1967, Congress provided several extensions of the deadline. In 1967, the law was changed so that clergymen are covered under social security unless within two years of the effective date, or ordination if later, they elect not to be covered.

As noted, throughout this entire period clergymen have been covered as self-employed individuals rather than as employees of their churches. The reasons for covering clergymen as self-employed individuals relate to the problem of providing continuity of coverage, with minimal administrative difficulty, in view of the inability of the Federal Government to require any church to pay social security taxes. Moreover, the reimbursement received by clergymen is in some cases self-employed income, fees for performing certain services, and in others a salary that may be paid by one or more congregations.

Thus, coverage of clergymen as self-employed individuals:

1. Eliminates the constitutional problem;
2. Assures continuity of coverage throughout an individual's lifetime; and
3. Assures that all of an individual's income, fees, salary, etc. will be counted in covered income (up to the limit on taxable income).

Since the original provision went into effect, some church groups have suggested that clergymen should be covered as employees rather than taxed at the self-employment rate during periods in which they are employed by a church that makes an irrevocable election to pay

the employer taxes. (The clergyman would continue to pay taxes at the self-employed rate when employed by a church that does not want to pay the employee tax.) A bill to do this has been introduced by Senator Pell as S. 1961. This bill is strongly opposed by the United States Catholic Conference.

*Staff Suggestion.*—It is recommended that the existing law be retained.

### ***F. Lump Sum Death Payment When Body Is Unavailable for Burial***

In a bill enacted by the Congress last year (H.R. 10604) the Congress provided, on a prospective basis, that expenses customarily connected with a death can be accounted as funeral expenses for purposes of the social security lump sum death payment even though the body is unavailable for burial or cremation.

It has been suggested that this provision be made retroactive to include deaths occurring after December 31, 1960.

*Cost.*—The Social Security Administration estimates that such an amendment would have a negligible cost.

### ***G. Eligibility of Blind Persons for Disability Insurance***

*H.R. 1.*—Under present law, a disabled person must meet a test of recent work under social security to be eligible for disability benefits, generally 5 years' worth of work in employment covered under social security during the 10 years preceding disablement. The House bill would eliminate for blind persons this test of recent attachment to covered work. Under the bill, a blind person would be insured for disability benefits if he had one quarter of coverage for each year elapsed after he reached age 21 or after 1950, whichever requirement is lower.

*Senate action in 1970.*—The 1970 Senate bill instead contained a provision (introduced in the 92d Congress as S. 1335 by Senator Hartke) making benefits payable to blind people who have six quarters of coverage, earned at any time.

In addition to changing the insured-status requirements, the 1970 Committee bill would have changed the definition of disability for the blind to permit them to meet the definition regardless of their capacity to work, and to receive disability benefits regardless of whether they work. Under present law, a blind person must be unable to engage in any substantial gainful activity, or if aged 55 or over, unable to engage in substantial gainful activity requiring skills or abilities comparable to those used in previous work, in order to be considered disabled for benefit purposes.

Under present law, disability benefits are not payable after attainment of age 65, but the beneficiary (being fully insured to meet one of the requirements for disability benefits) becomes entitled to old-age benefits. The 1970 Senate bill would have permitted blind persons with six quarters of coverage to continue to receive disability insurance

benefits beyond age 65, and as disability benefits rather than retirement benefits they would not be subject to deductions under the retirement test.

The 1970 bill would also have excluded blind persons from the requirement of present law that disability benefits be suspended for any months during which a beneficiary refuses without good cause to accept vocational rehabilitation services.

*Cost.*—Amending the House bill to incorporate the provision in the 1970 Senate amendment would cost an estimated 0.07 percent of payroll, about \$350 million on an average annual basis.

*Staff suggestion.*—It is recommended that the committee approve the House-passed provision.

### **H. Amish Employees**

The 1970 Senate-passed bill contained a Committee amendment which would have allowed a refund of social security taxes paid by members of certain religious groups who are opposed to insurance. The provision would have been similar in purpose to the provisions of present law which exempt the Amish from the social security self-employment tax. Senator Schweiker has introduced printed amendment No. 532 with the same provision as in the 1970 bill.

### **I. Provisions of 1970 Senate Bill Which Are Not in H.R. 1**

1. *Registrars of Voters.*—The Senate-passed bill contained a Committee amendment which would have permitted the registrars of voters in Louisiana who are covered under social security to terminate this coverage.

2. *Underpayments.*—The present law provides that when a beneficiary dies before receiving the cash benefits due, payment of the unpaid benefits may be made in order of priority to the: surviving spouse, child, parent, or legal representative of the estate.

At the request of the Social Security Administration, the Finance Committee in 1967 and 1970 approved amendments to add at the end of the underpayment list individuals related by blood, marriage or adoption. The House did not accept the amendment in 1967, nor did they include it in H.R. 1.

3. *Policemen in Missouri.*—Last year's Senate-passed bill would have permitted policemen in Missouri to elect social security coverage under specified circumstances. This provision was added to the bill in Committee at the request of the Senators from Missouri.

### **3. Effective Dates in H.R. 1**

In general the cash benefit provisions, with the exception of the benefit increase which would be effective in July 1972, would become effective January 1, 1972. While most of the provisions could be permitted to be effective retroactively, consideration should be given to any administrative problems which the Social Security Administra-

tion might bring up. A particular problem exists with regard to the changes in the tax rates and the tax base scheduled to go into effect in January 1972; on prior occasions the committee has considered it undesirable to make these changes retroactively. The whole question of financing, however, may have to be revised in the light of other changes in the bill that the Committee may wish to make.

The 1973 President's budget generally assumes a delay in the effective date of H.R. 1 with the exception of the retroactive increase in taxable wages from \$9,000 to \$10,200 effective January, 1972. The delayed effective dates are compared with the effective dates in H.R. 1 in the table below.

**EFFECTIVE DATES OF SOCIAL SECURITY CASH BENEFIT PROVISIONS UNDER H.R. 1 AND EFFECTIVE DATES ASSUMED IN 1973 PRESIDENT'S BUDGET, FOR PROVISIONS WHERE THE EFFECTIVE DATES DIFFER**

Provision	Effective date in—	
	H.R. 1	1973 Budget
Special minimum benefit equal to \$5 per year of covered employment (up to \$150).	January 1972.....	June 1972.
Increase in widow's benefits.....	do.....	Do.
Increased benefits for persons delaying retirement beyond age 65.....	do.....	January 1973.
Equalizing computation of average wages for men and women.	First step in January 1972.	First step in June 1972.
Disregarding 1 additional year of low earnings for each 15 years of covered employment.	January 1972.....	June 1972.
Computation of benefits based on combined earnings of married couple.....	do.....	Do.
Increase of earnings limitation from \$1,680 to \$2,000.....	do.....	January 1973.
Disability benefits for persons becoming disabled between ages 18 and 21.....	do.....	June 1972.
Liberalization of eligibility requirements for blind persons.....	do.....	Do.
Reduction in waiting period for disability benefits.....	do.....	Do.
Elimination of support requirements for divorced women.....	do.....	Do.
Gratuitous wage credits for military service after 1956.....	do.....	Do.
Disability benefits affected by receipt of workmen's compensation.....	do.....	Do.
Benefits to students payable after age 22 to end of semester.....	do.....	Do.

#### 4. Social Security Financing Under H.R. 1

Tables showing the most recent financing estimates related to H.R. 1 appear on the following pages.



**TABLE 1.—1ST-YEAR BENEFIT COSTS AND NUMBER OF PERSONS AFFECTED BY OLD-AGE, SURVIVORS, DISABILITY, AND MEDICARE PROVISIONS OF H.R. 1**

[Amounts in millions; numbers of persons in thousands]

Provision	1st-year benefit costs <sup>1</sup>	Present-law beneficiaries immediately affected <sup>2</sup>	Newly eligible persons <sup>3</sup>
Total.....	\$5,429 .....		
Cash benefit changes applicable to both present and future beneficiaries:			
5 percent benefit increase—effective June 1972.....	2,102	27,800	40
Other cash benefit changes—generally effective January 1972:			
Retirement test changes: <sup>5</sup>			
\$2,000 exempt amount; 1 for 2 above \$2,000.....	593	1,100	420
Earnings in year of attainment of age 72.....	11	20	
Increased benefits for widows and widowers to 100 percent of PIA (limited to OAIB).....	868	3,700	
Children disabled at ages 18 to 21.....	14		13
Noncontributory credits for military service after 1956..	39	130	
Election to receive larger future benefits by certain beneficiaries eligible for more than 1 actuarially reduced benefit.....	29	100	
Eliminate support requirement for divorced wives and surviving divorced wives.....	18		10
Student child's benefits continued after age 22 to end of semester.....	16	55	6
Special minimum PIA up to \$150.....	30	300	
Liberalized workmen's compensation offset (80 percent of high 1 year).....	4	65	
Liberalized disability insured status provision for the blind (drop 20/40 requirement).....	29		30

See footnotes at end of table.

TABLE 1.—1ST-YEAR BENEFIT COSTS AND NUMBER OF PERSONS AFFECTED BY OLD-AGE, SURVIVORS, DISABILITY, AND MEDICARE PROVISIONS OF H.R. 1—Continued

[Amounts in millions; numbers of persons in thousands]

Provision	1st-year benefit costs <sup>1</sup>	Present-law beneficiaries immediately affected <sup>2</sup>	Newly eligible persons <sup>3</sup>
Cash benefit changes etc—Con.			
Other cash benefit etc—Con.			
Increased allowance for vocational rehabilitation expenditures .....	\$22 .....		
Subtotal .....	3,775	( <sup>4</sup> )	524
Cash benefit changes applicable only to future beneficiaries—effective January 1972:			
Age 62 computation point for men .....	6	85	1
Benefits based on combined earnings of husband and wife .....	3	10	
Credit for delayed retirement <sup>5</sup> ..	13	550	
Additional drop-out year for every 15 years of coverage....	23	700	
Reduce disability waiting period to 5 months.....	102	950	4
Subtotal .....	147	( <sup>4</sup> )	5
Total, cash benefit changes.	3,922	( <sup>4</sup> )	529
Medicare benefit changes <sup>6</sup> ..			
Hospital insurance for disabled beneficiaries <sup>5</sup> .....	1,200 .....		1,400
Supplementary medical insurance for disabled beneficiaries <sup>5</sup> .....	395 .....		1,400
Change in supplementary medical insurance deductible <sup>5</sup> .....	-88	20,700	
Total, Medicare changes....	1,507	20,700	1,400

<sup>1</sup> Generally represents additional benefit-payments in the 12-month period beginning July 1, 1972.

<sup>2</sup> For cash benefits, present-law beneficiaries whose benefit for the effective month would be increased under the provision; for Medicare, persons with insurance protection.

<sup>3</sup> For cash benefits, persons who cannot receive a benefit under present law for the effective month, but who would receive a benefit for such month under the provision; for Medicare, persons who gain insurance protection.

<sup>4</sup> Figures not additive because a person may be affected by more than 1 provision.

<sup>5</sup> Effective date of January 1, 1973, assumed.

<sup>6</sup> Represents additional incurred benefit payments for first 12 months.

**TABLE 2.—CHANGES IN ACTUARIAL BALANCE OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, EXPRESSED IN TERMS OF ESTIMATED LEVEL-COST AS PERCENTAGE OF TAXABLE PAYROLL, BY TYPE OF CHANGE, LONG-RANGE COST, ESTIMATE, PRESENT LAW AND H.R. 1**

[In percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
<b>Actuarial balance of present system.....</b>	<b>+0.13</b>	<b>-0.08</b>	<b>+0.05</b>
<b>Increase in earnings base.....</b>	<b>+.26</b>	<b>+.02</b>	<b>+.28</b>
<b>Additional dropout years (prospective).....</b>	<b>-.18</b>	<b>-.02</b>	<b>-.20</b>
<b>Age-62 point for men (prospective).....</b>	<b>-.07</b>	<sup>(1)</sup>	<b>-.07</b>
<b>Earnings test changes.....</b>	<b>-.16</b>	<sup>(2)</sup>	<b>-.16</b>
<b>Widow's benefits of 100 percent PIA at 65.....</b>	<b>-.21</b>	<sup>(2)</sup>	<b>-.21</b>
<b>Special minimum benefit.....</b>	<b>-.11</b>	<b>-.01</b>	<b>-.12</b>
<b>Election of actuarial reduction changes.....</b>	<b>-.13</b>	<sup>(2)</sup>	<b>-.13</b>
<b>Combined earnings (prospective).....</b>	<b>-.18</b>	<sup>(1)</sup>	<b>-.18</b>
<b>Delayed retirement increment (prospective).....</b>	<b>-.07</b>	<sup>(2)</sup>	<b>-.07</b>
<b>5-month disability waiting period.....</b>	<sup>(1)</sup>	<b>-.02</b>	<b>-.02</b>
<b>Miscellaneous changes<sup>3</sup>.....</b>	<b>-.02</b>	<b>-.01</b>	<b>-.03</b>
<b>Benefit increase of 5 percent.....</b>	<b>-.49</b>	<b>-.05</b>	<b>-.54</b>
<b>Revised contribution schedule.....</b>	<b>+1.17</b>	<b>+.10</b>	<b>+1.27</b>
<b>Total effect of changes in bill.....</b>	<b>-.19</b>	<b>+.01</b>	<b>-.18</b>
<b>Actuarial balance under bill.....</b>	<b>-.06</b>	<b>-.07</b>	<b>-.13</b>

<sup>1</sup> Less than 0.005 percent.

<sup>2</sup> Not applicable to this program.

<sup>3</sup> Includes the following: workmen's compensation offset based on 80 percent of highest earnings; child's benefits to children disabled at ages 18 to 21; disabled-child 7 years re-entitlement; broadened definition of adopted child; student's benefits to end of attainment of age 22; child's benefits on grandparent's account if full orphan and supported by him; elimination of support requirement for divorced wife's and widow's benefits; reduced widower's benefits at age 60, and liberalization of insured status requirements for disability benefits with respect to blind persons.

TABLE 3.—SOCIAL SECURITY GENERAL REVENUE COSTS

[In millions of dollars]

	Fiscal year—				
	1973	1974	1975	1976	1977
<b>Present law:</b>					
Military service credits (cash benefit programs).....	\$189	\$191	\$192	\$194	\$196
Special payments to certain persons age 72 and over.....	337	301	263	231	199
Hospital insurance for uninsured beneficiaries.....	565	571	572	577	573
Military service credits (hospital insurance program).....	48	48	48	48	48
General fund share of supplementary medical insurance premium.....	1,428	1,588	1,768	1,964	2,180
Subtotal, present law.....	2,567	2,699	2,843	3,014	3,196
<b>Increases under H.R. 1:</b>					
Military service credits (cash benefit programs).....					89
Special payments to certain persons age 72 and over.....			24	21	24
Medical insurance coverage for long-term disabled <sup>1</sup> .....	175	368	493	558	633
Increase in supplementary medical insurance deductible <sup>1</sup> .....		-49	-52	-54	-55
Limitation on supplementary medical insurance premium rate <sup>1</sup> .....		88	190	309	442
Subtotal, increases.....	175	407	655	834	1,133
<b>Total under H.R.1.....</b>	<b>2,742</b>	<b>3,106</b>	<b>3,498</b>	<b>3,848</b>	<b>4,329</b>

<sup>1</sup> Assumes effective date of January 1, 1973.

Table 4.—Progress of the social Security cash benefit (OASDI) trust funds, calendar years 1972–76

[In billions of dollars]

Calendar year	Income	Outgo	Net increase	Assets, end of year
<b>Present law:</b>				
1972.....	\$46.2	\$41.0	+\$5.2	\$45.6
1973.....	53.7	43.0	+10.7	56.3
1974.....	57.9	44.9	+13.0	69.3
1975.....	61.5	46.9	+14.6	83.9
1976.....	66.5	48.9	+17.6	101.6
<b>H.R. 1:<sup>1</sup></b>				
1972.....	44.1	42.6	+1.5	41.9
1973.....	47.5	46.9	+ .6	42.6
1974.....	50.8	49.3	+ .5	44.0
1975.....	64.9	54.4	+10.5	54.6
1976.....	69.7	57.4	+12.3	66.9

<sup>1</sup> With the modified effective dates adopted by the administration in the 1973 President's budget; in addition, under the automatic increase provisions of H.R. 1, assumes the following changes in 1975: General benefit increase of 5.8 percent, taxable wages of \$11,400, earnings limit of \$2,280.

## 5. Amendments to H.R. 1 not discussed above relating to Social Security cash benefits

### (AMENDMENT NO. 789 (AIKEN))

*Social Security disability benefits.*—Makes eligible for social security disability benefits individuals who are now totally disabled but who do not meet the present law requirements of quarters of coverage for eligibility, if they did meet those requirements at the time their disability began even though they were not then totally disabled.

*Cost.*—The Social Security Administration estimates that this amendment will cost 0.13 percent of payrolls, about \$650 million on an average annual basis.

### AMENDMENT NO. 831 (HARTKE)

*Social Security benefits.*—Amendment:

- (1) Increases social security benefits 10 percent across-the-board;
- (2) Provides special minimum benefit equal to \$6 times the number of years of coverage (up to 30 years);
- (3) Increases earnings limitation from \$1,680 to \$2,400, with \$1 reduction in benefits for each \$2 earned above this amount;
- (4) Increases taxable wages to \$12,000 by 1974;
- (5) Applies same rules for calculating average wages to men as now apply to women;

(6) Reduces waiting period for disability benefits from six months to three months;

(7) Eliminates test of recent covered employment for disability benefits;

(8) Defines disability for individual 55 or over as inability to engage in substantial gainful activity in his regular work or in any other work in which he was engaged with some regularity in the recent past;

(9) In calculating average wages, disregards one additional year of low earnings for each 10 years worked;

(10) Sets social security tax rates for employees at 4.6 percent for cash benefits through the year 2019, increasing to 5.5 percent in 2020 and thereafter;

(11) Increases hospital insurance tax on employees to 1.3 percent beginning 1972, increasing to 1.9 percent in 1987;

(12) Provides for general revenue contribution for social security cash programs increasing from 4 percent of total expenditures in fiscal year 1973 to 20 percent of expenditures in fiscal year 1981 and thereafter;

(13) Combines supplementary medical insurance and hospital insurance programs under Medicare; eliminates premium contribution under supplementary medical insurance; provides for general revenue contribution to new combined program equal to 20 percent of total program expenditures in fiscal 1973, rising to 33 percent beginning fiscal year 1976;

(14) Extends Medicare coverage to include expenses incurred for routine eye care, eye glasses, dentures, and hearing aids;

(15) Extends Medicare coverage to include maintenance drugs, with a copayment of \$2 per new prescription and \$1 per refill prescription.)

#### AMENDMENT NO. 835 (PERCY)

*Social Security cash benefits.*—Increases social security from present \$1,680 (\$2,000 in H.R. 1) to \$2,400 in 1972 and 1973 and to \$3,000 thereafter; directs Secretary to study feasibility of eliminating earnings limit.

*Cost.*—0.20 percent of taxable payroll, or \$1 billion on an average annual basis.

#### AMENDMENT NO. 893 (HARTKE)

*Social Security benefits.*—Amendment:

(1) Increases social security benefits 10 percent across-the-board;

(2) Provides special minimum benefit equal to \$6 times the number of years of coverage (up to 30 years);

(3) Increases earnings limitation from \$1,680 to \$2,400, with \$1 reduction in benefits for each \$2 earned above this amount;

(4) Increases taxable wages to \$12,000 by 1974;

(5) Applies same rules for calculating average wages to men as now apply to women;

(6) Reduces waiting period for disability benefits from six months to three months;

(7) Eliminates test of recent covered employment for disability benefits;

(8) Defines disability for individual 55 or over as inability to engage in substantial gainful activity in his regular work or in any other work in which he was engaged with some regularity in the recent past;

(9) In calculating average wages, disregards one additional year of low earnings for each 10 years worked;

(10) Sets social security tax rates for employees at 4.6 percent for cash benefits through the year 2019, increasing to 5.5 percent in 2020 and thereafter;

(11) Increases hospital insurance tax on employees to 1.3 percent beginning 1972, increasing to 1.9 percent in 1987;

(12) Provides for general revenue contribution for social security cash programs increasing from 4 percent of total expenditures in fiscal year 1973 to 20 percent of expenditures in fiscal year 1981 and thereafter;

(13) Combines supplementary medical insurance and hospital insurance programs under Medicare; eliminates premium contribution under supplementary medical insurance; provides for general revenue contribution to new combined program equal to 20 percent of total program expenditures in fiscal 1973, rising to 33 percent beginning fiscal year 1976;

(14) Extends Medicare coverage to include expenses incurred for routine eye care, eye glasses, dentures, and hearing aids;

(15) Extends Medicare coverage to include maintenance drugs, with a copayment of \$2 per new prescription and \$1 per refill prescription.)

(16) Provides for a reduction in social security taxes for certain low-income people; the reduction would be graduated according to income and based on an individual's adjusted gross income minus \$1,300 and the personal exemptions allowed under the income tax laws.

#### AMENDMENT NO. 906 (HATFIELD)

##### *Social Security benefits and financing.*—Amendment:

(1) Provides for the first \$100 of an individual's social security benefits to be financed from general funds rather than social security payroll taxes;

(2) Subjects social security benefits to Federal income tax;

(3) Permits an individual to elect on an annual basis not to have his employment covered under social security if he is covered under a qualified retirement program;

(4) Repeals social security taxes for hospital insurance program (part A of medicare) and instead provides for general revenue financing of the program; and

(5) Automatically enrolls in the supplementary medical insurance program (part B of medicare) any individual covered under the hospital insurance program.)

## AMENDMENT NO. 894 (CHILES)

*Social Security Disability Benefits.*—Sets amount above which earnings are considered prima facie evidence that a disability insurance beneficiary is no longer disabled at the social security retirement test exempt amount (currently \$1,680 annually, increased to \$2,000 under H.R. 1).

Table A.—Social Security Benefits for Retired Workers, by Monthly Benefit received

Monthly benefit received	Percent of all retired workers	Monthly benefit received	Percent of all retired workers
\$70 or less.....	15	\$190 to \$200.....	8
\$71 to \$90.....	10	More than \$200.....	6
\$91 to \$110.....	13		
\$111 to \$125.....	10	Total.....	100
\$126 to \$140.....	9		
\$141 to \$160.....	11	Average benefit for a re-	
\$161 to \$175.....	10	tired worker.....	\$132
\$176 to \$190.....	8		

Notes.—Distribution based on a rough extrapolation of published data on benefits paid for December 1970.

