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SOCIAL SECURITY AMENDMENTS OF 1956

JUNE 5 (legislative day, JUNE 4), 1956.—Ordered to be printed

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

REPORT

together with

MINORITY AND INDIVIDUAL VIEWS

[To accompany H. R. 7225]

The Committee on Finance, to whom was referred the bill (H. R. 7225) to amend the Social Security Act to provide disability insurance benefits for certain disabled individuals who have attained age 50, to reduce to age 62 the age on the basis of which benefits are payable to certain women, to provide for continuation of child's insurance benefits for children who are disabled before attaining age 18, to extend coverage, and for other purposes, having considered the bill, report favorably thereon with amendments and recommend that the bill as amended do pass.

I. PURPOSE AND SCOPE OF THE BILL

The old-age and survivors insurance program is designed to provide partial protection against loss of earned income upon the retirement or death of the worker. Nine out of ten American workers can look forward to old-age and survivors insurance benefits for themselves and their families in their old age. Nine out of ten of the mothers and children of the Nation are assured of receiving survivor benefits if the family earner should die. The financing of the system is on a sound basis. Your committee recognizes, however, the responsibility for making improvements, as the need arises.

The following changes would be made under the committee bill:

(1) Further extension of the coverage of the program

Your committee has consistently held the view that the coverage of the program should be as nearly universal as is practicable. Coverage would be extended by the committee's bill to additional groups,

primarily certain professional self-employed persons. Modifications would be made in the coverage requirements for farmers and farm workers to take into account the practical problems that have arisen since they were brought into the program by the 1954 amendments. Changes would be made in the provisions on insured status and benefit computations to give the newly covered groups equitable treatment as compared with those brought in earlier.

(2) *Widows' benefits beginning at age 62 rather than 65*

Most women who are widowed in their 50's or early 60's have been homemakers or have not been members of the paid labor force in recent years. Because of their age and lack of work experience, they have very little chance of employment.

(3) *Benefits for disabled children*

The bill includes provision for payment of disabled child's benefits to the dependent disabled child of a deceased or retired insured worker if the child is permanently and totally disabled and has been so disabled since before he reached age 18. Such children are as dependent on their parents after attaining age 18 as before and therefore the committee believes it is important to fill this gap in the program by providing benefits for disabled children. Your committee does not believe that the serious difficulties involved in providing cash disability benefits for disabled workers, which are discussed below, apply to the provision of benefits for children disabled prior to page 18. Determination of disability generally would not be difficult because of the few cases involved. Most of the cases would be the result of congenital conditions or conditions existing since early childhood, including mental deficiency.

(4) *Provision related to the financing of old-age and survivors insurance*

The financial soundness of a program as important to the economic security of the families of the Nation as old-age and survivors insurance must be carefully guarded. Your committee is recommending the establishment before each scheduled tax increase of an Advisory Council consisting of the Commissioner of Social Security, as chairman, and 12 representatives of workers, employers and the public to review the status of the old-age and survivors insurance trust fund in relation to the long-term commitments of the program and to report its recommendations. We are recommending also a change in the provision regarding the interest rate paid on special obligations issued to the trust fund.

(5) *Provision for suspending benefit payments to aliens outside of the United States unless they are nationals of a country that would make payments to citizens of the United States after they had left the foreign country to reside elsewhere*

The committee is concerned by the fact that some aliens have come to this country, served in covered employment for a short period, and have then returned to their native countries to live off their old-age and survivors benefits for the rest of their lives.

The bill would suspend the payments to any person not a citizen or national of the United States who becomes entitled to benefits after June 1956 if such a person remains out of the county for 3 full and consecutive months. The payments would be resumed if such a persons returns and remains in this country. However, in the interest

of fairness and comity the committee thought it desirable to continue the payment of benefits to a citizen of a foreign country if that foreign country has a social insurance or pension system which permits payments to United States citizens in the event they leave such foreign country.

6. Minor improvements in the law designed to facilitate administration or remedy anomalous treatment in certain cases

The committee does not believe that the following proposals, which were included in the House-approved bill but are not in the committee bill, are necessary or desirable:

1. *Provision for lowering minimum eligibility age for wives and women workers.*—Lowering the eligibility age for women workers would have the undesirable effect of encouraging employers to lower their maximum hiring ages and compulsory retirement ages for women. Lowering the eligibility age for wives would be costly and there is not as great a need as in the case of widows, since the family has income from the husband's benefit.

2. *Provision of cash disability benefits for permanently and totally disabled persons at age 50.*—Your committee recognizes that prolonged and severe disability is a serious problem to the worker, his family, and the community. As the testimony before the committee has shown, however, there are important differences of opinion as to how the problem can best be met. Your committee has concluded, on the basis of the preponderance of the evidence submitted at the public hearings, that the adoption of a provision for paying cash disability benefits to insured workers under the old-age and survivors insurance program would not be desirable. Under the system now, cash payments are made only upon death or retirement. These conditions are easy to determine. Under the disability proposal, however, the primary condition for payment would be, in the terms of the bill, inability—

> to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long continued and indefinite duration.

These conditions for payment are much more difficult to determine. Monthly disability benefits have a completely different nature as compared with the present provisions for old-age benefits and survivor benefits. Lack of objectivity in determination of disability makes it both easier for the claimant to maintain, and harder for the administration to deny, the presence of qualifying disability. In many instances, physical disability does not necessarily produce economic disability, although this would in many cases be the tendency if monthly benefits were available.

In reaching this conclusion your committee has taken into account the significant progress that has already been made in meeting the needs of disabled workers. In 1950, when the question of disability benefits came before this committee, the committee rejected the proposal for paying cash disability benefits under the old-age and survivors insurance system. This position was sustained by the Senate. In conference with the House, a fourth category of assistance grants to States was approved—aid to the permanently and totally disabled.

Since 1950, 42 States have begun operations under this program, some of them only recently. About 244,000 needy disabled persons are now receiving monthly assistance payments, which total about $165 million annually. Further, many other disabled persons or their children who are in need—over a half million of them—are receiving assistance payments under other federally aided programs of aid to the blind and aid to dependent children. Disabled individuals are also aided under State and local general assistance programs. In most of the States, therefore, provisions already have been made to meet the basic needs of those who cannot support themselves because of extended and serious disability.

Significant strides have been made, too, in the Federal-State program of vocational rehabilitation under the impetus of the 1954 amendments, which greatly expanded the program. Many witnesses who appeared before your committee expressed the belief that payment of cash disability benefits would in some cases, discourage rehabilitation.

The 1954 amendments to the Social Security Act included in the law the so-called disability "freeze," which protects the old-age and survivors insurance rights of workers during periods of total disability. The freeze provisions will be helpful to many disabled persons in protecting rights to old-age and survivors insurance benefits, in providing higher retirement and survivor benefits, and in bringing more individuals promptly to the attention of State rehabilitation agencies.

More time is needed to develop more fully all of the existing programs for the disabled and to evaluate their results. In particular, it would be desirable to have more experience with the disability freeze.

Your committee has been impressed by the testimony of the many medical experts who have testified that many problems would be encountered in evaluating physical and mental impairments for purposes of determining eligibility for disability benefits.

Difficulties in determining elibigility, and other factors, lead to uncertainty as to the future costs of a cash disability program. Cost estimates in the field of disability benefits, as pointed out by the Chief Actuary of the Social Security Administration, are subject to a wider range of variation than are estimates for other types of benefits. The basic cost estimates which have been presented to the committee were based on high employment conditions; under low employment conditions, the cost would be significantly higher. The old-age and survivors insurance system is on a sound financial basis; your committee strongly believes that it must be kept so and should not be altered by adding a benefit feature that could involve substantially higher costs than can be estimated.

In view of all these considerations your committee has decided against including provisions for cash benefits to disabled workers.

3. *Provision for increasing the contribution rates in the old-age and survivors insurance program.*—The improvements proposed in the committee-approved bill can be financed within the framework of the present tax schedule, under which contribution rates will be raised periodically until 1975, when they reach 4 percent on employee and employer and 6 percent on the self-employed.

Had the provisions of the House bill for payment of benefits to disabled workers at age 50 and to all insured women at age 62 been added to the committee bill, the contribution rates would have had

to be increased to 2½ percent on employee and employer and to 3¾ percent on the self-employed beginning in January 1957. Such an increase would have required the taxpayers under the system to pay an additional $1.7 billion in each of the next 3 years or a total of approximately $5.1 billion in excess of the taxes prescribed in present law. Moreover under the House bill the tax rates would be raised periodically until 1975 when rates of 4½ percent on employee and employer and 6¾ percent on self-employed would be imposed.

Your committee believes it would be unwise to burden the millions of covered workers with increased social security taxes at this time, as would be required under the House-approved bill. Substantial tax increases were made as recently as January 1, 1954, when the rate was increased, and January 1, 1955, when the taxable wage base was raised to $4,200. It seems much wiser to confine improvements in the program to those that can be absorbed within the present tax schedule.

II. Child's Insurance Benefits For Children Who Are Disabled Before Attaining Age 18

Under present law child's benefits are not paid to a child who has attained age 18. Your committee's bill would provide for the payment of benefits after age 18 to the dependent child of a retired or deceased worker if the child has been permanently and totally disabled since before age 18. The mother of the child would also be eligible for benefits under this provision so long as she continued to have the child in her care.

Your committee recognizes the situation faced by people who have the care of a child who because of a mental deficiency never grows up, or who because of a physical impairment requires constant care throughout his life. The suffering of these parents is the more acute because they are constantly concerned about what will happen to the child when the usual family income is cut off by the death or retirement of the wage earner. Under present law, when the father qualifies for monthly benefits upon retirement at age 65 or later, his child can get a benefit equal to one-half of the father's benefit provided the child is under age 18. The mother also gets a benefit. Benefits are also payable to the mother and young child when the father dies. In either case, however, benefits which the present law provides for a child stop when he reaches 18, regardless of whether the child continues to be dependent because of mental or physical incapacity. And a child who is over 18 when his father retires or dies cannot get benefits at all.

The House-approved bill would meet the first situation, where the disabled child is under 18 when the father dies or becomes entitled to retirement benefits. In this situation, the child would continue to receive his benefits after reaching 18 if he was still disabled. The mother caring for him would also continue to receive benefits. But this provision of the House bill would not meet the second situation where the disabled child is over 18 when the father dies or becomes entitled to retirement benefits. Your committee's bill would provide benefits for a child who has been totally and permanently disabled before attaining age 18, if the child is totally and permanently disabled and dependent upon the parent at the time the parent dies or becomes

entitled to retirement benefits. To be considered disabled the child would have to be unable to engage in any substantial gainful activity by reason of a severe mental or physical impairment that is expected to continue indefinitely.

As in the case of a child under 18 years of age, monthly benefits would also be payable to the mother of a disabled child entitled to child's benefits as long as he is in her care.

Your committee does not believe that the difficulties that would be encountered in providing cash disability benefits for disabled workers, and that led the committee to delete from its bill the House-approved provisions for such benefits, would be encountered to the same extent in providing benefits for disabled children. The two provisions are very different in their implications and their results. In the first place, there are very few cases involved in the provision for disabled child's benefits. Second, the task of determining the existence of a mental or physical impairment of the required degree of severity and permanence would not be difficult because most cases would be those of children congenitally disabled, or disabled in early childhood. In such cases school and other records showing the history of the case and evidencing the degree and duration of the disability will be available, and the lack of a work record will also be substantiating evidence of the child's disability and dependence on the insured worker. Thus, even in cases where the child is, say, 40 years old at the time of application for benefits, the difficulty involved in determining that he was totally disabled before age 18 and has remained so will not be substantial.

If another Federal disability benefit or workmen's compensation benefit is payable to the disabled child, and if that benefit is larger the child's insurance benefit would not be paid. If the child's insurance benefit is larger than the other disability or workmen's compensation benefit the child's insurance benefit would be reduced by the amount of the other benefit. The bill also provides that the benefits would not be paid to any child who, without good cause, refuses vocational rehabilitation services offered to him. A child who accepts vocational rehabilitation services and takes a job while receiving such services would have 12 months to test his earning capacity without suffering loss of benefits.

It is estimated that about 20,000 children would be added to the benefit rolls in the first year under the provisions of your committee's bill. Annually, about 2,500 disabled children would be either currently attaining age 18 and continued on the benefit rolls or added to the rolls at age 18 or over when the insured person died or became entitled to old-age insurance benefits.

III. Extension of Old-Age and Survivors Insurance Coverage

A. GENERAL

The bill would extend coverage to several groups that are excluded under present law. Coverage would be provided for most of the self-employed professional groups that are now excluded, for additional State and local government employees, and for additional Americans (including certain ministers) employed outside the United States. In addition, the bill makes old-age and survivors insurance coverage

available to more farmers: It provides that certain income derived by a farm owner or tenant that is now treated as excluded rental income shall be covered earnings if the owner or tenant, by agreement with the individual operating the farm, materially participates in the farm production; the present optional method which certain farm operators reporting their income on a cash basis may use to compute their income for social security purposes is modified, and is made available to farm operators reporting their income on an accrual basis and to members of farm partnerships. The bill also revises the basic coverage requirement for farm workers and in some instances extends coverage to farm workers not covered under present law.

B. SPECIFIC COVERAGE GROUPS ADDED

(1) Self-employed professional people

The bill would extend coverage to about 200,000 people who during the course of a year are self-employed in the practice of certain professions. The groups to whom coverage would be extended by your committee's bill are lawyers, dentists, chiropractors, veterinarians, naturopaths, and optometrists. The present exclusion of self-employed physicians (doctors of medicine) and osteopaths (doctors of osteopathy) would be continued. (The bill approved by the House would have covered osteopaths in addition to the self-employed professional groups newly covered by your committee's bill.) Anyone in one of the newly included professions who has net earnings of $400 or more from self-employment would be covered for taxable years that end after 1955. Coverage would be on the same basis as that provided for the self-employed people who are covered under present law.

Your committee has received numerous requests for coverage from members of the professions included in the bill. Results of polls conducted by organizations representing these professions and by members of the Congress have been predominantly in favor of coverage. Your committee is convinced that a majority of the members of these groups wish to be included in the system and believes that coverage should be extended to them.

(2) Farm self-employment

Status of share farmers.—Both the House and the Committee-approved bills clarify the status under old-age and survivors insurance of individuals who operate farms under share-farming arrangements made with the owners or tenants of these farms. (Such farmers may be known locally by a variety of names such as "share-croppers," "renters," "croppers," "tenants," and "lessees," or by other designations.) In specifying that these individuals are self-employed and not employees for purposes of old-age and survivors insurance coverage, the bill gives statutory recognition to the interpretation being followed in administering the present law.

Your committee believes that this statutory recognition is necessary to dispel doubt as to the intent of the Congress since persons who operate farms under a share-farming arrangement with the owner or tenant have some characteristics of employees and some characteristics of self-employed persons. For example, in some instances the landowner may direct the share farmer to nearly the same extent, on an overall basis, as he does individuals who clearly are employees,

On the other hand, share farmers participate directly in the risk of farming; their return from the undertaking is dependent upon the amount of the crop or livestock produced. The provisions of the bill would remove any doubt as to whether the services performed by the share farmer are rendered as an employee or as a self-employed person by statutorily defining such services to be self-employment. This definition is believed to be consistent with the actual relationships existing under share-farming arrangements in the majority of cases.

Landowners participating in production.—Under both the committee-approved bill and the House bill, the present exclusion from self-employment earnings of rentals from real estate would not apply to income derived by an owner or tenant of a farm from its operation by another individual if there is material participation by the owner or tenant in the farm production under an arrangement which provides for such participation. The bill thus would extend coverage under old-age and survivors insurance to certain farmers who, though not covered under the present law, have income from work and therefore are exposed to the type of income loss against which the program is designed to afford protection.

Under this amendment it is contemplated that the owner or tenant of land used in connection with the production of agricultural or horticultural commodities must participate to a material degree in the management decisions or physical work relating to such activities in order for the income derived therefrom to be classified as net earnings from self-employment.

Computation of self-employment income from agriculture.—Under present law, individual farmers who report their income on a cash basis have the following option in reporting their net earnings from agricultural self-employment for credit under old-age and survivors insurance: (*a*) If annual gross farm income is between $800 and $1,800, inclusive, either net earnings or 50 percent of gross income may be reported; (*b*) if gross income is more than $1,800 and net earnings are less than $900 either net earnings or $900 may be reported. If gross income is more than $1,800 and net earnings are $900 or more, net earnings must be reported. The optional method of reporting farm income is designed to make it unnecessary for a small farmer with low gross income to keep records that he does not ordinarily keep. It also enables both large and small farmers to maintain their old-age and survivors insurance protection during years when they have gross income of $400 or more regardless of whether they have any net earnings.

Your committee found that the option required revision so that more low-income farmers could secure protection under old-age and survivors insurance. Farmers whose annual gross farm income is less than $800 and whose net earnings are less than $400 a year cannot be covered under present law. The bill approved by your committee would permit those farmers with gross income of $400 or more to be covered. The bill would also enable farmers who have little, if any, net earnings to report their gross farm income up to $1,200 a year and thus to maintain their social-security protection at a higher level than that permitted by the option included in the present law.

Under present law the option can be used only by individuals who report their income on a cash receipts and disbursements basis; mem-

bers of a farm partnership and individual farmers who compute their income for tax purposes on an accural basis must report their actual net earnings. This has created inequities because members of farm partnerships and accrual-basis farmers are, in the same way as other farmers, subject to hazards that are peculiar to farming—hazards that make farm income subject to sharp fluctuations and result in years of low net income or net loss. Such farmers need the same opportunity as other farmers to maintain their protection under old-age and survivors insurance during bad years.

The bill would permit farmers the following option in reporting their earnings from agricultural self-employment for old-age and survivors insurance purposes: (*a*) If annual gross income from agricultural self-employment is between $400 and $1,200 inclusive, either net earnings or gross income may be reported; (*b*) if gross income from agricultural self-employment is over $1,200 and net earnings are less than $1,200 either net earnings or $1,200 may be reported. If net earnings are $1,200 or more, net earnings must be reported. The option would be available to members of farm partnerships and to individual farmers regardless of whether income is reported on an accrual or a cash basis.

The following table summarizes the effect of the provisions of the bill for optional reporting for self-employed farm operators as compared with those of present law:

Gross income from agricultural self-employment	Net earnings from agricultural self-employment	Earnings reportable for social security		
		Standard method	Option under present law	Option under committee bill
Under $400	Under $400	None	None	None.[1]
$400 to $799	Under $400	None	None	Gross income.
$400 to $799	$400 to $799	Net earnings	None	Gross income.
$800 to $1,200	Under $400	None	50 percent of gross income	Gross income.
$800 to $1,200	$400 to $1,200	Net earnings	50 percent of gross income	Gross income.
$1,201 to $1,800	Under $400	None	50 percent of gross income	$1,200.
$1,201 to $1,800	$400 to $1,199	Net earnings	50 percent of gross income	$1,200.
$1,201 to $1,800	$1,200 to $1,800	Net earnings	50 percent of gross income	(2).
More than $1,800	Under $400	None	$900	$1,200.
More than $1,800	$400 to $899	Net earnings	$900	$1,200.
More than $1,800	$900 to $1,199	Net earnings	(2)	$1,200.
More than $1,800	$1,200 and over	Net earnings	(2)	(2).

[1] The option may be used if farm operator has gross income from farming of less than $400 and has self-employment income from other covered activities which when added to gross income from farming equals $400 or more.
[2] Option cannot be used.

(3) *Certain employees of State and local governments who are under retirement systems*

Under present law, employees of State and local governments may be covered under the old-age and survivors insurance system through voluntary agreements between the States and the Department of Health, Education, and Welfare. Employees whose positions are under a State or local retirement system (except policemen and firemen) may be included in an agreement after a favorable referendum among the members of the system.

The committee-approved bill includes special provisions related to certain employees who are under State or local retirement systems in several States.

One of these provisions would, for several States, make a change in the requirement in present law under which all members of a retire-

ment system (with minor exceptions) must be treated as a single group for purposes of coverage. The present requirement is that all members of a retirement system coverage group must be covered if any are covered. In operation, this requirement has imposed an undesirable limitation upon the ability of the States to afford employees the combined protection of the basic Federal system and a State or local system. In some States no reduction in the protection afforded by an existing State or local retirement system can be made unless the employee specifically consents. As a result, if old-age and survivors insurance is to be extended to the retirement system members, it must be added on top of their existing protection in order to satisfy those members who prefer to retain the full protection of their existing system. In some cases the employees or the employing governmental unit may be unwilling or unable to pay the combined contributions that would be required under such an arrangement. The bill would provide that the State, at its option, may cover under old-age and survivors insurance only those persons now members of a retirement system who wish to be covered, provided that all new employees are covered compulsorily under old-age and survivors insurance. The provision would apply to the States of Georgia, Indiana, New York, North Dakota, Pennsylvania, Tennessee, Washington, Wisconsin, and to the Territory of Hawaii.

In some States the requirements that all members of a retirement system be covered as a group has prevented certain State employees from obtaining old-age and survivors insurance coverage because funds are not available to pay the employer's old-age and survivors insurance contribution on behalf of other State employees in the retirement system. Where State employees are compensated in whole or in part from Federal funds under title III of the Social Security Act (grants to States for unemployment compensation administration) Federal funds are available to pay the employer's contribution under old-age and survivors insurance. If the Federal old-age and survivors insurance law permitted, these employees could be covered immediately without waiting for action to provide the necessary funds for the employer's contribution on behalf of other State employees. The committee bill includes a provision which in certain States would permit these employees, either as a separate group or in a group with other members of the department in which they are employed, to hold a separate referendum and, if the referendum is favorable, to be covered by old-age and survivors insurance as if there were no other employees in the State retirement system. The provision would apply to the States of Georgia, North Dakota, Pennsylvania, and Washington and to the Territory of Hawaii.

Certain nonprofessional school district employees.—Before old-age and survivors insurance became available to State and local government employees, several States included nonprofessional school employees, such as clerks and janitors, under their teachers' retirement systems. These systems, having been designed for employees who make a career of educational work, generally are not well suited to employees who move back and forth between school employment and other types of employment. The bill would permit certain States to cover nonprofessional school employees who are under a teachers' retirement system without a referendum and without covering the professional employees who are in the system, provided

the action is taken prior to July 1, 1957. This provision would apply to the States of Nevada, New Mexico, Oklahoma, Pennsylvania, Texas, and Washington, and to the Territory of Hawaii.

Policemen and firemen in the States of North Carolina, South Carolina, and South Dakota.—The Social Security Amendments of 1954, which made old-age and survivors insurance coverage available to most employees under retirement systems, continued the exclusion of policemen and firemen at the request of policemen's and firemen's organizations. Your committee has been requested to remove the bar to coverage of policemen and firemen employed in the States of North Carolina, South Carolina, and South Dakota. Accordingly, your committee has added to the House bill a provision making coverage available to policemen and firemen in these States, subject to the same conditions that apply to coverage of other employees who are under State and local retirement systems, except that where the policemen and firemen are in a retirement system with other classes of employees the policemen and firemen may, at the option of the State, hold a separate referendum and be covered as a separate group.

(*4*) *Agricultural labor*

Modifications in coverage test.—Under the present law, an agricultural worker is covered by old-age and survivors insurance for his work for an employer in a calendar year if he is paid $100 or more in cash wages by that employer during the course of the calendar year. The bill would, generally speaking, increase to $200 the amount of cash wages that an agricultural worker must be paid by an employer in a calendar year in order for his services to be covered. However, farmworkers who perform agricultural services for an employer on 30 or more days during a calendar year for cash pay at a rate which is based on some unit of time such as an hour, a day, or a week, would be covered regardless of the amount of their cash wages. Piece-rate workers would be covered only if they are paid at least $200 in cash wages by one employer.

The bill would, in effect, provide old-age and survivors insurance coverage only for farmworkers who work a considerable period for an employer, thus easing the social security recordkeeping and reporting responsibilities of many farm employers who employ short-term seasonal workers. While the bill would execude from coverage some workers who would be covered if the present $100-cash-wage test were retained, it would extend coverage to a group of farmworkers for whom old-age and survivors insurance coverage is especially desirable. The group not covered under present law who would not be covered is composed primarily of workers who, though not paid as much as $100 in cash wages by any one employer in a year customarily are in the labor force; many of them, especially those who receive a large part of their pay in the form of board, or board and room, work for 1 employer longer than the required 30 days and are regarded as regular employees. On the other hand, many of the workers who would be excluded from coverage by the bill are persons not normally in the labor force, such as children and housewives.

Crew leaders deemed employers of crew workers.—The bill provides that if a "crew leader," as defined in the bill, furnishes workers to perform agricultural labor for another person the workers would be the crew leader's employees, and that the "crew leader" would be

self-employed. The term "crew leader" means a person who furnishes individuals to perform agricultural labor for another person, pays such individuals for their work, and is not designated, by written agreement with the person for whom the agricultural labor is performed, as an employee of such person.

Many farmers throughout the United States, particularly growers of cotton, fruits, and vegetables, require a sizable labor force for a short period, especially during the harvest of their crops. Frequently they obtain the workers through persons known as "crew leaders" (or known by other designations such as "labor contractors" and "row bosses") who recruit crews of workers and transport them to the farms. The identity of the employer of such crews of agricultural workers (as between the crew leader and the farm operator) must be determined, under present law, by examining the employment relationship in the light of the common-law control test. It is often difficult for the crew leader and the farm operator to make this determination. Moreover, if it is determined that the farm operator is the employer, he may have difficulty in obtaining the necessary information about each individual worker in the crew for social-security purposes. Your committee believes that deeming the crew leader to be the employer of the individuals he recruits and pays would simplify the reporting of workers for social-security purposes, and would also be to the advantage of many of the farm workers who customarily work as members of a crew. Since they generally work for the same crew leader longer than for a single farm operator, they will have a better chance of having their farm work covered by old-age and survivors insurance. Also, a larger proportion of their farm wages will be covered if the crew leader is the employer.

The number of additional farm workers who could be covered under old-age and survivors insurance by the two provisions just described (the 30-day test and the provision under which certain crew leaders would be the employers of agricultural workers) would tend to offset the number of farm workers who would be excluded from coverage by the provision that substitutes a $200-cash-wage test for the present $100-cash-wage test. At the same time, the bill would ease the social security recordkeeping and reporting job of many farm employers.

Temporary foreign agricultural workers.—Your committee has previously recognized the undesirability of covering foreign agricultural workers who serve only temporarily in the United States, and the present law excludes service performed by foreign agricultural workers from Mexico hired under contracts made in accordance with title V of the Agricultural Act of 1949, as amended, and service performed by foreign workers lawfully admitted from the British West Indies on a temporary basis to do agricultural labor. Your committee bill would broaden the present exclusion so that it would apply uniformly to service performed by foreign workers admitted on a temporary basis from any foreign country to perform agricultural labor.

Turpentine workers.—The House bill would extend coverage to an estimated 20,000 workers engaged in the production of turpentine and gum naval stores. This provision was deleted by your committee. Under the committee bill, services in the production of gum naval stores would continue to be excluded from coverage.

(5) *United States citizens employed outside the United States by foreign subsidiaries of American employers*

Under present law United States citizens working outside the United States for foreign subsidiaries of American corporations may be covered under old-age and survivors insurance by means of voluntary agreements between the parent corporation and the United States Government. Coverage is available only to American citizens who are employed either by a foreign subsidiary in which the American corporation holds more than 50 percent of the voting stock, or by another foreign corporation in which such subsidiary holds more than 50 percent of the voting stock. Under an amendment added to the bill by your committee, the present provision would be broadened to make coverage available to American citizens employed by a foreign company in which the American corporation holds 20 percent or more of the voting stock.

Under the amendment, as under present law, if any of the American citizen employees of a foreign company are covered under an agreement all of them must be covered. This requirement is intended to prevent adverse selection. Your committee believes, however, that it may be unduly restrictive in its effect on the coverage of American citizens employed abroad. Accordingly, we have asked the Department of Health, Education, and Welfare and the Treasury Department to study the operation and effect of this requirement with a view toward recommending changes that would make coverage feasible for additional United States citizen employees of foreign subsidiaries of American employers.

(6) *Ministers*

The social-security amendments of 1954 made old-age and survivors insurance coverage available to ministers generally (and members of religious orders). This coverage was provided by permitting the minister to file a certificate indicating his desire to be covered as a self-employed person, regardless of whether he is self-employed or working as an employee. Special provisions were included to permit ministers who are United States citizens working abroad for American employers to pay self-employment contributions and receive credit for their wages and salaries under old-age and survivors insurance. Because of the definition of what constitutes an American employer American ministers serving as pastors of churches in foreign countries cannot, in some situations, secure coverage under these provisions even though their congregations are composed predominantly of American citizens. Your committee has added to the bill a provision that would make coverage available to these American ministers beginning with the first taxable year ending after 1954 for which coverage is elected.

(7) *Employees of the Tennessee Valley Authority and the Federal home loan banks*

The House bill would have extended coverage to certain employees of the Tennessee Valley Authority and employees of district Federal Home Loan banks. These provisions were deleted by your committee because the employees are already covered under retirement systems and we feel that social-security coverage should not be extended to them until there is further evidence that the resulting total benefit amounts would not be excessive.

IV. Lowering of Eligibility Age for Widows Insurance Benefits

Under present law the qualifying age for receipt of monthly insurance benefits for all aged beneficiaries is 65. The bill would lower the qualifying age to 62 for widows of insured workers. As a result, about 200,000 additional widows would become eligible for benefits in September 1956. The reduction in the qualifying age for widows means the addition of about $20 billion to the $90 billion now estimated to be the face value of the protection in the form of benefits paid at age 65 and over to widows of insured workers.

Many women widowed in their fifties or early sixties have never worked or have not had recent work experience and find it difficult to secure jobs. Many are left with no financial resources and face the alternatives of being dependent on their children (who are themselves attempting to make ends meet while raising their own families), or of seeking assistance from public or private welfare agencies.

There is no such compelling reason for lowering the eligibility age for wives. An elderly couple has the husband's benefit in the interval between the time when he retires and the time when his wife becomes eligible for a wife's benefit. The couple is thus in a more advantageous position than a widow.

Studies by the Social Security Administration show that in 98 percent of the cases a man's decision on when to retire and apply for benefits is not based on whether his wife is also eligible. All in all, there is no convincing evidence that any real social need for an earlier eligibility age for wife's benefits would justify the greater cost involved.

So far as women workers are concerned, there are indications that lowering the eligibility age for them might prove positively harmful to their welfare. If the eligibility age were lowered for working women, some employers would terminate the employment of their women employees at an earlier age than they do now, and some employers would lower hiring age limits and thus make it more difficult for women in their late fifties to get new employment. If women were retired earlier than at present, there would be a shorter period in which they could build up retirement assets and a longer one over which such assets would have to be spread. And not only would earlier retirement lower the living standards of women workers; it would deprive them of the feeling of pride and usefulness than for many comes only from satisfactory work. Moreover, if women workers were retired earlier, the Nation would be deprived of their contribution to production and the ratio of nonproducers would be increased. Thus it is important both to the individual and to the national economy that job opportunities for older persons be increased rather than reduced.

A reduction in the eligibility age for women workers would be contrary to current trends in lifespan, employment, population, and private pension plans. Women are living longer and working longer today than ever before. On the average, the woman who reaches 65 may now expect to live past 80. And the average length of life for women is 6 years greater than for men. In the past 15 years, the proportion of women aged 60 to 64 who are in the labor force has almost doubled. And while many private pension plans in the past provided a lower retirement age for women than for men, this trend has been reversed; most now provide the same for both men and women. Many public

and private programs are being set up for the purpose of opening up new job opportunities for older workers. Lowering the qualifying age for women workers could make it more difficult for these programs to accomplish their purpose.

The disadvantages of a reduction in the eligibility age for women workers have been recognized by various women's organizations, which have strongly opposed the idea of differential treatment of men and women workers under old-age and survivors insurance.

The cost of providing benefits at age 62 for all women, as in the House-passed bill, is estimated at about $400 million in the first year of operation and $1 billion a year by 1970. The level-premium cost of the program would be increased by 0.56 percent of taxable earnings, as compared with 0.20 percent for widows alone.

Moreover, reduction in the eligibility age for all women would raise sharply the issue of a reduction in the eligibility age for men also. A reduction in the age for men would be even more undesirable than a reduction in the age for women, and would be extremely costly. If the eligibility age were lowered for both men and women, the level-premium increase in cost would be 1.10 percent of taxable earnings.

V. Investment of the Trust Fund

The Social Security Act provides that the managing trustee (the Secretary of the Treasury) shall invest such portion of the old-age and survivors insurance trust fund as is not in his judgment needed to meet current withdrawals. These investments must be made in interest-bearing obligations of the United States or in obligations guaranteed both as to interest and principal by the United States. Your committee believes that this method of investment of the trust fund is sound and should be continued.

Much of the holdings of the trust fund are special obligations issued exclusively to the fund. These special obligations are required by law to bear a rate of interest equal to the average rate borne by all interest-bearing obligations of the United States. This average interest rate, if it is not a multiple of one-eighth of 1 percent, is reduced to the next lower multiple of one-eighth of 1 percent.

Your committee believes that the investments of the trust fund should reflect the essentially long-term nature of the investments. We also believe that public understanding of the financing provision will be enhanced, and criticism based on misunderstanding avoided, if it is made clear that bonds purchased by the trust fund are as much a part of the public debt as any other obligations of the Federal Government. We have therefore referred to the special obligations as "public-debt obligations for purchase by the trust fund." The special obligations would have maturities fixed with due regard for the needs of the fund. The interest rate on these obligations would be equal to the average rate of interest borne by all marketable interest-bearing obligations of the United States not due or callable until after the expiration of 5 years from the date of original issue. The interest rate, if not already a multiple of one-eighth of 1 percent, would be rounded to the nearest multiple of one-eighth of 1 percent.

These changes have been recommended by the Board of Trustees of the trust fund. The exclusion of interest rates on short-term obligations in fixing the rate for public-debt obligations for issue to

the fund would increase the interest income of the fund, on the average, by about seven one-hundredths of 1 percent of taxable payroll, or about $160 million a year (less than this in the immediate future, since the trust fund is now smaller than it is estimated to be eventually).

VI. Advisory Council on Social Security Financing

Advisory Councils on Social Security Financing would be established periodically under the bill to review the status of the old-age and survivors insurance trust fund in relation to the long-term commitments of the program. Each Advisory Council would evaluate the financing provisions of the program before one of the scheduled increases in the tax rates in the light of the dynamic character and growing productive capacity of our economy.

The bill provides that the Secretary of Health, Education, and Welfare would appoint the members of the Advisory Council. The Commissioner of Social Security would serve as Chairman of the Council which would include 12 other persons representing, to the extent possible, employers and employees in equal numbers, and self-employed persons, and the public. Actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare would be received by the Advisory Council. In addition, the Council would be authorized to engage such technical assistance, including actuarial services, as might be necessary. The Council would report its findings and recommendations to the secretary of the Board of Trustees of the Federal old-age and survivors insurance trust fund. The Council then would go out of existence. The Council's report will be included in the trustees' annual report submitted to the Congress.

The first Advisory Council would be appointed after February 1957 and before January 1958. A new Council constituted in the same manner with the same functions, duties, and responsibilities (including the reporting of its findings and recommendations), would be appointed by the Secretary not earlier than 3 years and not later than 2 years before each ensuing scheduled increase in the tax rates, following the increase scheduled for 1960.

VII. Miscellaneous Provisions

Your committee's bill contains provisions that would enable certain employees of nonprofit organizations to secure credit under old-age and survivors insurance for wages on which taxes were paid in good faith (and not refunded) in the belief that the employment was covered, although a valid waiver of tax exemption had not been filed by the organization or, if filed, had not been signed by all the employees for whom wages were reported. The bill provides a 2-year extension of the time period within which an application for a lump-sum death payment may be filed, or within which a dependent widower, husband, or parent may file proof that he was supported by an insured person, where there was good cause for failure to file the necessary application or proof within the original time period. The bill also provides that a widow who lost her benefit rights on her deceased husband's earnings record by remarriage and who is not eligible for benefits on

her second husband's record because he died before the new marriage had lasted a year, would have her rights to widow's benefits on her first husband's record restored. The bill also amends the Railroad Retirement Act so as to preserve the existing relationship between the railroad retirement and old-age and survivors insurance systems. Certain other minor provisions were included in H. R. 7225 to make technical corrections in existing law. These miscellaneous provisions are described in the section-by-section analysis of this report.

VIII. Actuarial Cost Estimates for Old-Age and Survivors Insurance System

A. FINANCING POLICY

The Congress has always carefully considered the actuarial and cost aspects in determining the benefit provisions of the old-age and survivors insurance system at the time of the various amendments to the program. In connection with the 1950 amendments, the Congress was of the belief that the program should be completely self-supporting from contributions of covered individuals and employers. Accordingly, at that time the provision permitting appropriations to the system from general revenues of the Treasury was repealed. In the subsequent amendments of 1952 and 1954, this policy was continued. Your committee has always very strongly believed that the system should be actuarially sound. Your committee continues to believe that the tax schedule in the law should make the system self-supporting as nearly as can be foreseen, or in other words, actuarially sound.

The concept of actuarial soundness as it applies to the old-age and survivors insurance system differs considerably from this concept as applicable to private insurance although there are certain points of similarity—especially as this concept applies in connection with private pension plans.

The most important difference is due to the fact that a social-insurance system can be assumed to be perpetual in nature with a continuous flow of new entrants (as a result of its compulsory nature). Accordingly, it may be said that the old-age and survivors insurance program is actuarially sound if it is in actuarial balance by reason of the fact that future income from contribution and interest earnings on the accumulated trust fund will over the long run support the disbursements for benefits and administrative expenses. Quite obviously, future experience may be expected to vary from the actuarial cost estimates made now, but the intent that the system be self-supporting can be expressed in law by utilizing a contribution schedule that according to an intermediate-cost estimate results in the system being in balance, or quite close thereto.

The system's actuarial balance under the 1952 act was estimated at the time of enactment to be virtually the same as in the estimates made at the time the 1950 act was enacted; this was the case because of the rise in earnings levels in the 3 years preceding the enactment of the 1952 act being taken into consideration in those estimates. New cost estimates made after the enactment of the 1952 act indicated that the level-premium cost (i. e. the average long-range cost, based on discounting at interest, relative to payroll) of the benefit disburse-

ments and administrative expenses were somewhat more than one-half percent of payroll higher than the level-premium equivalent of the schedule taxes (including allowance for interest on the existing trust fund). Under the 1954 act, the increase in the contribution schedule met all of the additional cost of the benefit changes proposed and reduced substantially the "actuarial insufficiency" which the estimates had indicated in regard to the financing of the 1952 act.

Recent operating experience of the program has indicated that earnings level (based on 1955 data) have risen by about 13 percent over those used in the previous acturial estimates (based on 1951–52 levels). Taking this factor into account reduces the "actuarial insufficiency" under the present law to the point where for all practical purposes it may be said to be nonexistent. Accordingly, the system is now in approximate actuarial balance. We believe, however, that our policy should be one of utmost prudence in this area to assure the continuing actuarial soundness of the system.

B. BASIC ASSUMPTIONS FOR COST ESTIMATES

Estimates of the future cost of the old-age and survivors insurance program are affected by many factors that are difficult to determine. Accordingly, the assumptions used in the acturial cost estimates may differ widely and yet be reasonable. Benefit payments may be expected to increase continuously for at least the next 50 to 70 years because of factors such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement program, public or private, that has been in operation for only a relatively short period.

The cost estimates for the bill are presented here first on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors. Both the low-cost and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1955. Following the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low-cost and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions.

In general, the costs are shown as a percentage of covered payroll. This is the best measure of the financial cost of the program. Dollar figures taken alone are misleading because, for example, a higher earnings level will increase not only the outgo but also, and to a greater extent, the income of the system. The result is that the cost relative to payroll will decrease.

The low-cost and high-cost assumptions relate to the cost as a percentage of payroll in the aggregate and not to the dollar costs. The two cost assumptions are based on possible variations in fertility rates, mortality rates, retirement rates, remarriage rates, and so forth.

In general, the cost estimates have been prepared on the basis of the same assumptions (other than as to earnings) and techniques as those contained in the Social Security Administration's Actuarial Study No. 39 (relating to present law) and those contained in the report of the Committee on Ways and Means of the House of Representatives on this bill (H. Rept. No. 1189, 84th Cong., 1st sess.).

One change in assumptions has, however, been made as a result of the revised basis for determining the interest rate on special issues held by the trust fund according to the committee-approved bill, namely, by basing it on the rate on long-term obligations of the United States rather than on all such obligations and by revising the rounding basis so as to round to the nearest one-eighth of 1 percent instead of the lower one-eighth. On the average, this will have the effect of raising the interest-earnings rate of the trust fund by almost one-fourth of 1 percent. Thus, in contrast with the interest rate of 2.4 percent used in the previously mentioned cost estimates, a rate of 2.6 percent is used in these cost estimates.

The cost estimates are extended beyond the year 2000 since the aged population itself cannot mature by then. The reason for this is that the number of births in the 1930's was very low as compared with subsequent experience, and, as a result, there is a dip in the relative proportion of the aged from 1995 to about 2010, which, in itself, would tend to yield low benefit costs for that period. Accordingly, the year 2000 is by no means a typical ultimate year.

An important measure of long-range cost is the level-premium contribution rate required to support the system into perpetuity, based on discounting at interest. It is assumed that benefit payments and taxable payrolls remain level after the year 2050 (actually the relationship between benefits and payroll is virtually constant after about 2020). If such a level rate were adopted, relatively large accumulations in the trust fund would result, and in consequence there would be sizable eventual income from interest. Even though such a method of financing is not followed, this concept may nevertheless be used as a convenient measure of long-range costs. This is a valuable cost concept, especially in comparing various possible alternative plans and provisions, since it takes into account the long-term rise in benefit disbursements.

The estimates are based on level-earnings assumptions. This, however, does not mean that covered payrolls are assumed to be the same each year; rather, they rise steadily, paralleling the estimated increase in the population at the working ages. If in the future the earnings level should be considerably above that now prevailing, and if the benefits for those on the roll are at some time adjusted upward so that the annual costs relative to payroll will remain the same as now estimated for the present act, then the increased dollar outgo resulting will offset the increased dollar income. This is an important reason for considering costs relative to payroll rather than in dollars

The cost estimates have not taken into account the possibility of a rise in earnings levels, although such a rise has characterized the past history of this country. If such an assumption were used in the cost estimates, along with the unlikely assumption that the benefits nevertheless would not be changed, the cost relative to payroll would, of course, be lower. If benefits are adjusted to keep pace with rising earnings, the year-by-year costs as a percentage of payroll would be unaffected. In such case, however, the level-premium cost would be higher, since under such circumstances, the relative importance of the interest receipts of the trust fund would gradually diminish with the passage of time. If earnings do consistently rise and benefits are adjusted accordingly, thorough consideration will need to be given to the financing basis of the system because then the

interest receipts of the trust fund will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

Financial interchange provisions with the railroad retirement system are, under present law, in effect such that the old-age and survivors insurance trust fund is to be placed in the same financial position as if railroad employment had always been covered under the old-age and survivors insurance program. It is estimated that, over the long range, the net effect of these provisions will be a relatively small net gain to the old-age and survivors insurance system, since the reimbursements from the railroad retirement system will be somewhat larger than the net additional benefits paid on the basis of railroad earnings. The long-range costs developed here are for the operation of the trust fund on the basis, as provided in current law, that all railroad employment will be (and beginning with 1937, has been) covered employment. The balance in the fund thus corresponds exactly to the actual situation arising. But the contribution income and benefit disbursement figures shown are slightly higher (by about 5 percent) than the payments which will actually be made directly to the trust fund by contributors and the payments which will actually be made from the trust fund to the individual beneficiaries. This is the case because the figures here include both the additional contributions which would have been collected if railroad employment had always been covered and the additional benefits that would have been paid under such circumstances. The balance for these two elements is to be accounted for in actual practice by the operation of the financial interchange provisions.

C. RESULTS OF COST ESTIMATES ON RANGE BASIS

Table 1 presents costs as a percentage of payroll for each of the various types of benefits. The level-premium cost for the benefits provided in the committee-approved bill, on the basis of 2.6 percent interest, ranges from 6.8 to 8.6 percent of payroll.

TABLE 1.—*Estimated benefit payments as percent of taxable payroll [1] for bill, by type of benefit, high-employment assumptions*

[In percent]

Calendar year	Monthly benefits						Lump-sum death payments	Disability freeze	Total benefits
	Old-age	Wife's [2]	Widow's [2]	Parent's	Mother's	Child's			
	Actual data [3]								
1951	0.97	0.15	0.13	0.01	0.07	0.23	0.05	.....	1.61
1952	1.06	.16	.15	.01	.07	.25	.05	.....	1.76
1953	1.43	.21	.19	.01	.09	.29	.07	.....	2.28
1954	1.75	.25	.23	.01	.10	.34	.07	.....	2.74
1955	2.07	.30	.25	.01	.10	.36	.07	.....	3.16
	Low-cost estimate								
1960	2.36	0.31	0.63	0.01	0.15	0.40	0.09	0.04	4.00
1970	3.42	.38	1.11	.01	.17	.44	.11	.06	5.70
1980	4.36	.42	1.39	.01	.16	.42	.12	.07	6.96
1990	5.02	.41	1.49	.01	.15	.41	.13	.08	7.71
2000	4.85	.39	1.37	.01	.15	.40	.13	.07	7.36
2020	5.48	.43	1.35	.01	.15	.40	.14	.08	8.03
Level premium [4]	4.39	.40	1.23	.01	.15	.41	.12	.07	6.77
	High-cost estimate								
1960	2.79	0.36	0.66	0.01	0.18	0.41	0.09	0.05	4.56
1970	4.05	.45	1.19	.01	.20	.44	.11	.06	6.52
1980	5.27	.47	1.51	.02	.18	.40	.13	.08	8.06
1990	6.45	.48	1.63	.02	.17	.38	.14	.09	9.36
2000	6.76	.48	1.54	.02	.15	.34	.14	.09	9.53
2020	8.97	.62	1.72	.02	.15	.34	.17	.12	12.11
Level premium [4]	5.94	.50	1.40	.02	.17	.38	.14	.08	8.62

[1] Taking into account lower contribution rate for self-employed as compared with employer-employee rate.
[2] Includes husband's and widower's benefits, respectively.
[3] Excluding effect of railroad coverage under financial interchange provisions.
[4] At 2.6 percent interest. Level premium contribution rate for benefit payments after 1955 and in perpetuity, not taking into account (*a*) existing trust fund and (*b*) administrative expenses. These level-premium rates assume that benefits and payrolls remain level after the year 2050.

Table 2 shows the estimated operations of the trust fund under the committee-approved bill on the basis of a 2.6-percent interest rate. This rate is higher than the 2.4-percent rate used in the previous estimates, reflecting the change in the interest basis of the trust fund under the provisions of the committee-approved bill, although it is slightly above what would currently be earned under such provisions. Under the low-cost estimate, the trust fund builds up quite rapidly and even some 45 years hence is growing at a rate of about $6 billion per year and at that time is about $180 billion in magnitude; in fact, under this estimate, benefit disbursements do not exceed contribution income during the next 60 years. On the other hand, under the high-cost estimate the trust fund builds up slowly to a maximum of about $41 billion in 1980, but decreases thereafter until it is exhausted in the year 1999. Benefit disbursements exceed contribution income during 1958–59, 1962–64, 1967–69, and in 1974 (in each case, just before a scheduled rise in the contribution rate), and again in and after 1980. In each of these periods before 1975, however, the interest receipts are more than sufficient to offset such excesses.

TABLE 2.—*Estimated progress of trust fund under committee-approved bill, 2.6 percent interest, high-employment assumptions*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund
	Actual data excluding effect of railroad financial interchange				
1951	$3,367	$1,885	$81	$417	$15,540
1952	3,819	2,194	88	365	17,442
1953	3,945	3,006	88	414	18,707
1954	5,163	3,670	992	468	20,576
1955	5,713	4,968	119	461	21,663
	Actual data including effect of railroad financial interchange				
1951	$3,520	$2,069	$85	$432	$16,034
1952	3,974	2,395	92	379	17,900
1953	4,099	3,245	91	421	19,084
1954 [1]	5,336	3,940	96	476	20,860
1955 [1]	5,913	5,290	123	466	21,826
	Low-cost estimate				
1960	$8,727	$7,255	$123	$688	$27,839
1970	14,001	11,729	155	1,218	49,141
1980	18,158	15,800	184	2,280	91,064
1990	19,822	19,097	212	3,322	131,357
2000	22,063	20,310	230	4,545	180,103
2020	25,999	26,086	284	8,732	344,411
	High-cost estimate				
1960	$8,648	$8,194	$160	$631	$25,058
1970	13,853	13,261	204	725	28,795
1980	17,682	17,807	245	1,034	40,619
1990	18,571	21,721	282	791	29,481
2000	19,843	23,628	304	(2)	(2)
2020	20,557	31,121	367	(2)	(2)

[1] Preliminary estimate.
[2] Fund exhausted in 1999.

These results are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting, as will be indicated hereafter. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice, under the philosophy in the 1950, 1952, and 1954 acts, as set forth in the committee reports therefor and as continued in this bill by your committee, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 2 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rates would probably be adjusted downward—or perhaps would not be increased—in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled. At any rate, the high-cost estimate does indicate that under the tax schedule in present law, which is retained in the committee-approved bill there would be ample funds to meet benefit disbursements for several decades even under relatively high-cost experience.

D. RESULTS OF INTERMEDIATE-COST ESTIMATE

The Congress, in enacting the 1950, 1952, and 1954 acts, was of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis, or, in other words, actuarially sound. This belief is reiterated in this report. Therefore, a single estimate is necessary in the development of a tax schedule intended to make the system self-supporting. The intermediate-cost estimate is developed from the low-cost and high-cost estimates, by averaging them (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll) and is used for this purpose. Any specific schedule will necessarily be somewhat different from what will actually be required to obtain exact balance between contributions and benefits. This procedure, however, does make the intention specific, even though in actual practice, future changes in the tax schedule might be necessary. Likewise, exact self-support cannot be obtained from a specific set of integral or rounded fractional tax rates increasing in orderly intervals, but rather this principle of self-support should be aimed at as closely as possible.

The contribution schedule contained in the present law is left unchanged by the committee-approved bill since no change is needed to provide for the benefit liberalizations made. The following table compares this schedule with the higher rates provided under the House-approved bill:

[Percent]

Calendar year	1954 act and committee approved bill			House approved bill		
	Employee	Employer	Self-employed	Employee	Employer	Self-employed
1955	2	2	3	2	2	3
1956–59	2	2	3	2½	2½	3¾
1960–64	2½	2½	3¾	3	3	4½
1965–69	3	3	4½	3½	3½	5¼
1970–74	3½	3½	5¼	4	4	6
1975 and after	4	4	6	4½	4½	6¾

Table 3 gives an estimate of the level-premium cost of the committee-approved bill, tracing through the changes in cost from the present act according to the major changes proposed. For both the present act and the bill, the level-premium costs are based on benefit payments from 1956 on.

TABLE 3.—*Changes in estimated level-premium cost [1] of benefit payments as percent of payroll, by type of change, intermediate-cost estimate, high-employment assumptions*

Item	Level-premium cost [1]
	Percent
Cost of present act:	
1954 estimate (based on 1951–52 earnings level)	7.77
Current estimate (based on 1955 earnings level)	7.45
Effect of proposed changes:	
Reducing minimum eligibility age for widows to 62	+.19
Paying child's benefits after age 18 when disabled	+.01
Extension of coverage	−.01
Revised interest basis for trust fund investments	−.14
Total	+.05
Cost of system as amended by committee-approved bill	7.50

[1] Level-premium contribution rate for benefit payments after 1955 and in perpetuity, taking into account (*a*) lower-contribution rate for self-employed as compared with employer-employee rate, (*b*) existing trust fund, and (*c*) administrative expenses.

It should be emphasized that in 1950 the Congress did not recommend that the system be financed by a high, level tax rate from 1951 on, but rather recommended an increasing schedule, which, of necessity, ultimately rises higher than the level-premium rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will develop, although not as large as would arise under a level-premium tax rate; this fund is invested in Government securities (just as are much of the reserves of life insurance companies and banks, and is also the case for the trust funds of the civil-service retirement, railroad retirement, national service life insurance, and United States Government life insurance systems), and the resulting interest income will help to bear part of the increased benefit costs of the future.

As will be seen from table 3, based on 1955 earnings assumptions, the level-premium cost of the benefits of the present act—based on 2.4 percent interest—is 7.45 percent of payroll, while the corresponding figure for the committee-approved bill—based on 2.6 percent interest—is 7.50 percent.

The level-premium contribution rates equivalent to the graded schedules in the present law and in the bill may be computed in the same manner as level-premium benefit costs. It should be noted, as indicated previously, that the schedule in the House-approved bill is higher by 1 percent (on the employer-employee combined rate) than present law and the committee-approved bill. These are shown in the table below for income and disbursements after 1955 (on the basis of the intermediate-cost estimate, at 2.4 percent interest for present law and the House-approved bill and at 2.6 percent interest for the committee-approved bill):

[Percent]

Level-premium equivalent	Present law		House-approved bill [3]	Committee-approved bill [3]
	Original estimate	Revised estimate [2]		
Benefit costs [1]	7.77	7.51	8.43	7.50
Contributions	7.29	7.29	8.29	7.22
Net difference, or lack of actuarial balance	.48	.22	.14	.28

[1] Including adjustments (a) to reflect lower contribution rate for self-employed as compared with employer-employee rate, (b) for existing trust fund, and (c) for administrative expenses.
[2] As shown in H. Rept. No. 1189, 84th Cong., 1st sess., p. 17. Based on 1954 earnings assumptions; if 1955 earnings assumptions were used, the "lack of actuarial balance" would be 0.16 percent for present law and 0.08 percent for the House-approved bill.
[3] Based on 1955 earnings assumptions.

Thus, the actuarial balance of the program as it would be revised under the committee-approved bill is only slightly different than was the present law when the House first began its consideration of this legislation.

Table 4 shows the year-by-year cost of the benefit payments according to the intermediate-cost estimate for the House-approved bill, the committee-approved bill, and the present law. These figures are based on a future level-earnings assumption and do not consider business cycles which over a long period of years tend to average out. The benefit disbursements under the bill for 1957, the first full year of operation, are estimated at about $6.5 billion, with a range of from $6.3 to $6.7 billion (as contrasted with contribution income of about $7 billion). Most of the increased cost of the committee-approved bill would arise from the provision to lower the minimum eligibility age for widow's benefits from 65 to 62. Such change would add approximately 200,000 beneficiaries to the roll before the end of 1957 and would result in increased benefit disbursements of about $120 million in 1957. The new provision for paying child's benefits in the case of those aged 18 or over who are totally and permanentlydisabled would add about 20,000 disabled children to the benefit rolls before the end of 1957 with additional disbursements in 1957 amounting to approximately $15 million (including additional payments to widowed mothers).

TABLE 4.—*Estimated cost of benefit payments under present law and under bill, intermediate-cost estimate, high-employment assumptions*

Calendar year	Amount (in millions)			In percent of payroll [1]		
	Present law	House-approved bill	Committee-approved bill	Present law	House-approved bill	Committee-approved bill
				Percent	*Percent*	*Percent*
1957	$6,344	$7,028	$6,495	3.61	4.07	3.69
1958	6,714	7,594	6,904	3.79	4.36	3.89
1959	7,084	8,159	7,315	3.97	4.65	4.09
1960	7,454	8,725	7,721	4.14	4.93	4.27
1970	12,057	13,713	12,497	5.92	6.85	6.11
1980	16,236	18,247	16,804	7.28	8.31	7.50
1990	19,789	21,903	20,409	8.28	9.32	8.51
2000	21,370	23,561	21,969	8.19	9.18	8.39
2020	27,833	30,478	28,604	9.60	10.69	9.83
Level-premium [2]	-------	-------	-------	7.45	8.43	7.50

[1] Taking into account lower contribution rate for self-employed compared with employer-employee rate.
[2] Level-premium contribution rate for benefit payments after 1955 and into perpetuity, taking into account (*a*) lower contribution rate for self-employed as compared with employer-employee rate, (*b*) existing trust fund, and (*c*) administrative expenses. These level-premium rates assume that benefits and payrolls remain level after the year 2050. Based on 2.4 percent interest rate for present law and House-approved bill and on 2.6 percent rate for committee-approved bill.

NOTE.—Figures for House-approved bill are based on 1954 earnings level. Figures for present law and committee-approved bill are based on 1955 earnings level.

Table 5 presents the cost of the benefits under the committee-approved bill as a percent of payroll for each of the various types of benefits and is comparable with table 1 of the previous section.

TABLE 5.—*Estimated benefit payments as percent of taxable payroll [1] for committee-approved bill, by type of benefit, intermediate-cost estimate, high-employment assumptions*

[In percent]

Calendar year	Monthly benefits						Lump-sum death payments	Disability freeze	Total benefits
	Old-age	Wife's [2]	Widow's [2]	Parent's	Mother's	Child's			
1960	2.57	0.34	0.65	0.01	0.16	0.41	0.09	0.04	4.27
1970	3.74	.41	1.15	.01	.18	.44	.11	.06	6.11
1980	4.81	.45	1.45	.01	.17	.41	.13	.07	7.50
1990	5.71	.45	1.56	.02	.16	.40	.13	.08	8.51
2000	5.75	.43	1.45	.02	.15	.37	.14	.08	8.39
2020	7.02	.51	1.51	.01	.15	.37	.15	.10	9.83
Level-premium [3]	5.11	.45	1.31	.01	.16	.39	.13	.07	7.63

[1] Taking into account lower contribution rate for self-employed as compared with employer-employee rate.
[2] Includes husband's and widower's benefits, respectively.
[3] At 2.6 percent interest. Level-premium contribution rate for benefit payments after 1955 and in perpetuity, not taking into account (*a*) existing trust fund, and (*b*) administrative expenses. These level-premium rates assume that benefits and payrolls remain level after the year 2050.

Table 6 gives the estimated operation of the trust fund under present law, according to the intermediate-cost estimate using the revised earnings assumptions (based on 1955 levels) and with a 2.4-percent interest rate. Contribution income exceeds benefit and administrative expense disbursements in virtually all of the next 30 years. Accordingly, it is estimated that the balance in the fund would increase steadily until reaching a maximum of about $140 billion about 60 years from now, with a decrease thereafter.

TABLE 6.—*Estimated progress of trust fund under present law, intermediate-cost estimate, high-employment assumptions, 2.4 percent interest*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund
1956	$6,747	$6,034	$132	$533	$22,940
1957	7,022	6,344	134	557	24,041
1958	7,080	6,714	136	580	24,851
1959	7,138	7,084	138	595	25,362
1960	8,652	7,454	140	621	27,041
1965	11,079	9,841	158	775	33,603
1970	13,872	12,057	178	979	42,605
1975	16,804	14,103	196	1,296	56,528
1980	17,848	16,236	212	1,727	74,392
2000	20,870	21,370	264	2,586	109,973
2020	23,186	27,833	322	3,235	135,551

Table 7 shows the estimated operation of the trust fund under the bill according to the intermediate estimate (using a 2.6 percent interest rate) and is comparable with table 2 of the previous section. According to this estimate, contribution income exceeds benefit disbursements in almost every year during the next 3 decades (all years except 1959 and 1964 when such difference is small and is more than counterbalanced by interest receipts of the fund). As a result, the fund is estimated to grow steadily until reaching a maximum of about $100 billion about 55 to 60 years from now and then to decrease. This decline in the long-distant future indicates that, under the bill, the system is not quite self-supporting under a level-earnings assumption but is, for all practical purposes, sufficiently close so that it may be said to be actuarially sound. This general situation was also true for the 1950, 1952, and 1954 acts according to estimates made at the times they were being considered.

TABLE 7.—*Estimated progress of trust fund under bill, intermediate-cost estimate, high-employment assumptions, 2.6 percent interest*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund
1956 [1]	$6,747	$6,068	$132	$533	$22,906
1957	7,050	6,495	134	601	23,928
1958	7,108	6,904	137	623	24,618
1959	7,167	7,315	139	636	24,968
1960	8,688	7,721	142	660	26,448
1965	11,124	10,197	160	794	31,732
1970	13,927	12,497	180	972	38,968
1975	16,872	14,617	198	1,258	50,654
1980	17,920	16,804	214	1,657	65,842
2000	20,953	21,969	267	2,208	86,510
2010	22,285	23,372	284	2,532	99,232
2020	23,278	28,604	326	2,280	87,141

[1] Including estimated effect of benefit changes in bill becoming effective in 1956.

Although the system under the benefit provisions of the bill is not quite in actuarial balance under the contribution schedule of present law, which is continued, it is very close to such balance. It would not seem advisable to have a higher ultimate employer-employee rate, such as 8½ percent, which according to these estimates would overfinance the system.

E. Summary of Actuarial Cost Estimates

The old-age and survivors insurance system as modified by the committee-approved bill has a benefit cost (on the basis of the continuation of 1955 earnings levels) that is about as closely in balance with contribution income as was the case for the 1950 and 1952 acts at the time they were enacted, and somewhat more nearly in balance than was the 1954 act. In other words, the system as it would be amended by the committee-approved bill is about as nearly in actuarial balance, according to the estimates made, as the previous acts when they were considered by the Congress. Although in all these instances, the system is shown to be not quite self-supporting under the intermediate estimate, there is very close to an exact balance, especially considering that a range of error is necessarily present in long-range actuarial cost estimates and that rounded tax rates are used in actual practice.

The committee-approved bill, in liberalizing the benefits of the program, would add somewhat to its cost, but most of the increase would be offset by the reductions in cost arising from the extension of coverage made and the revised interest basis for investments of the trust fund. The actuarial balance of the system under the committee-approved bill would be virtually the same as that of the present law was last year when this bill was initially considered and would be substantially improved over the situation when the 1954 amendments were enacted. The slight change in the actuarial balance of the system as between the committee-approved bill and the present law is so small that there is no necessity for a change in the long-range financing of the program, through the scheduled tax rates in present law.

IX. Public Assistance

The amendments in the committee bill to titles I, IV, VII, X, XI, and XIV of the Social Security Act would—

(1) Provide separate matching for medical-care expenditures on behalf of recipients of assistance;

(2) Make explicit that services to return recipients of aid to the blind and aid to the permanently and totally disabled to self-support or self-care are objectives of these programs and that services to strengthen family life are a major objective of the program of aid to dependent children;

(3) Make two small additional groups of children eligible for aid;

(4) Authorize grants for cooperative research; and for training of public-assistance personnel;

(5) Extend the present matching formulas to June 30, 1959.

MATCHING OF ASSISTANCE EXPENDITURES FOR MEDICAL CARE

In titles I, IV, X, and XIV of the Social Security Act, Federal participation in assistance is limited by maximums on the amount of monthly payments to or on behalf of an individual. These maximums are $55 for aged, blind, and disabled recipients and lesser amounts for recipients of aid to dependent children. Since medical expenses for an individual may be high in one month (sometimes running to several hundred dollars) and small or nonexistent in other

months, and since many of the individuals with the largest medical needs also have maintenance needs of $55 or more, there is frequently little or no Federal participation in payments made by States for medical care. This has limited the amounts of medical care that many States have been able to make available to recipients, and has almost certainly discouraged many of the States with less than average per capita income from assuming substantial responsibility for the costs of medical care for needy people.

The bill would provide Federal matching of expenditures for payments to suppliers of medical care separate from money payments to assistance recipients and would use an average basis for determining Federal participation in payment to suppliers of medical care. Large expenditures of this kind made by a State on behalf of some recipients could be averaged with small expenditures or no expenditures for other recipients. The Federal Government would participate in one-half of the cost up to an average expenditure of $8 a month per adult receiving aid and $4 a month per child. This assurance of Federal participation on an averaging basis should stimulate States to secure necessary care for recipients, particularly in States with relatively limited resources. Under this legislation States would be free to purchase coverage from any medical insurance plan. Under the bill all payments to suppliers of medical care would be matched under the separate provision. States would still be able if they chose to do so to include in money payments to recipients amounts to meet medical needs within the maximums on money payments specified in titles I, IV, X, and XIV.

SELF-SUPPORT AND SELF-CARE

Individuals who receive assistance are materially affected by the extent to which appropriate welfare services are provided by assistance agencies. Services that assist families and individuals to attain the maximum economic and personal independence of which they are capable provide a more satisfactory way of living for the recipients affected. To the extent that they can remove or ameliorate the causes of dependency they will decrease the time that assistance is needed and the amounts needed. For these reasons the availability of such services to families and individuals is a part of effective administration of the public-assistance programs and therefore a proper administrative expenditure by States in which the Federal Government shares. Similarly, in the aid to dependent children program, services to strengthen family life are an investment in future citizens.

While some such welfare services have been provided effectively in many States, these amendments should stimulate States to expand their services. The bill would amend the titles for the blind and the disabled to make clear that the provision of welfare services to assist recipients to self-support and self-care are program objectives, along with the provision of income to meet current needs. Similarly, the aid to dependent children title would be amended to emphasize that services to strengthen family life are included in the programs' objectives. The amendments will also make explicit that the Federal Government shares in the States' cost in providing these services. These amendments, coupled with those for training and research, should do much to provide a more constructive emphasis in these programs.

No similar amendment has been included for title I for the needy aged. In view of the characteristics of the group of aged recipients as a whole, self-support or even self-care objectives are not as applicable to aged recipients as in the case of the recipients under the other State-Federal programs. Nonetheless, services to aged individuals have been provided under title I of present law. It is not the intent of your committee to alter present practices under which the cost of services for aged individuals are shared in by the Federal Government as administrative expenses.

EXTENSION OF AID TO DEPENDENT CHILDREN

Two amendments have been made to the aid to dependent children title neither of which affects large numbers of children but both of which make some additional needy children eligible for aid. The first would permit Federal participation in assistance to needy children who are deprived of parental support or care for the reasons now listed in the law and who are living in the homes of first cousins, nieces, or nephews, thereby extending the degree of relationship slightly beyond the present law. This will permit additional children to have the advantages of life in a home maintained by close relatives. The second would eliminate the requirement that for a needy child between the ages of 16 and 18 to receive aid, he be in regular attendance at school. This would permit Federal sharing in assistance to such children unable to attend school because of illness or handicap, or because school facilities are not available.

GRANTS FOR COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

Over 5 million persons receive payments of public assistance amounting to about $2.5 billion annually. Prevention and elimination of the needs of these persons pays large dividends both in human and in monetary values. Research and demonstration projects in such matters as causes of dependency and methods of eliminating them are one important aspect of a more constructive emphasis in social security programs. Research and demonstration projects in the coordination of planning between private and public-welfare agencies or the more effective administration of social security and related programs can help to prevent and reduce dependency.

The bill would authorize $5 million for the fiscal year 1957 and such amounts thereafter as the Congress may find necessary for grants to States, public, and nonprofit institutions for paying part of the cost of such research and demonstration projects. These grants should stimulate research in universities and research facilities, thereby contributing substantially to knowledge of the nature and causes of these problems, and of most effective ways of dealing with them.

GRANTS FOR TRAINING OF WELFARE PERSONNEL

A small percentage of the staff of agencies administering public-assistance programs have had any formal training relating to the duties of the positions that they hold. Yet a worker, on the average, is responsible for authorizing the expenditure of about $100,000 per year of public funds. An increasing number of trained workers is needed for the administration of public assistance, particularly if

greater emphasis is to be placed on helping applicants and recipients to self-support, self-care and for strengthening family life.

The bill would provide $5 million for the fiscal year 1958 and such amounts thereafter as the Congress may determine to be needed for grants to States for the training of personnel through fellowships or traineeships, grants to public or other nonprofit institutions of higher learning and short-term courses of study or similar off-the-job training. An allotment would be made to each State on the basis of (1) population, (2) relative need for trained public welfare personnel, and (3) financial need.

The Federal Government would pay 100 percent of the cost of such training within the limits of the appropriation until June 30, 1967. After that date the Federal share would be 80 percent and the State's share 20 percent.

This provision would help States materially in securing larger numbers of well-trained personnel as is being done in other programs for which Federal funds have been made available for the training of professional staff, such as in mental health, vocational rehabilitation, and child welfare programs.

EXTENSION OF THE PUBLIC ASSISTANCE MATCHING FORMULAS

The formulas for Federal matching of public-assistance payments are scheduled to revert to the pre-1952 levels on September 30, 1956. Until old-age and survivors insurance benefits are more generally received under the extensions of coverage made by the 1954 amendments, the number of aged persons needing assistance payments will remain high, particularly in rural States. Decreases in payments to recipients of old-age assistance, aid to the blind, aid to dependent children, and aid to the permanently and totally disabled would be likely in a substantial number of States if the Federal share of assistance payments is reduced. To avoid this the bill would extend the present formulas to June 30, 1959. This will permit time in which to study and determine what should be the appropriate share of public-assistance costs that should be borne by the Federal Government on a long-range basis. By that time the extensions of coverage under old-age and survivors insurance, particularly those affecting employment in agriculture, should be having more effect. Termination at the end of a fiscal year should facilitate both State and Federal fiscal planning.

SECTION-BY-SECTION ANALYSIS

The first section of the bill contains a short title, "Social Security Amendments of 1956." The remainder of the bill is divided into four titles: Title I, which amends title II (old age and survivors insurance) of the Social Security Act to reduce the eligibility age for certain widows to 62, to provide disabled child's insurance benefits for children over 18 who were disabled before they reached that age, to extend coverage and to make certain other miscellaneous amendments, including an amendment to preserve the relationship between old-age and survivors insurance and the railroad retirement programs; title II, which amends the provisions of the Internal Revenue Code of 1954 relating to old-age and survivors insurance coverage; title III, which amends the public assistance provisions of the Social Security Act to

provide separate matching for medical care expenditures, to encourage services to aid in self-support or self-care for the blind and disabled and in strengthening family life for children; and title IV, containing certain miscellaneous provisions.

TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

CHILD'S INSURANCE BENEFITS FOR CHILDREN WHO ARE DISABLED BEFORE ATTAINING AGE EIGHTEEN

Child's benefits for disabled children age 18 or over

Section 101 (a) of the bill amends section 202 (d) (1) of the Social Security Act (relating to child's insurance benefits) to provide that child's insurance benefits would be paid to an unmarried child who is age 18 or over if at the time of filing application he is under a disability (as defined in section 223) which began before he attained age 18, and if he was dependent upon the individual on whose earnings record his claim is based at the time his application for benefits is filed or at the time of such individual's death. The child's benefits would continue until the child dies, marries, is adopted (unless by certain relatives after the worker's death) or is no longer under a disability.

In the bill as passed by the House, benefits to disabled children who had attained age 18 would be payable only to children already entitled to or eligible for child's insurance benefits prior to attainment of age 18. Furthermore, the House bill would have provided such benefits only to children who attained age 18 after 1953.

Dependency of disabled child

Section 101 (b) (1) of the bill amends section 202 (d) of the Social Security Act by restricting application of the dependency provisions described in paragraphs (3), (4), and (5) of that section to a child who has not attained age 18.

Section 101 (b) (2) amends section 202 (d) of the Social Security Act by adding a provisions that a child who has attainted age 18 and who is under a disability which began before he attained age 18 would be deemed dependent upon his natural or adopting father or mother, or his stepfather or stepmother, if the child was, or would have been, upon filing an application, entitled to a child's insurance benefit on the earnings record of such parent for the month before he attained age 18, or if he was receiving at least half his support from the worker when the child applied for benefits or when the worker died.

Effect on parent's benefits

Section 101 (c) of the bill amends section 202 (h) (1) of the Social Security Act to provide that the existence of an unmarried child aged 18 or over who is under a disability which began before he reached age 18 and who is deemed dependent on the insured individual under the new subsection (d) (6) would preclude the payment of parent's benefits on the basis of the same worker's earnings record. (As provided in section 101 (i) (3) of the bill, this amendment would apply only to cases where the insured individual dies after August 1956.)

Maximum family benefits

Section 101 (d) of the bill (the same as sec. 101 (b) of the House bill) amends section 203 (a) of the act, which sets forth the maximum limitations on benefits payable on the basis of the earnings record of an individual, to provide that such limitations shall be applied after any deductions that may be made for refusal to accept rehabilitation services under section 222 (b) of the act (added by sec. 103 (b) of the House bill and sec. 101 (h) (2) of the committee bill) and after any reductions made on account of disability payments under other programs specified in section 224 of the act (added by sec. 101 (h) (1) of the committee bill), as well as after deductions made under existing law.

Deductions from benefits

Section 101 (e) of the bill (the same, except for a drafting change, as sec. 101 (c) of the House bill) amends section 203 (b) of the Social Security Act, which relates to deductions from benefits because of the occurrence of certain events. Under the amendment, if deductions are made from a child's insurance benefit payable to a disabled child over 18 years of age for any month under the provisions of section 222 (b) of the Social Security Act (added by sec. 101 (h) (2) of the bill) because of refusal to accept rehabilitation services, deductions would also be made from the insurance benefit payable to his mother for that month, if such child is the only child beneficiary in her care.

Since the child's insurance benefits are payable for any month beginning with the month in which a child attains age 18 only if the child is unable by reason of disability to engage in any substantial gainful activity, the earnings test provisions in section 203 (b) of the Social Security Act are (under the amendment made by subsec. (e)) specifically made inapplicable to such benefits.

Occurrence of more than one deduction event

Section 203 (d) of the Social Security Act provides that if more than one event occurs in any month that would occasion deductions equal to a benefit for that month, only an amount equal to such benefit shall be deducted. Section 101 (f) of the bill (101 (d) of the House bill) amends this section to make it applicable also to deductions on account of refusal to accept rehabilitation services.

Extent of deductions from family benefits

Section 203 (h) of the Social Security Act provides that deductions will be made from an individual's benefits only to the extent that those deductions would reduce the total amount of benefits which would otherwise be paid on the basis of the same earnings record to him and other beneficiaries in the same household. Section 101 (g) of the bill (101 (e) of the House bill) amends this section to make it applicable also to deductions under section 222 (b) for refusal to accept rehabilitation services and to reductions under section 224 for payments under other programs (specified therein) on account of physical or mental impairment.

Definition of disability for purposes of child's insurance benefits

Section 101 (h) (1) of the bill adds to the Social Security Act new sections 223, 224, and 225. Section 223 defines disability for the purpose of a disabled child's insurance benefit as inability to engage in any substantial gainful activity by reason of any medically determinable

physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. This definition is the same as the definition of disability for freeze purposes, except that for the disabled child, blindness (as defined in sec. 216 (i) (1) (B)) does not by itself constitute disability. It would be treated the same as any other physical or mental impairment. An individual would not be considered to be under a disability unless he furnishes such proof as may be required.

This section is the same as section 223 (c) (2) contained in section 103 (a) of the House bill.

Reduction of benefits based on disability

The new section 224 of the Social Security Act (added by sec. 101 (h) (1) of the bill) contains provisions relating to reduction of child's insurance benefits for a disabled child age 18 or over, and also of wife's or mother's insurance benefits, where another Federal disability benefit or a State workmen's compensation benefit is payable to the child. It is substantially the same as the section which the House bill would add, except, of course, for differences due to the omission of disability insurance benefits. Subsection (a) of the new section 224 provides for reduction of a disabled child's insurance benefit for any month if it is determined by any other agency of the United States that another periodic benefit based wholly or in part on the child's disability is payable for such month under any other law of the United States or under a system established by such agency, or it is determined that a periodic benefit based wholly or in part on the child's disability is payable under a workmen's compensation law or plan of a State. If such a periodic benefit is payable for any month in which an individual is entitled to a disabled child's benefit, then for such month the child's insurance benefit will be reduced by an amount equal to such periodic benefit payable for such month (but not below zero).

If the periodic benefit or benefits exceed the child's insurance benefit, the amount of monthly benefits payable to an individual under section 202 (b) (wife's insurance benefits) or 202 (g) (mother's insurance benefits) would be reduced by the amount of the excess (but also not below zero), but only if such individual would not be entitled to such monthly benefits if she did not have the disabled child in her care (in the case of a wife, individually or jointly with her jusband). Thus, if the only child in the care of the wife or mother is entitled to child's insurance benefits on the basis of disability, the excess of the other periodic benefit over the child's insurance benefit will reduce such wife's or mother's insurance benefit. If the wife or mother has another child in her care who is entitled to child's insurance benefits and to whom the provisions for reductions are not applicable, such excess would not reduce such wife's or mother's insurance benefits.

Subsection (b) of section 224 provides that if the periodic benefit payable under another program is payable on other than a monthly basis (not including a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments), the reduction shall be made at such times and in such amounts as the Secretary of Health, Education, and Welfare finds will approximate, as nearly as practicable, the reduction provided for in subsection (a).

Subsection (c) of section 224 provides that the Secretary may, as a condition to certification for payment of any monthly benefits under

title II of the Social Security Act, require adequate assurance of reimbursement to the Federal old-age and survivors insurance trust fund if it appears likely that the beneficiary may be eligible for a periodic benefit that would give rise to a reduction under subsection (a).

Subsection (d) of section 224 requires any agency of the United States to certify to the Secretary, at his request, the information necessary to carry out his functions under section 224 (a).

Subsection (e) of section 224 defines "agency of the United States" for purposes of this section to mean any department or other agency of the United States or any instrumentality which is wholly owned by the United States.

Suspension of benefits based on disability

The new section 225 of the Social Security Act added by section 101 (h) (1) of the bill (the same as sec. 103 (a) of the House bill, except for differences due to omission of disability insurance benefits) authorizes the Secretary to suspend payment of benefits to which a disabled individual (age 18 or over) is entitled under section 202 (d) (child's insurance benefits) when he believes that such individual's disability may have ceased to exist. The suspensions so made would be in the nature of temporary withholdings of monthly benefits pending a determination of whether the disability has ceased or until the Secretary believes the disability has not ceased. In the case of any individual whose disability is subject to determination under an agreement with a State under section 221 (b), the Secretary must promptly notify the State of the Suspension and request a prompt determination of whether such individual's disability has ceased.

Rehabilitation services

Subsection (h) (2) of section 101 of the bill (the same as section 103 (b) of the House bill except for differences due to omission of disability insurance benefits) amends section 222 of the Social Security Act (containing a statement of policy regarding referral of disabled individuals for vocational rehabilitation services to the State agency or agencies administering or supervising the administration of the State plan approved under the Vocational Rehabilitation Act) to make it apply to disabled individuals entitled to child's insurance benefits as well as to disabled individuals who file application for determination of disability (for purposes of the "disability freeze").

Subsection (h) (2) of section 101 of the bill also adds a new subsection (b) to section 222 of the Social Security Act to provide that deductions are to be made from a child's insurance benefit (in the case of a disabled child beneficiary age 18 or over) for any month in which the individual refuses, without good cause, to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act.

Any individual who is a member or adherent of any recognized church or religious sect which teaches its members or adherents to rely solely upon prayer or spiritual means for the treatment of any physical or mental impairment, and who solely because of his adherence to such teachings refuses such available vocational rehabilitation services, would be deemed to have good cause for refusing such services.

Subsection (h) (2) of the bill also adds a new subsection (c) to section 222 of the Social Security Act. The new section provides that during a period of 12 months beginning with the first month in which the individual works pursuant to a program of rehabilitation under a State plan approved under the Vocational Rehabilitation Act the individual shall not, for the purpose of determining the existence or continuation of his disability under sections 216 (i) and 223, be regarded as being able to engage in substantial gainful activity solely by reason of such work.

Technical amendments relating to benefits based on disability

Section 103 (h) (3) of the bill would make a number of technical changes in the bill which would also have been made by the House bill.

Section 101 (h) (3) (A) of the bill amends section 215 (g) of the Social Security Act to provide that benefits which would not be a multiple of $0.10 after reductions under section 224 of the act, as well as under section 203 (as at present), shall, in all cases, be raised to the next higher multiple of $0.10.

Subsection (h) (3) (B) of section 101 of the bill also revises section 216 (i) (1) of the Social Security Act to provide that the definition of disability for purposes of preserving insurance rights during periods of disability is not applicable for purposes of child's insurance benefits for a disabled child age 18 or over.

Section 101 (h) (3) (C) of the bill revises section 221 (a) of the Social Security Act (providing for determinations of disability by State agencies for purposes of the "disability freeze") to make it applicable to determinations of disability for child's benefits for disabled children age 18 or over.

Section 101 (h) (3) (D) of the bill amends section 221 (c) of the Social Security Act (providing for review of State agency determinations of disability under section 216 (i) (1) by the Secretary, for purposes of the "disability freeze") to make the section apply also to determinations of disability as defined in section 223.

Effective date

Section 101 (i) (1) of the bill provides that the amendments made by section 101 of the bill (except with respect to parent's benefits), will be effective with respect to monthly benefits payable for months after August 1956, but only, except as provided in paragraph (2), on the basis of applications for benefits filed after August 1956. An application filed by reason of paragraph (1) of the bill by an individual who was entitled to wife's, mother's, or child's benefits prior to, but not for, August 1956, and whose entitlement ended as a result of a child's attainment of age 18, would be treated as the application required under section 202 of the Social Security Act for entitlement to wife's, child's, or mother's benefits.

Section 101 (i) (2) makes an exception to the requirement of filing an application included in the provisions of section 101 (i) (1) to provide that where a child was entitled (without application of the provisions giving retroactive effect to applications filed after an individual first becomes eligible) to a child's insurance benefit for August 1956 no new application is required from the child, or from the mother who has him in her care and was also entitled to wife's or mother's benefits for that month, in order for them to receive benefits for months after August 1956.

Section 101 (i) (3) of the bill provides that the existence of a disabled dependent child age 18 or over shall preclude the payment of parent's benefits only if the worker (on whose earnings record the claim is based) dies after August 1956.

WIDOW'S INSURANCE BENEFITS AT AGE 62

Section 102 (a) of the bill amends section 202 (e) (1) of the act (relating to widow's insurance benefits) to strike out "retirement age" wherever it occurs and to insert in lieu thereof "age 62".

Subsection (b) of the section provides an effective date for the amendment made by subsection (a). In general, the amendment would be effective with respect to benefits for months after August 1956 on the basis of applications filed after that month. The amendment would apply automatically, however, in cases (1) where a widow who had attained age 62 before September 1956 was entitled to a wife's or a mother's insurance benefit for August 1956 and (2) where a widow who attains age 62 after August 1956 was entitled to a wife's or mother's insurance benefit for the month prior to the month in which she attained age 62.

EXTENSION OF COVERAGE

Foreign agricultural workers

Section 103 (a) of the bill amends section 210 (a) (1) (B) of the Social Security Act, which now excludes from coverage service performed by foreign agricultural workers (1) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended, or (2) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies on a temporary basis to perform agricultural labor. The amendment would make the exclusion applicable to service performed by foreign agricultural workers lawfully admitted from any foreign country or possession thereof on a temporary basis to perform agricultural labor. The amendment would be applicable in the case of service performed after 1956.

Share-farming arrangements

Section 103 (b) (1) of the bill, which is the same as section 104 (c) (1) of the House bill, amends section 210 (a) of the Social Security Act by inserting a new paragraph (16). The paragraph provides that service performed by an individual under an arrangement with the owner or tenant of land pursuant to which such individual undertakes to produce agricultural or horticultural commodities on such land shall be excepted from employment, provided that, pursuant to the arrangement, the agricultural or horticultural commodities produced by such individual, or the proceeds therefrom, are to be divided between him and the owner or tenant and the amount of such individual's share depends solely on the amount of the agricultural or horticultural commodities produced. This amendment would be effective with respect to service performed after 1954.

Section 103 (b) (2) of the bill, which is the same as section 104 (c) (2) of the House-approved bill, amends section 211 (a) (1) of the Social Security Act. Under this section of present law, rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares) are excluded from "net

earnings from self-employment". Under the amendment, the present exclusion would not apply to income derived by an owner or tenant of land under an arrangement with another individual for the production by such other individual of agricultural or horticultural commodities on such land if such arrangement provides for material participation by the owner or tenant in the production of such agricultural or horticultural commodities and if there is participation by the owner or tenant in the production of any such commodity to a degree which is material with respect to that commodity.

Under this amendment it is contemplated that the owner or tenant of land which is used in connection with the production of agricultural or horticultural commodities must participate to a material degree in the management decisions or physical work relating to such production in order for the income derived therefrom to be classified as "net earnings from self-employment." The committee is of the opinion that in any case in which the owner or tenant establishes the fact that he periodically advises or consults with such other individual as to the production of the commodities and also establishes the fact that he periodically inspects the production activities on the land he will have presented strong evidence of the existence of the degree of participation contemplated by the amendment. If the owner or tenant also establishes the fact that he furnishes a substantial portion of the machinery, implements, and livestock used in the production of the commodities or that he furnishes, or advances, or assumes financial responsibility for, a substantial part of the expense (other than labor expense) involved in the production of the commodities, the committee feels that he will have established the existence of the degree of participation contemplated by the amendment.

This amendment would apply in the case of taxable years ending after 1955.

Section 103 (b) (3) of the bill, which is the same as section 104 (c) (3) of the House bill, amends section 211 (c) (2) of the Social Security Act so as to include within the term "trade or business" service described in the new paragraph (16), which is added to section 210 (a) of the act by section 103 (b) (1) of the bill.

This amendment gives statutory recognition to the conclusion being applied in administering present law that an individual who performs service under an arrangement of the type described in paragraph (16) of section 210 (a) of the act is not generally an employee with respect to the performance of such service, but is a self-employed person. It would be effective for taxable years ending after 1954.

Professional self-employed

Under section 211 (c) (5) of the Social Security Act, the performance of service by an individual (or a partnership) in the exercise of designated professions is excluded from the definition of the term "trade or business" for purposes of determining "net earnings from self-employment" and "self-employment income." The professional service thus excluded under present law is service performed by any person as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, or Christian Science practitioner. Section 103 (c) of the bill would eliminate all of the exclusions, except service performed by a doctor of medicine, a doctor of osteopathy, or a Christian Science practitioner. The effect of the amendment is

that any income derived by an individual from the practice of the profession of lawyer, dentist, veterinarian, chiropractor, naturopath, or optometrist would be counted as "net earnings from self-employment" for old-age and survivors insurance purposes. This is the same as was done by section 104 (c) of the House bill, except for the continuation of the exclusion, by the committee bill, of osteopaths. The substitution of "doctor of medicine" and "doctor of osteopathy," for "physician" and "osteopath," respectively, is not intended to have any legal effect.

The new coverage effected by this amendment would apply in the case of taxable years ending after 1955.

Certain State and local employees

Section 103 (d) of the bill amends section 218 (d) (6) of the Social Security Act, which provides for treating a retirement system as two or more systems (each of which can hold a separate referendum and be covered as a separate group) in certain circumstances, to provide that the States of Georgia, Indiana, New York, North Dakota, Pennsylvania, Tennessee, Washington, Wisconsin, and the Territory of Hawaii, may, at their option, divide their retirement systems into 2 divisions or parts, 1 division consisting of the positions of members of the system who desire old-age and survivors insurance coverage and the other consisting of the positions of members who do not desire such coverage, and may treat each of the divisions as a separate retirement system. The positions of all persons who become members of the retirement system after old-age and survivors insurance coverage is extended to the division consisting of positions of employees who desire coverage must be included in that division. The positions of employees who are not personally eligible for membership in the system, even though the positions are under that system, must be included in the division consisting of positions of employees who do not desire old-age and survivors insurance coverage. These employees can be covered under present law without a referendum.

Section 103 (d) of the bill further amends section 218 (d) (6) of the Social Security Act to allow certain State employees who are in positions covered by a retirement system and who are compensated in whole or in part from Federal funds under title III of the Social Security Act (grants to States for unemployment compensation administration) to be treated as having a separate retirement system for purposes of old-age and survivors insurance coverage. The other employees of the State department in which the employees paid from title III funds are employed could also be deemed to be in a separate retirement system, or all of the employees of that department could be considered as having a separate system. This amendment applies to the States of Georgia, North Dakota, Pennsylvania, Washington, and the Territory of Hawaii.

Neither of these amendments was included in the House bill.

Certain nonprofessional school district employees

Section 103 (e) of the bill provides that employees of school districts in the States of Nevada, New Mexico, Oklahoma, Pennsylvania, Texas, Washington, and the Territory of Hawaii who are not required to hold teachers' or administrators' certificates may be brought under old-age and survivors insurance coverage prior to July 1, 1957, without

regard to the provisions of section 218 (d) of the Social Security Act, which prescribes the conditions for covering employees in positions covered by State and local retirement systems (e. g., a favorable referendum among the members of the system). The new provision would not apply to employees already covered under old-age and survivors insurance. This amendment was not included in the House bill.

Policemen and firemen in the States of North Carolina, South Carolina, and South Dakota

Section 103 (f) of the bill adds to section 218 of the Social Security Act a new subsection (p). The new subsection provides that the agreements with the States of North Carolina, South Carolina, and South Dakota may, notwithstanding the provisions of section 218 which preclude policemen and firemen who are under a State or local retirement system from being included under an agreement, be modified to include policemen and firemen in positions under a retirement system in effect on or after the date of enactment of the subsection, upon compliance with the requirements of subsection (d) (3) of section 218. This subsection prescribes the conditions, including a favorable referendum among the active members of the retirement system, for covering employees in positions under a State or local retirement system. Where a retirement system covers positions of policemen or firemen, or both and other positions, the State may, if it desires, treat the policemen or the firemen, or both, as the case may be, as having a separate retirement system.

This amendment was not included in the House bill.

Ministers

Section 103 (g) of the bill amends paragraph (7) of section 211 (a) of the Social Security Act to provide that a United States citizen performing ministerial services who elects to be covered as a self-employed person may include wages and salary from ministerial work, in computing his net income from self-employment for social-security purposes, if he is a minister in a foreign country and he has a congregation which is composed predominantly of citizens of the United States. Under present law wages and salary for ministerial work may be counted for social-security purposes only by a United States citizen employed by an American employer. This provision of the bill has the effect of making old-age and survivors insurance coverage available to additional ministers serving in foreign countries.

This amendment, which was not included in the House bill, would be effective in the case of the same taxable years to which the same amendment to the Internal Revenue Code of 1954 is applicable (made by sec. 201 (e) of the bill).

Effective dates

Section 103 (h) provides effective dates for the amendments made by section 103 of the bill. These have been described above in connection with discussion of the amendments.

Amendments with respect to agricultural labor

Section 104 (a) of the bill (for which there is no corresponding provision in the House bill) amends section 209 (h) of the Social Security Act by replacing paragraph (2) with a new paragraph. The existing provision excludes from the definition of wages, for purposes of old-age and survivors insurance, cash remuneration of less

than $100 paid by an employer in any calendar year to an employee for agricultural labor. The new paragraph (2) excludes from the definition of wages, for purposes of old-age and survivors insurance, cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless (1) such remuneration is $200 or more, or (2) the employee performs agricultural labor during the year for the employer on 30 or more days for cash remuneration computed on a time basis. (Remuneration paid in any medium other than cash for agricultural labor is excluded under par. (1) of the same subsection of the present law and par. (1) would remain unchanged under both the House bill and the committee bill.)

Under the committee amendment, cash remuneration of $200 or more paid by an employer in a calendar year to an employee for agricultural labor would constitute wages, regardless of the rate, basis, or unit of payment. If cash remuneration is less than $200 in the year, it would constitute wages for old-age and survivors insurance purposes only if the worker to whom it is paid performs agricultural labor for the employer on 30 or more days during the year for cash remuneration computed on a rate of pay for a unit of time, for example, an hour, a day, or a week. Pay for work at piece rates would be excluded from wages unless the worker's total cash renumeration (including both piece-rate pay and pay based on a unit of time) is $200 or more.

Section 104 (b) of the bill amends section 210 of the Social Security Act by adding a new subsection (m). The amendment, for which there is no corresponding provision in the House bill, provides that individuals furnished by a "crew leader," as defined by the bill, to perform agricultural labor would be deemed to be employees of the "crew leader" for purposes of old-age and survivors insurance; "crew leader" is defined as an individual who furnishes workers to perform agricultural labor for another person (usually a farm operator) if such individual pays (either on his own behalf or on behalf of such person) the workers so furnished by him for their agricultural labor and if such individual has not entered into a written agreement with such person (the farm operator) whereby he (the crew leader) is designated as an employee of the farm operator.

The new subsection (m) also provides that the crew leader would, with respect to the services performed by him in furnishing individuals to perform agricultural labor for another person and with respect also to service performed by him as a member of the crew, be deemed not to be an employee of such other person.

Section 104 (c) of the bill would make a technical amendment in section 213 (a) (2) (B) (iv) of the Social Security Act which prescribes a special method of computing quarters of coverage based on wages from agricultural labor. The amendment would continue the present rule of crediting 1 quarter of coverage (generally the last quarter of the year) for such wages if they equal or exceed $100 but are less than $200. (The first figure is not mentioned in the existing provision because an individual can have no such wages under the existing sec. 209 (h) (2) unless he receives at least $100 from 1 employer during the year.)

Section 104 (d) of the bill provides that the amendment made by subsection (a) shall be effective only with respect to remuneration paid after 1956; and that the amendment made by subsection (b) shall be effective only with respect to service performed after 1956.

Computation of self-employment income by farm operators

Section 105 (a) of the bill, for which there is no corresponding provision in the House bill, amends section 211 (a) of the Social Security Act by striking out the last two sentences and inserting a new provision for computation of farm self-employment income. Under existing law a self-employed farmer who computes his income on the cash receipts and disbursements method may deem 50 percent of his "gross income" from farming to be his net earnings from self-employment attributable to farming, provided such gross income is not more than $1,800. If the gross income from farming is more than $1,800 and the net earnings from self-employment as computed under the provisions of section 210 (a) are less than $900, such net earnings, at his option, may be deemed to be $900. For this purpose, "gross income" is the excess of gross receipts from farming over the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (7) (to the extent applicable) of section 211 (a) of the act.

The bill changes the optional method of computing net earnings from farm self-employment, and extends the option to self-employed farmers who report income on the accrual method and to members of farm partnerships. Under the bill a farmer whose gross income from farming operations is not more than $1,200, may, at his option, deem such gross income to be his net earnings from self-employment; and if his gross income from farming is more than $1,200 and his net earnings from self-employment from farming operations (computed under the provisions of section 211 (a) without regard to the optional method of computing net earnings from self-employment) are less than $1,200, he may, at his option, deem his net earnings from self-employment to be $1,200.

In the case of a member of a farm partnership whose distributive share of the gross income of the partnership (after the gross income of the partnership has been reduced by the sum of all payments made by the partnership to members thereof which constitute guaranteed payments within the meaning of section 707 (c) of the Internal Revenue Code of 1954) is not more than $1,200, the partner may, at his option, deem such distributive share of the gross income of the partnership to be his distributive share of income described in section 702 (a) (9) of the Internal Revenue Code of 1954 derived from the partnership, and may use such figure in computing his net earnings from self-employment. If the partner's distributive share of the gross income of a farm partnership, computed as provided in the preceding sentence, is more than $1,200 and his distributive share (whether or not distributed) of income described in section 702 (a) (9) of such code derived from such farm partnership (computed under sec. 211 (a) of the act without regard to the optional method provided in that section for computing net earnings from self-employment) is less than $1,200, the distributive share of income described in section 702 (a) (9) of such code derived from such farm partnership may, at his option, be deemed to be $1,200 for purposes of computing his net earnings from self-employment.

Section 105 (a) of the bill further amends section 211 (a) of the act to provide, for purposes of computing net earnings from self-employment under the optional method, that in any case in which the income

is computed under an accrual method, the term "gross income" means gross income from the trade or business carried on by the individual or by the partnership, adjusted in accordance with the provisions of paragraphs (1) through (7) of section 211 (a) of the act. The amendment further provides that for purposes of determining whether an individual (including a member of a partnership) has gross income from farming operations of not more than $1,200 or has gross income from such operations of $1,200 or more, such individual shall aggregate his gross income derived from all farming activities carried on by him as a sole proprietor any payment which he receives from a farm partnership of which he is a member and which is a guaranteed payment within the meaning of section 707 (e) of the Internal Revenue Code of 1954, and his distributive share of the gross income of each farm partnership of which he is a member, (computed in accordance with the provisions of sec. 211 (a) of the act as amended by sec. 105 (a) of the bill).

Under section 105 (b) of the bill, the amendment made by section 105 (a) applies with respect to taxable years ending after 1956.

The House bill contained no comparable amendment of existing law.

Time for filing reports of earnings and for correcting secretary's records

Section 106 of the bill (the same as sec. 105 of the House bill) makes two technical amendments in the Social Security Act to conform certain provisions to the Internal Revenue Code of 1954, which changes the deadline date for filing income-tax returns from March 15 to April 15.

Subsection (a) of this section of the bill amends section 203 (g) (1) of the Social Security Act, which provides that beneficiaries who earn more than the amount of earnings permitted by the "retirement test" must report their earnings to the Secretary of Health, Education, and Welfare. The amendment would permit such reports to be filed up to the 15th day of the 4th month following the close of the individual's taxable year, rather than the 15th day of the 3d month following the close of such year as under present law. This amendment would apply in the case of monthly benefits for months in taxable years (of the individual entitled to benefits) beginning after 1954.

Subsection (b) of this section of the bill amends section 205 (c) (1) (B) of the act, which relates to the definition of the term "time limitation" for purposes of making changes in wage records, to provide that the term shall mean a period of 3 years, 3 months, and 15 days, rather than 3 years, 2 months, and 15 days as under existing law.

Alternative insured status

Section 107 of the bill amends section 214 (a) (3) of the Social Security Act, which provides an alternative method for acquiring fully insured status by persons who cannot meet the normal requirement of 1 quarter of coverage for every 2 quarters elapsing after 1950 and up to the quarter of death or attainment of retirement age. The alternative requirement now in the law provides that an individual would be fully insured if all of the quarters elapsing after 1954 and prior to the quarter of death or attainment of retirement age are quarters of coverage, provided that there are at least six such quarters. Under the provisions of the bill, an individual who had at least 6 such quarters of coverage after 1954 would be fully insured under this

alternative provision if all but 4 of the quarters elapsing after 1954 and prior to (1) July 1, 1957, or (2) if later, the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage. This change would permit individuals first covered in 1956 to qualify for benefits on the same basis as the present law provides for persons first covered in 1955, since they could omit the four quarters of noncoverage in 1955 from the count of consecutive quarters of coverage required after 1954.

The amendment also would liberalize the fully insured status requirement somewhat for all persons who were covered before 1956 but could not meet the normal requirements nor the special requirements in present law, since such persons could have as many as four quarters after 1954 which were not quarters of coverage and still be fully insured. The amended provision would be effective with respect to individuals who died or attained retirement age before October 1960. Thereafter, the normal requirements in section 214 (a) (2) would be no more difficult to meet than the special requirements in this bill. There was no comparable provision in the House bill.

Dropout of 5 years of low earnings

Section 108 of the bill amends section 215 (b) (4) of the act to provide that as many as 5 years of low or no earnings could be dropped in the computation of an insured individual's average monthly wage, regardless of the number of quarters of coverage he has. Under present law, no more than 4 such years may be dropped from the computation if the individual does not have at least 20 quarters of coverage. Unless the 20-quarter-of-coverage requirement were removed, persons newly covered by this bill as of the beginning of 1956 and who retired or died prior to the fourth quarter of 1960 would not be able to drop all the years 1951–55 from the computation and thus would always have 1 year with no earnings counted against them.

Very few of the persons now on the benefit rolls who had a dropout of only 4 years of low earnings because they did not have 20 quarters of coverage (which would have permitted 5 years to be dropped) would benefit substantially from this amendment. Those individuals whose benefits were based on an average monthly wage computed over the period from 1951 on and who are now on the benefit rolls, and those individuals who will come on the benefit rolls prior to 1957 with benefits computed over the period starting with 1951 could, in general, drop no more than 4 years in any event. Those whose benefits were computed over the period from 1937 on would benefit very little from a dropout of an additional year over so long a period.

To avoid the possibility that large numbers of recomputations would have to be made under this provision under circumstances where little or no additional benefit would result, the amendment would be effective only with respect to benefits based on the earnings record of an individual (1) who becomes entitled to an old-age insurance benefit on the basis of an application filed on or after the date of enactment; or (2) who has substantial enough recent earnings after entitlement to old-age insurance benefits to be entitled (except for the requirement in sec. 215 (f) (6) of the act that the recomputation must result in a higher primary insurance amount) to a "work recomputation" under section 215 (f) (2) (A) of the act based on an application filed on or after the date of enactment of the bill; or (3) who

dies without becoming entitled to an old-age insurance benefit, and on the basis of whose wages and self-employment income no individual was entitled to monthly survivor's benefits, and no lump-sum death payment was payable, under section 202 of the act, on the basis of an application filed prior to such date of enactment; or (4) who dies on or after the date of enactment but who had substantial enough recent earnings after entitlement to old-age insurance benefits to entitle his survivors (except for the requirement in sec. 215 (f) (6) of the act that the recomputation must result in a higher primary insurance amount) to a "work recomputation" for survivors benefits under section 215 (f) (4) (A); or (5) who died prior to such enactment date and whose survivors are (but for the provisions of sec. 215 (f) (6)) entitled to a "work recomputation" for survivors benefits under section 215 (f) (4) (A), but only if no survivor was entitled to monthly benefits or a lump-sum death payment on his wage record on the basis of an application filed prior to such date of enactment and no survivor was entitled to such a benefit, even without the filing of an application therefor, for the month in which the bill is enacted or any prior month.

No such amendment was made under the House bill.

Special starting and closing dates for certain individuals

Section 109 of the bill provides, primarily for persons newly covered beginning in 1956 who can qualify for benefits with a minimum number of quarters of coverage, special starting and closing dates for the computation of benefit amounts. These special dates would apply in the case of any individual who dies or becomes entitled to an old-age insurance benefit in 1957, provided such individual has not less than 6 quarters of coverage after 1955, and prior to the quarter following the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. In such cases, the individual's starting date would be December 31, 1955, and his closing date would be July 1, 1957. The primary insurance amount in these cases would be computed through the benefit formula in section 215 (a) (1) (A) of the Social Security Act (55 percent of the first $110 of his average monthly wage, plus 20 percent of the next $240), and the special starting and closing dates would be used only if they would result in a higher primary insurance amount.

With respect to the above provision, although under section 215 (b) (3) (A) a closing date is the first day of a calendar year, July 1, 1957, will be considered a closing date for recomputing the individual's benefit amount after the close of a taxable year which includes July 1, 1957, if the recomputation would result in a higher primary insurance amount.

In any computation based on the July 1, 1957, closing date, the total of wages and self-employment income after December 31, 1956, which may be used in such computation would be reduced to $2,100, if it is in excess of that amount. Without such a provision, an individual's average monthly wage for each month of the 6-month period which would be used in the computation would exceed $350 although in general $350 is the maximum average monthly wage which can be used in the benefit computation.

The provisions of this section were not included in the House bill.

Time limitation on filing request for hearings

Section 110 of the bill amends section 205 (b) of the act to clarify the intent of present law that the Secretary may impose a limitation on the time within which an individual may request a hearing after a decision has been made by the Secretary. The language of the present section provides that the Secretary must grant such a hearing "whenever requested" by such individual or by specified dependents or survivors. In a recent decision involving another issue, the Court of Appeals for the Tenth Circuit indicated that this provision as written might require that no case in which an individual has once been given an adverse decision can ever be considered closed until such time as the individual has requested and received a hearing, regardless of the lapse of time. Under this view, individuals could request hearings after the passage of many years during which the Department may have been paying benefits to an adverse claimant. Your committee believes that the Department should not have to keep cases open indefinitely, and that individuals who desire hearings should be required to request them within a reasonable period of time. Under the provisions of section 205 (b) as amended by the bill, the Secretary of Health, Education and Welfare would be specifically authorized to limit the period by regulation, but the prescribed period for requesting hearings could not be less than 6 months after notice of a decision is mailed to the individual. Any individual who has not previously had a hearing would have a period of not less than 6 months after date of enactment of this provision to request a hearing on a notice of decision mailed prior to that date.

No such amendment was included in the House bill.

Earnings test for beneficiaries in active military or naval service overseas

Section 111 (a) of the bill amends section 203 (e) (4) (C) of the act which relates to the definition of wages for the purpose of the earnings test, to provide that services performed outside the United States in the active military or naval service of the United States would be deemed to be employment within the United States. This would place the remuneration for such service under the annual earnings test.

Subsection (b) of the section amends section 203 (k) of the act which relates to the definition of "noncovered remunerative activity outside the United States," to eliminate services performed in the active military or naval service of the United States from such definition. This would remove such service from the applicability of the 7-day work test.

The amendments made by this section would be applicable with respect to taxable years ending after 1955. No such amendments were included in the House bill.

Under present law, a beneficiary who is a member of the Armed Forces (usually a child beneficiary under age 18) is subject to the $1,200-a-year earnings test while he is serving in the United States, but if he is outside the United States becomes subject to the test under which benefits are suspended if the beneficiary engages in noncovered remunerative activity on 7 or more days in a month.

Effect of remarriage in case of certain widows

Section 112 of the bill adds a new paragraph (3) to section 202 (e) of the act to provide that in any case in which a widow remarries and such marriage terminates because of the husband's death but she is

not his "widow" as defined in section 216 (c) of the act (and, therefore, she is not eligible for benefits as his widow), such remarriage will be deemed not to have occurred. The widow could again be eligible for widow's insurance benefits on the basis of her previous husband's earnings.

Benefits to remarried widows who become entitled to widow's insurance benefits under this amendment would not be payable for any month prior to the latest of (1) the month in which the most recent husband died, (2) the 12th month before the month in which the widow filed application for widow's benefits under the new provision. or (3) September 1956.

This amendment was not included in the House bill.

Extension of period for filing proof of support and applications for lump-sum death payment

Section 113 (a) of the bill adds a new subsection (o) to section 202 of the act (not included in the House bill) to provide that in cases where an individual failed to file the proof of support by the insured worker required for husband's, widower's, or parent's benefits, or to file application for a lump-sum death payment based on deaths after 1946, within the period set forth in the law (generally 2 years after the entitlement or death of the insured individual), and there was good cause for the failure to file in time, the proof or application would be deemed to have been filed in time if it is filed within 2 years following such period or within 2 years following August 1956, whichever is later. The Secretary would have authority to determine by regulation what constitutes "good cause" for purposes of this provision.

This amendment would apply in the case of lump-sum death payments under title II of the act, and monthly benefits under such title for months after August 1956, based on applications filed after August 1956.

Computation of average monthly wage

Section 114 of the bill (the same as sec. 106 of the House bill) contains provisions for computing the average monthly wage over full-calendar years in cases involving periods of disability as is now done for cases not involving such periods.

Subsection (a) of the section amends section 215 (b) (1) of the Social Security Act to provide that, in the computation of the average monthly wage, all years any part of which were included in a period of disability shall be excluded from the computation. However, the months and earnings for the year in which the disability began will be included in the computation if a higher primary insurance amount would result.

Subsection (b) of the section amends section 215 (d) (5) of the Social Security Act, which relates to the computation of the average monthly wage where periods prior to 1951 are involved. The amended section would provide that all of the quarters in any year prior to 1951 any part of which was included in a period of disability would be excluded from the elapsed quarters unless, in the case of the year in which the period of disability began, the inclusion of such quarters and of the wages for such quarters would result in a higher primary insurance amount.

Subsection (c) of the section amends section 215 (e) of the Social Security Act to provide that any wages paid to an individual in any

year any part of which was included in a period of disability, and any self-employment income credited to such a year, shall be excluded in computing the average monthly wage unless the months of such year are included as elapsed months in the computation under section 215 (b) (1) which relates to the computation of the average monthly wage where periods after 1950 are involved.

Subsection (d) provides an effective date for the amendments made by the section. These amendments would apply only to individuals (1) who become entitled (without regard to the provisions in sec. 202 (j) (1) of the Social Security Act, relating to retroactive payment of benefits) to old-age insurance benefits after the enactment of the bill, or (2) who die without becoming entitled to such old-age insurance benefits and on the basis of whose earnings an application for benefits or a lump-sum death payment is filed after the date of enactment, or (3) who, after the date of enactment of the bill, file an application which is accepted as an application for a disability determination under the existing section 216 (i) of the Social Security Act.

Advisory Council on Social Security Financing

Section 115 (a) of the bill (the same as sec. 107 (a) of the House bill) establishes an Advisory Council on Social Security Financing for the purpose of reviewing the status of the Federal old-age and survivors insurance trust fund in relation to the long-term commitments of the old-age and survivors insurance program.

Subsection (b) of this section provides that the Council shall consist of the Commissioner of Social Security, as chairman, and 12 other persons appointed by the Secretary of Health, Education, and Welfare who shall, to the extent possible, represent employers and employees in equal numbers, and self-employed persons and the public. The Council would have to be appointed after February 1957 and before January 1958.

Section 115 (c) of the bill authorizes the Council to engage such technical assistance, including actuarial services, as it may require and, in addition, requires the Secretary of Health, Education, and Welfare to make available to the Council such assistance from the Department of Health, Education, and Welfare as the Council may require to carry out its functions. This section also provides for compensation for members of the Council while on business of the Council, at rates to be fixed by the Secretary, but not in excess of $50 a day, and for payment of necessary traveling expenses and per diem.

Section 115 (d) of the bill provides that the Council shall make a report of its findings and recommendations (including its recommendations for changes in tax rates under the old-age and survivors insurance program) to the Secretary of the Board of Trustees of the Federal old-age and survivors insurance trust fund. This report must be submitted not later than January 1, 1959, and is to be included in the annual report of the Board of Trustees to be submitted to the Congress not later than March 1, 1959. The Council would go out of existence after January 1, 1959.

A new Council, similarly constituted and with the same functions, would be appointed not earlier than 3 years and not later than 2 years before the first year for which each ensuing scheduled increase (after 1960) in social security tax rates is effective. Each such Council would report its findings and recommendations in the manner described

above not later than January 1 of the year preceding the year in which the scheduled change in tax rates occurs, and the report and recommendations would be included in the annual report of the Board of Trustees to be submitted to the Congress not later than the March 1 following such January 1. Each such Council would also go out of existence after such January 1.

Investment of trust fund

Section 116 of the bill amends section 201 (c) of the Social Security Act to provide that obligations issued for purchase by the Federal old-age and survivors insurance trust fund would yield a rate of interest equal to the average rate of interest borne by all marketable interest-bearing obligations of the United States not due or callable until after the expiration of 5 years from date of original issue. Under present law, the rate of interest for trust fund investments is equal to the average rate borne by all interest-bearing obligations of the United States without regard to maturities or marketability. The average rate would be rounded to the nearest multiple of one-eighth of 1 percent if it is not already a multiple of one-eighth of 1 percent, rather than to the next lower multiple of one-eighth of 1 percent as in present law.

The section also provides that obligations issued for purchase by the trust fund are to have maturities fixed with due regard for the needs of the trust fund, and replaces the present designation of such obligations as "special obligations exclusively to the trust fund" with the designation "public debt obligations for purchase by the trust fund."

Correction of records of self-employment income

Section 117 of the bill amends section 205 (c) (5) of the act (relating to the time limitation for correction of earnings records) to provide that under specified circumstances an individual's earnings record could be corrected, even after the time limitation has run with respect to a given year, to include self-employment income for that year in any case where wages for that year were deleted from the records as having been erroneously reported. The amount of self-employment income to be included could not be in excess of the amount of wages deleted. The correction could be made only to the extent of the individual's self-employment income (or his net earnings from self-employment) not already included in his earnings record as self-employment income which is included in a tax return or statement filed before the expiration of the time limitation following the taxable year in which the deletion of wages is made.

Section 118 of the bill amends section 202 of the Social Security Act by adding a new subsection (p), which provides that no benefits may be paid to certain aliens who are outside the United States.

Paragraph (1) of the new subsection (p) provides that the prohibition against payment shall apply to any individual who is not a citizen or national of the United States for any month after the third consecutive calendar month during all of which the Secretary finds, on the basis of information furnished to him by the Attorney General or which otherwise comes to his attention, that such individual is outside the United States and prior to the first month for all of which he has been in the United States. The prohibition would not apply to

individuals who are citizens of a foreign country which the Secretary finds has in effect a social insurance or pension system which is of general application in such country and which pays periodic benefits, or their actuarial equivalent, on account of old age, retirement, or death, if United States citizens who are not citizens of such foreign country and who qualify for such benefits are permitted to receive such periodic benefits or their actuarial equivalent while they are outside of such foreign country for periods of 3 months or longer.

Paragraph (2) of the new subsection (p) provides that a person who is, or on application would be, entitled to a monthly benefit under section 202 for June 1956 would not, because of this provision, be deprived of such benefit or of any other benefit based on the wages and self-employment income of the individual on whose wages and self-employment income such monthly benefit for June 1956 is based.

Paragraph (3) provides that no lump-sum death payment may be made on the basis of the wages and self-employment income of an individual who died while outside the United States and whose benefits were not paid under paragraph (1) for the month preceding the month in which he died.

Paragraph (4) provides that the deductions under subsections (b) and (c) of section 203 of the Social Security Act on account of work or failure to have a child in the beneficiary's care would not be applied for any month with respect to the benefits of any individual if his benefits for such month are not payable by reason of paragraph (1).

Paragraph (5) provides that the Attorney General shall certify to the Secretary such information regarding aliens who depart from the United States to any foreign country (other than a country which is territorially contiguous to the United States) as may be necessary to enable the Secretary to carry out the purposes of this subsection, and shall otherwise aid, assist, and cooperate with the Secretary in obtaining such other information as may be necessary for this purpose.

What is a social insurance or pension system of general application for purposes of paragraph (1) of the new subsection (p) necessarily will depend upon a consideration of all aspects of the system, including, among others, such factors as its scope and the type of benefits payable. It may include consideration, as a single system, of several social insurance or pension plans in effect in a country, each of which, standing alone, might not be a system of general application.

No provision suspending benefits of aliens was included in the bill passed by the House.

Definition of Secretary

Section 119 of the bill provides that the term "Secretary," as used in the bill and in the provisions of the Social Security Act set forth in the bill, means the Secretary of Health, Education, and Welfare.

This is the same as section 108 of the House bill.

AMENDMENTS PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE AND SURVIVORS INSURANCE

Section 120 of the bill amends the Railroad Retirement Act. These amendments are designed to maintain the relationship between the old-age and survivors insurance system and the railroad retirement system that was established by the amendments made in 1951 to the Railroad Retirement Act by Public Law 234, 82d Congress.

Section 120 (a) amends section 1 (q) of the Railroad Retirement Act so as to provide that references in the Railroad Retirement Act to the "Social Security Act" and to the "Social Security Act, as amended," are references to the Social Security Act as amended in 1956 (that is, as amended by all acts amending the Social Security Act during and preceding 1956).

Section 120 (b) amends section 5 (f) (2) of the Railroad Retirement Act, which guarantees the payment of total benefits under the railroad retirement and old-age and survivors insurance programs at least equal to the worker's contributions to the railroad program, plus an allowance for interest. In defining the terms of this guaranty, section 5 (f) (2) of the Railroad Retirement Act refers to survivor benefits payable under the Social Security Act "upon attaining age 65." Section 120 (b) inserts the phrase "(age sixty-two in the case of a widow)" after "age sixty-five" each place it appears in section 5 (f) (2) of the Railroad Retirement Act. This takes account of the reduction in the retirement age requirement for widows from age 65 to age 62 under the Social Security Act.

The latter amendment differs from that contained in the House bill because the House bill would have reduced the retirement age for all women beneficiaries, not just widows.

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE OF 1954

GENERAL STATEMENT

Title II of the bill contains amendments to chapter 2 (Tax on Self-Employment Income) and chapter 21 (Federal Insurance Contributions Act) of the Internal Revenue Code of 1954. All references in this portion of your committee's report to the "Internal Revenue Code" or the "code" are to the Internal Revenue Code of 1954.

District of Columbia credit unions

Section 201 (a) of the bill, as does section 201 (a) of the House bill, adds a new section 3113 to subchapter B of chapter 21 of the Internal Revenue Code of 1954. Section 3113 would render inoperative, with respect to the employer tax imposed by section 3111 of such code, any exemption from taxation which is now granted, or which may in the future be granted, to credit unions in the District of Columbia chartered pursuant to the act of June 23, 1932. Service performed in the employ of these credit unions now constitutes employment under chapter 21 of such code and title II of the Social Security Act, and such credit unions are now required to report and pay over the employee tax imposed by section 3101 of such code with respect to such service. However, such credit unions are not required to pay the employer tax imposed by section 3111 of such code in view of the exemption from taxation now granted under section 16 of the act of June 23, 1932. Section 201 (a) has the effect of subjecting such credit unions to liability for the employer tax with respect to such service.

Under section 201 (k) of the bill, the amendment made by section 201 (a) is effective with respect to remuneration paid after 1956.

Standby pay

Section 201 (b) of the House bill would amend section 3121 (a) (9) of the Internal Revenue Code of 1954 to conform such section to the changes made by section 102 (a) and (b) (4) of the House bill in the

definition of the term "retirement age" for purposes of section 209 (i) of the Social Security Act. Under existing law, any payment (other than vacation or sick pay) made to an employee after the month in which he or she attains age 65 is excluded from "wages," as that term is defined in the Federal Insurance Contributions Act, if the employee did not work for the employer in the period for which such payment is made. Under the House bill, any such payment made after 1955 is excluded if made to a male employee after the month in which he attains age 65 or, in the case of a woman, after the month in which she attains age 62. Section 201 (b) of the House bill has been deleted in view of the changes made by your committee in section 102 (a) of the House bill.

Service in connection with gum resin products

Under the existing section 3121 (b) (1) (A) of the Internal Revenue Code of 1954, service performed in connection with the Production or harvesting of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, if such processing is carried on by the original producer of the crude gum, is excepted from employment. Section 201 (c) of the House bill would remove the specific exception of this service from employment and would have the effect of covering such service under the Federal Insurance Contributions Act on the same basis as other agricultural labor. Your committee's bill contains no corresponding amendment.

Foreign agricultural workers

Section 201 (b) of the bill, for which there is no corresponding provision in the House bill, amends section 3121 (b) (1) (B) of the code. Under existing law, section 3121 (b) (1) (B) excepts from the term "employment," service performed by (1) certain foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended, and (2) service performed by foreign agricultural workers lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies on a temporary basis to perform agricultural labor. Section 201 (b) of your committee bill amends section 3121 (b) (1) (B) so as to extend the exception contained in such section to service performed by foreign agricultural workers lawfully admitted to the United States from any foreign country or possession thereof on a temporary basis to perform agricultural labor.

Under section 201 (k) (1) of the bill, the amendment made by section 201 (b) applies with respect to service performed after 1956.

Employees of Federal home loan banks and of the Tennessee Valley Authority

Section 201 (d) (1) of the House bill would amend section 3121 (b) (6) (B) (ii) of the Internal Revenue Code of 1954 so as to remove the exception from employment now provided by section 3121 (b) (6) (B) in respect of service performed in the employ of a Federal home loan bank. Thus, under the House bill, the general exception from employment provided by such section for service which is performed in the employ of a Federal instrumentality exempt from the employer tax on December 31, 1950, and which is covered by the retirement system of such instrumentality would no longer apply to service performed in the employ of a Federal home loan bank.

Section 201 (d) (2) of the House bill would amend section 3121 (b) (6) (C) (vi) of the Internal Revenue Code of 1954 so as to remove the exception from employment of service performed in the employ of the Tennessee Valley Authority by an individual who is subject to the retirement system of that instrumentality. At present, such service is excepted from employment under the general exception of service performed by an individual who is excluded from the Federal civil service retirement system because he is subject to another Federal retirement system.

Your committee's bill contains no amendments corresponding to those in section 201 (d) of the House bill.

Share-farming arrangements

Section 201 (c) (1) of the bill amends section 3121 (b) of the Internal Revenue Code of 1954 by adding a new paragraph (16). The new paragraph provides that service performed by an individual under an arrangement with the owner or tenant of land, pursuant to which such individual undertakes to produce agricultural or horticultural commodities on such land, shall be excepted from employment, provided that, pursuant to the arrangement, the agricultural or horticultural commodities produced by such individual, or the proceeds therefrom, are to be divided between him and the owner or tenant and the amount of such individual's share depends solely on the amount of the agricultural or horticultural commodities produced. Although the amendment is made effective (by sec. 201 (k) (1) of the bill) with respect to service performed after 1954, it is declaratory of present law.

Section 201 (c) (2) of the bill, which corresponds to section 201 (e) (2) of the House bill, amends section 1402 (a) (1) of the code under which rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares) are excepted from "net earnings from self-employment." Under the amendment, the present exception would not apply to any income derived by an owner or tenant of land under an arrangement with another individual for the production by such other individual of agricultural or horticultural commodities on such land if such arrangement provides for material participation by the owner or tenant in the production of such agricultural or horticultural commodities, and there is participation by the owner or tenant in the production of any such commodity to a degree which is material with respect to that commodity.

Under this amendment it is contemplated that the owner or tenant of land which is used in connection with the production of agricultural or horticultural commodities must participate to a material degree in the management decisions or physical work relating to such activities in order for the income derived therefrom to be classified as "net earnings from self-employment." Your committee is of the opinion that in any case in which the owner or tenant establishes the fact that he periodically advises or consults with such other individual as to the production of the commodities and also establishes the fact that he periodically inspects the production activities on the land he will have presented strong evidence of the existence of the degree of participation contemplated by the amendment. If the owner or tenant also establishes the fact that he furnishes a substantial portion of the machinery, implements, and livestock used in the production of the

commodities or that he furnishes, or advances, or assumes financial responsibility for, a substantial part of the expense (other than labor expense) involved in the production of the commodities, your committee feels that he will have established the existence of the degree of participation contemplated by the amendment.

The amendment made by section 201 (c) (2) applies (under sec. 201 (k) (1) of the bill) with respect to taxable years ending after 1955. However, under section 201 (k) (3) of the bill, any self-employment tax which is due, solely by reason of the amendment made by section 201 (c) (2), for any taxable year ending on or before the date of enactment of the bill shall be considered timely paid if payment is made in full within 6 calendar months after the month in which the bill is enacted. In no event shall interest on any such tax accrue during any period ending on the date of enactment of the bill.

Section 201 (c) (3) of the bill, which corresponds to section 201 (c) (3) of the House bill, amends section 1402 (c) (2) of the code so as to include in the term "trade or business" the service described in the new paragraph (16) (relating to certain share farmers) which is added to section 3121 (b) of the code by section 201 (c) (1) of the bill. Although the amendment made by section 201 (c) (3) applies (under sec. 201 (k) (1) of the bill) with respect to taxable years ending after 1954, it is declaratory of present law.

Professional self-employed

Under section 1402 (c) (5) of the Internal Revenue Code of 1954, the performance of service by an individual (or a partnership) in the exercise of designated professions is excluded from the definition of the term "trade or business" for purposes of determining "net earnings from self-employment" and "self-employment income." The professional service thus excluded under present law is service performed by any person as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, or Christian Science practitioner. Section 201 (f) of the House bill would delete these exclusions, except in the case of physicians and Christian Science practitioners. Section 201 (d) of your committee's bill corresponds to section 201 (f) of the House bill except for 3 changes. These changes are (1) to retain the exclusion now provided for osteopaths, (2) to substitute "doctor of medicine" for "physician," and (3) to substitute "doctor of osteopathy" for "osteopath." The changes in terminology referred to in (2) and (3) of the preceding sentence are not intended to effect any change in the law.

The amendment has the effect of requiring that any income derived by an individual or a partnership from the practice of a profession as a lawyer, dentist, chiropractor, veterinarian, naturopath, or optometrist, must be taken into account in determining liability for the self-employment tax.

Section 1402 (e) of such code, which permits Christian Science practitioners to file a coverage certificate waiving their exemption from this tax under certain conditions, is not affected by this amendment.

Section 201 (k) (1) of the bill provides that the amendment made by section 201 (d) shall apply with respect to taxable years ending after 1955. However, under section 201 (k) (3) of the bill, any self-employment tax which is due, solely by reason of the amendment made by section 201 (d), for any taxable year ending on or before the

date of enactment of the bill shall be considered timely paid if payment is made in full within 6 calendar months after the month in which the bill is enacted. In no event shall interest on any such tax accrue during any period ending on the date of enactment of the bill.

Ministers

Section 201 (e) of the bill, for which there is no corresponding provision in the House bill, amends section 1402 (a) (8) (B) of the Internal Revenue Code of 1954. Section 1402 (a) (8) (B) now provides, in part, that a United States citizen performing services as a duly ordained, commissioned, or licensed minister of a church shall compute his "net earnings from self-employment" as a minister without regard to the exclusions from gross income provided in sections 911 and 931 of the code, if the minister is employed by an "American employer", as that term is defined in section 3121 (h) of the code. Section 201 (e) would extend the application of section 1402 (a) (8) (B) so as to provide that any other United States citizen performing such services in a foreign country shall compute his "net earnings from self-employment" attributable to such services without regard to these exclusions from gross income if his congregation is composed predominantly of United States citizens.

Section 201 (k) (2) of the bill provides that the amendment made by section 201 (e) shall apply only with respect to taxable years ending after 1956, except in those cases where an individual who, for a taxable year ending after 1954 and prior to 1957, had income of the type to which the amendment is applicable makes an election to have the amendment apply with respect to the first such year in which he had such income. No such election is valid, however, unless the individual has filed a waiver certificate under section 1402 (e) of the code before making the election, or files such a waiver certificate at the time of making the election.

The election must be made on or before April 15, 1957, or the due date of the return (including any extension thereof) for the individual's last taxable year ending prior to 1957, whichever date is later, in the case of any such individual who has filed a waiver certificate under section 1402 (e) of the code before the date of enactment of the bill, or who files a waiver certificate on or before the due date of his return (including any extension thereof) for his first taxable year ending prior to 1957. If the individual has not filed a waiver certificate within this period, the election may be made on or before the due date of his return (including any extension thereof) for his last taxable year ending after 1956, and such individual may file a waiver certificate at the time he makes the election even though the period prescribed in section 1402 (e) (2) for filing such waiver certificate has expired in his case.

The waiver certificate filed under section 1402 (e) by any individual who makes an election under section 201 (e) of the bill is effective for the taxable year prescribed in section 1402 (e) (3) of the code or, notwithstanding section 1402 (e) (3), for the first taxable year ending after 1954 in which the individual had income to which the election applies, whichever is earlier, and for all succeeding taxable years.

Any election under section 201 (e) must be made in the manner provided in regulations to be prescribed by the Secretary of the Treasury or his delegate. No interest or penalty will accrue, prior to the day after the day on which an election is made by an individual, in respect

of his failure to file a return or pay tax due solely by reason of his election.

Remuneration for agricultural labor

Section 201 (f) (1) of the bill, for which there is no corresponding provision in the House bill, amends section 3121 (a) (8) (B) of the Internal Revenue Code of 1954. Section 3121 (a) (8) (B) excludes from wages cash remuneration paid by an employer to an employee in any calendar year for agricultural labor unless such remuneration is $100 or more. The new subparagraph (B) would exclude from wages cash remuneration paid by an employer to an employee in any calendar year for agricultural labor unless (1) the cash remuneration paid in such year by the employer to the employee for such labor is $200 or more or, (2) the employee performs agricultural labor for the employer on 30 days or more during such year for cash remuneration computed on a time basis. The new subparagraph (B) of section 3121 (a) (8) provides two separate tests for determining whether cash remuneration paid by an employer to an employee in a calendar year for agricultural labor is excepted from wages. If either of the tests is met, cash remuneration paid during the year for such labor is not excepted from wages under section 3121 (a) (8) (B).

Under section 201 (k) (1) of the bill, the amendment made by section 201 (f) (1) applies with respect to remuneration paid after 1956.

Crew leader

Section 201 (f) (2) of the bill, for which there is no corresponding provision in the House bill, amends section 3121 of the code by adding a new subsection (m). The new subsection (m) defines the term "crew leader" to mean an individual who furnishes individuals to perform agricultural labor for another person if such individual pays (either on his own behalf or on behalf of such person) the individuals so furnished by him for the agricultural labor performed by them and if such individual has not entered into a written agreement with such person whereby such individual has been designated as an employee of such person. Under the new subsection (m), a crew leader is deemed to be the employer, for purposes of the employee and the employer taxes imposed by sections 3101 and 3111, respectively, of the code of individuals furnished by him, as a crew leader, to perform agricultural labor for another person. Such new subsection (m) also provides that for purposes of chapter 21 (Federal Insurance Contributions Act) and chapter 2 (Tax on Self-Employment Income) a crew leader shall, with respect to any service performed by him in furnishing individuals to perform agricultural labor for another person and any service performed by him as a member of the crew, be deemed not to be an employee of such other person.

Under section 201 (k) (1) of the bill, the amendment made by section 201 (f) (2) applies with respect to service performed after 1956.

Amendment relating to collection of employee tax

Section 201 (f) (3) of the bill, for which there is no corresponding provision in the House bill, amends section 3102 (a) of the code. Section 3102 (a) of the code now provides, in part, that an employer who in any calendar year pays to an employee cash remuneration to which section 3121 (a) (8) (B) of the code is applicable may deduct an amount equivalent to the employee tax imposed by section 3101

from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar year is less than $100. The amendment made by section 201 (f) (3) merely conforms section 3102 (a) of the code to section 3121 (a) (8) (B) of the code as amended by section 201 (f) (1) of the bill.

Computation of self-employment income by farm operators

Section 201 (g) of the bill, for which there is no corresponding provision in the House bill, amends section 1402 (a) of the Internal Revenue Code of 1954. Under existing law a self-employed farmer who computes his income on the cash receipts and disbursements method may deem 50 percent of his gross income from farming to be his net earnings from self-employment attributable to farming, provided such gross income is not more than $1,800. If the gross income from farming is more than $1,800 and the net earnings from self-employment as computed under the provisions of section 1402 (a) are less than $900, such net earnings, at his option, may be deemed to be $900. For this purpose, gross income is the excess of gross receipts from farming over the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (7) (to the extent applicable) of section 1402 (a).

Your committee's bill changes the optional method of computing net earnings from farm self-employment, and extends the option to self-employed farmers who report income on the accrual method and to members of farm partnerships. Under your committee's bill, a farmer whose gross income from farming operations is not more than $1,200, may, at his option, deem such gross income to be his net earnings from farm self-employment; and if his gross income from farming is more than $1,200 and his net earnings from self-employment from farming operations (computed under the provisions of section 1402 without regard to the optional method of computing net earnings from self-employment) are less than $1,200, he may, at his option, deem his net earnings from self-employment to be $1,200.

In the case of a member of a farm partnership whose distributive share of the gross income of the partnership (after the gross income of the partnership has been reduced by the sum of all payments made by the partnership to members thereof which constitute guaranteed payments within the meaning of section 707 (c) of the code is not more than $1,200, the partner may, at his option, deem such distributive share of the gross income of the partnership to be his distributive share of income described in section 702 (a) (9) of the code derived from the partnership, and may use such figure in computing his net earnings from self-employment. If the partner's distributive share of the gross income of a farm partnership, computed as provided in the preceding sentence, is more than $1,200 and his distributive share (whether or not distributed) of income described in section 702 (a) (9) derived from such farm partnership (computed under sec. 1402 (a) of the code without regard to the optional method provided in that section for computing net earnings from self-employment) is less than $1,200, the distributive share of income described in section 702 (a) (9) derived from such farm partnership may, at his option, be deemed to be $1,200 for purposes of computing his net earnings from self-employment.

Section 201 (g) of your committee bill further amends section 1402 (a) of the code to provide, for purposes of computing net earnings from farm self-employment under the optional method, that in any case in which the income is computed under an accrual method, the term "gross income" means gross income from the trade or business carried on by the individual or by the partnership, adjusted in accordance with the provisions of paragraphs (1) through (7) of section 1402 (a). The amendment further provides that for purposes of determining whether an individual (including a member of a partnership) has gross income from farming operations of not more than $1,200 or has gross income from such operations of $1,200 or more, such individual shall aggregate his gross income derived from all farming activities carried on by him as a sole proprietor, any payment which he receives from a farm partnership of which he is a member and which is a guaranteed payment within the meaning of section 707 (c) of the code, and his distributive share of the gross income of each farm partnership of which he is a member (computed in accordance with the provisions of section 1402 (a) of the code as amended by section 201 (g) of the bill).

Under section 201 (a) (1), the amendment made by section 201 (g) applies with respect to taxable years ending after 1956.

Foreign subsidiaries

Section 201 (h) of the bill, for which there is no corresponding provision in the House bill, amends section 3121 (1) (8) (A) of the code. Section 3121 (1) (8) now defines the term "foreign subsidiary," for purposes of the contract coverage made available under section 3121 (1), as (1) a foreign corporation more than 50 percent of the voting stock of which is owned by a United States corporation, and (2) a foreign corporation more than 50 percent of the voting stock of which is owned by the foreign corporation described in (1). Section 201 (h) would reduce the ownership requirements provided in respect of the foreign corporation described in (1) from "more than 50 percent" to "not less than 20 percent." This would have the effect of permitting coverage by contract, pursuant to section 3121 (1), of certain services performed outside the United States by United States citizens employed by a foreign corporation 20 percent or more of the voting stock of which is owned by a United States corporation.

The amendment made by section 201 (h) becomes effective upon enactment of the bill.

Filing of supplemental lists by nonprofit organizations

Section 201 (i) of the bill, which corresponds to section 201 (g) of the House bill except for a change in date noted in the following paragraph, amends section 3121 (k) (1) of the Internal Revenue Code of 1954, relating to waivers of tax exemption which may be filed by certain religious, charitable, etc., organizations. Pursuant to section 3121 (k), such an organization may file a certificate waiving exemption from tax under chapter 21 of such code only if two-thirds or more of its employees concur in the filing of such certificate, and such certificate is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs. As originally enacted, section 3121 (k) permitted additions to the list of employees concurring in the filing of a certificate only if a supplemental list was filed within the period ending on

the last day of the first month following the first calendar quarter for which the certificate is in effect. However, section 3121 (k) was amended by section 207 (a) of the Social Security Amendments of 1954 so as to permit additions to the list within a period of 24 months after the first calendar quarter for which the certificate is in effect. This amendment had the effect of permitting additions to lists accompanying certificates filed as early as the second calendar quarter of 1952, but made no provision for additions to any list of concurring employees in the case of a certificate filed prior to that quarter.

Section 201 (i) would permit amendment of the list accompanying any certificate, effective now or in the future, by the filing of a supplemental list at any time before the expiration of 24 months following the first calendar quarter for which the certificate is effective or at any time before January 1, 1959 (rather than January 1, 1958, as provided in the House bill) whichever is the later. This amendment would take effect upon enactment of the bill. However, the date on which a supplemental list becomes effective with respect to service performed by an individual whose signature appears on such list would continue to be governed by existing law.

Effective date for waiver certificate filed by nonprofit organizations

Section 201 (j) of the bill, which corresponds to section 201 (h) of the House bill, amends section 3121 (k) (1) of the Internal Revenue Code of 1954 so as to provide an optional effective date for certificates filed under such section after 1956. Under present law a certificate filed under section 3121 (k) of such code becomes effective on the first day of the calendar quarter following the quarter in which the certificate is filed. Under such section as amended by section 201 (j) of the bill, a certificate filed after 1956 may be made effective on the first day of the calendar quarter in which the certificate is filed or the first day of the succeeding calendar quarter, whichever is specified by the organization.

Tax rates

Section 202 (a) of the House bill would amend section 1401 of the Internal Revenue Code of 1954 to provide for progressive increases in the rates of the tax upon self-employment income, as now provided for taxable years beginning after 1955.

Section 202 (b) and (c) of the House bill would amend sections 3101 and 3111, respectively, of the code to provide for progressive increases in the rates of the employee and employer taxes, as now provided for calendar years after 1955.

These amendments have been deleted by your committee, thereby continuing in effect the tax rates now provided in sections 1401, 3101, and 3111 of the code in respect of the self-employment tax, the employee tax, and the employer tax, respectively.

AMENDMENT OF SECTION 403 OF SOCIAL SECURITY AMENDMENTS OF 1954

Service for certain tax-exempt organizations

Section 401 of the bill, for which there is no corresponding provision in the House bill, amends subsection (a) and subsection (b) of section 403 of the Social Security Amendments of 1954.

Subsection (a) of section 403 of the Social Security Amendments of 1954 now provides that certain services performed before 1955 by

an individual employed prior to September 1, 1954, by an organization exempt from income tax as an organization described in section 101 (6) of the Internal Revenue Code of 1939 may be deemed to be "employment," as defined in section 1426 (b) of the 1939 code, even though the organization had not filed a valid waiver certificate under section 1426 (1) of the 1939 code before September 1, 1954, but only if certain conditions prescribed in such section 403 are met and the individual so requests in accordance with regulations of the Secretary of the Treasury or his delegate.

Section 401 of the bill amends subsection (a) of section 403 of the Social Security Amendments of 1954 so as to extend application of such subsection (a) to services of the same type as those to which the subsection is now applicable performed before 1957 by an individual employed by such an organization prior to the date of enactment of the bill.

Subsection (b) of section 403 of the Social Security Amendments of 1954 now provides that certain services performed for an organization exempt from income tax as an organization described in section 101 (6) of the Internal Revenue Code of 1939 by an individual who was employed by such organization prior to September 1, 1954, and who failed to concur in the waiver certificate filed by such organization under section 1426 (1) of the 1939 code, may be deemed to be "employment," as defined in section 1426 (b) of the 1939 code, but only if certain conditions are met and the individual so requests on or before January 1, 1957, in accordance with regulations of the Secretary of the Treasury or his delegate. If such request is made, the individual is deemed to have signed the original list of employees concurring in the waiver certificate filed by the organization.

Section 401 of the bill amends subsection (b) of section 403 of the Social Security Amendments of 1954 so as to extend application of such subsection (b) to services of the same type as those to which the subsection is now applicable performed by an individual employed by such an organization prior to the date of enactment of the bill, if the individual makes the request provided for in such subsection on or before January 1, 1959.

TITLE III—AMENDMENTS TO PUBLIC ASSISTANCE PROVISIONS OF THE SOCIAL SECURITY ACT

The first section of title III of the bill contains a declaration of purpose. The remainder of the title is divided into five parts: Part I which provides for separate Federal matching funds under titles I, IV, X, and XIV of the Social Security Act of State public assistance expenditures for medical care; part II which relates to provision of services for self-support or self-care in titles IV, X, and XIV of the Social Security Act; part III which contains two small amendments to title IV of the act; part IV which provides for Federal aid for research and training in public welfare; and part V which temporarily extends the formula now in effect for determining the relative Federal share of public assistance expenditures under titles I, IV, X, and XIV of the act.

There were no provisions in the House bill comparable to those included in this title.

PART I—MATCHING OF ASSISTANCE EXPENDITURES FOR MEDICAL CARE

Sections 3 (a), 403 (a), 1003 (a), and 1403 (a) of the Social Security Act now provide for paying to each State with a plan approved under titles I, IV, X, and XIV a proportion, set forth in each title, of each State's expenditures for assistance to needy individuals under the plan. This includes expenditures both in the form of cash payments to individuals and medical care on their behalf. Sections 301, 302, 303, and 304 of the bill continue the Federal payments to the States on the basis of the present formula with respect to cash payments to the individuals. It adds a provision that enables them to receive separate dollar for dollar matching of their expenditures for medical or other remedial care (including expenditures for insurance premiums) up to a maximum of $8 times the number of individuals receiving assistance in the form of cash payments or medical care. (In aid to dependent children the maximum on the medical care expenditures in which the United States would share would be $8 times the number of adult recipients and $4 times the number of child recipients.) The present individual maximums of $55 for the aged, blind, and disabled, and of $30 for the relatives caring for a dependent child, $30 for the first dependent child, and $21 for each additional child in the same home in aid to dependent children, would continue to apply, but only with respect to the money payments made to recipients.

The amendments made by this part would become effective July 1, 1957.

PART II—SERVICES IN PROGRAMS OF AID TO DEPENDENT CHILDREN, AID TO THE BLIND, AND AID TO THE PERMANENTLY AND TOTALLY DISABLED

Section 311 of the bill would amend section 401 of the Social Security Act to make it clear that the purpose of title IV of the act includes not only financial assistance, but also services to maintain and strengthen family life and to help the relatives caring for dependent children attain that degree of self-support and personal independence consistent with maintaining parental care and protection. Section 311 would also amend section 402 (a) of the act so as to require the approved State plan for aid to dependent children to include a description of the services, if any, that a State offers to applicants for and recipients of aid in order to achieve the purposes of this part of the bill, including a statement of the steps taken to assure maximum utilization of existing agencies in providing the services.

This section of the bill would also amend section 403 (a) of the Social Security Act to delete some obsolete language and make it clear that Federal payments to the State with respect to the costs of administration of the State plan may include payments with respect to the services described above.

Section 312 of the bill would amend section 1001 of the Social Security Act to make it clear that the purpose of title X of the act includes not only financial assistance, but also services to help needy blind individuals to attain self-support or self-care. Section 312 would also amend section 1002 (a) of the act so as to require the approved State plan for aid to the blind to include a description of the

services, if any, that a State offers to applicants for and recipients of aid in order to achieve the purposes of this part of the bill, including a statement of the steps taken to assure maximum utilization of existing agencies in providing the services.

This section of the bill would also amend section 1003 (a) of the Social Security Act to delete some obsolete language and make it clear that Federal payments to the State with respect to the costs of administration of the State plan may include payments with respect to the services described above.

Section 313 of the bill would amend section 1401 of the Social Security Act to make it clear that the purpose of title XIV of the act includes not only financial assistance, but also services to help needy individuals over 18 who are permanently and totally disabled to attain self-support or self-care. Section 313 would also amend sections 1402 (a) of the act so as to require the approved State plan for aid to the permanently and totally disabled to include a description of the services, if any, that a State offers to applicants for and recipients of aid in order to achieve the purposes of this part of the bill, including a statement of the steps taken to assure maximum utilization of existing agencies in providing the services.

This section of the bill would also amend section 1403 (a) of the Social Security Act to delete some obsolete language and make it clear that Federal payments to the State with respect to the costs of administration of the State plan may include payments with respect to the services described above.

The amendments made by this part of title III of the bill would be effective on enactment, except that the provisions inserting the new plan requirement (on the description of the services provided and the steps taken to utilize other agencies in the provision of such services)—sections 311 (b), 312 (b), and 313 (b) of the bill—would not become effective until July 1, 1957.

PART III—EXTENSION OF AID TO DEPENDENT CHILDREN

Section 321 amends section 406 (a) of the Social Security Act by adding "first cousin, nephew or niece" to the list of relatives with whom a dependent child may be living and be eligible, with Federal matching, for aid to dependent children.

Section 322 deletes from section 406 (a) of the act the requirement of school attendance for otherwise eligible children between 16 and 18 years of age.

PART IV—RESEARCH AND TRAINING

Section 331 adds to title XI of the Social Security Act authorization (in a new sec. 1110) for Federal participation in the cost of research or demonstration projects (relating to such matters as prevention or reduction of dependency or coordination of planning between private and public welfare agencies, or to help improve the administration and effectiveness of programs carried on or assisted under the Social Security Act and related programs) through grants, contracts, or jointly financed cooperative arrangements with States, public or nonprofit organizations. This section authorizes an appropriation of $5 million for the fiscal year 1957, and such sums thereafter as the Congress may determine.

The new section 1110 also provides that no contract or arrangement may be entered into, and no grant may be made, under the section without obtaining the advice and recommendations of competent specialists as to the soundness of design of the projects, the possibilities for securing productive results, adequacy of resources for conducting the projects, etc. Grants, and payments under the contracts or arrangements, could be made in advance or by way of reimbursement, and in such installments and on such conditions as the Secretary finds necessary to carry out the purposes of the section.

Section 332 adds to title VII of the Social Security Act authorization (in a new section 705) for allotting to the States sums which they may use for making grants to public or other nonprofit institutions of higher learning, conducting special, short courses of study or seminars, and establishing and maintaining fellowships or traineeships for training public welfare personnel for work in public assistance programs. The allotment to each State from appropriations under this section would be determined on the basis of (1) population, (2) relative need for trained public welfare personnel, particularly personnel to provide self-support and self-care services, and (3) financial need, of the respective States. This allotment would be available for paying the Federal share of the expenditures described above. The Federal share would be 100 percent for the period beginning July 1, 1957, and ending June 30, 1967, and 80 percent thereafter. An appropriation of $5 million is authorized for the fiscal year 1958; and thereafter such amounts as the Congress may determine.

Payments to the States under this new section 705 would be made in advance on the basis of estimates, with necessary adjustments to correct any errors being made in future payments. An allotment which a State certified it would not use could be reallotted by the Secretary to other States that have need for and will be able to use sums in excess of their initial allotment. The reallotments would be made on the same basis as the original allotments (i. e., population, need for trained personnel, and financial need, of the respective States).

Section 333 amends section 1101 (a) of the act so that the term "State" will include Alaska, Hawaii, the District of Columbia, Puerto Rico, and the Virgin Islands for purposes of title VII, just as it now does for purposes of titles I, IV, V, X, and XIV of the Social Security Act.

PART V—TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

In 1952, the Social Security Act was amended to increase the proportion of public assistance expenditures made by the States to be borne from Federal funds. Such amendments were originally made effective for the period ending September 30, 1954; they were subsequently extended (by the 1954 amendments to the Social Security Act) to September 30, 1956. Section 341 would further extend this period to June 30, 1959.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted

is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

AN ACT To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled,

TITLE I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE

APPROPRIATIONS

SECTION 1. * * *

* * * * * * *

PAYMENTS TO STATES

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance *in the form of money payments* under the State plan, not counting so so much of such expenditure with respect to any individual for any month as exceeds $55—

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received old-age assistance *in the form of money payments* for such month; plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance *in the form of money payments* under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose, *and (4) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan in the form of medical or any other type of remedial care (including expenditures for insurance premiums for such care*

or the cost thereof), not counting so much of such expenditure for any month as exceeds the product of 8 multiplied by the number of individuals who received old-age assistance under the State plan for such month.

* * * * * * *

TITLE II—FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

SECTION 201. (a) * * *

* * * * * * *

(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at par, or (2) by purchase of outstanding obligations at the market price. [The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Trust Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as to the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming a part of the Public Debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Such special obligations shall be issued only if the Managing Trustee determines that the purchase of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest.] *The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of public-debt obligations for purchase by the Trust Fund. Such obligations issued for purchase by the Trust Fund shall have maturities fixed with due regard for the needs of the Trust Fund and bear interest at a rate equal to the average rate of interest, computed as to the end of the calendar month next preceding the date of such issue, borne by all marketable interest-bearing obligations of the United States then forming a part of the Public Debt that are not due or callable until after the expiration of five years from the date of original issue; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligations shall be the multiple of one-eighth of 1 per centum nearest such average rate. Such obligations shall be issued for purchase by the Trust Fund only if the Managing Trustee determines that the purchase in the market of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest.*

* * * * * * *

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

OLD-AGE INSURANCE BENEFITS

SEC. 202. (a) * * *

* * * * * * *

Child's Insurance Benefits

(d) (1) Every child (as defined in section 216 (e)) of an individual entitled to old-age insurance benefits, or of an individual who died a fully or currently insured individual after 1939, if such child—

(A) has filed application for child's insurance benefits,

(B) at the time such application was filed was unmarried and [had not attained the age of eighteen, and] *either (i) had not attained the age of eighteen, or (ii) was under a disability (as defined in section 223) which began before he attained the age of eighteen, and*

(C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death,

shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950 in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), [or] attains the age of eighteen [.] *and is not under a disability (as defined in section 223) which began before he attained such age, or ceases to be under a disability (as so defined) on or after the day on which he attains age eighteen.*

(2) Such child's insurance benefit for each month shall, if the individual on the basis of whose wages and self-employment income the child is entitled to such benefit has not died prior to the end of such month, be equal to one-half of the old-age insurance benefit of such individual for such month. Such child's insurance benefit for each month shall, if such individual has died in or prior to such month, be equal to three-fourths of the primary insurance amount of such individual, except that, if there is more than one child entitled to benefits on the basis of such individual's wages and self-employment income, each such child's insurance benefit for such month shall be equal to the sum of (A) one-half of the primary insurance amount of such individual, and (B) one-fourth of such primary insurance amount divided by the number of such children.

(3) [A child] *A child who has not attained the age of eighteen* shall be deemed dependent upon his father or adopting father at the time specified in paragraph (1) (C) unless, at such time, such individual was not living with or contributing to the support of such child and—

(A) such child is neither the legitimate nor adopted child of such individual, or

(B) such child had been adopted by some other individual, or

(C) such child was living with and was receiving more than one-half of his support from his stepfather.

(4) [A child] *A child who has not attained the age of eighteen* shall be deemed dependent upon his stepfather at the time specified in

paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

(5) [A child] *A child who has not attained the age of eighteen* shall be deemed dependent upon his natural or adopting mother at the time specified in paragraph (1) (C) if such mother or adopting mother was a currently insured individual. [A child] *A child who has not attained the age of eighteen* shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1) (C) if, at such time, (A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

(6) A child who has attained the age of eighteen but who is under a disability (as defined in section 223) which began before he attained the age of eighteen shall be deemed dependent upon his natural or adopting father, his natural or adopting mother, his stepfather, or his stepmother at the time specified in paragraph (1) (C) if the child—

(A) was or would, upon filing an application therefor, have been entitled to a child's insurance benefit on the basis of the wages and self-employment income of such father, mother, stepfather, or stepmother for any month before the month in which he attained the age of eighteen, or

(B) was, at the time specified in paragraph (1) (C), receiving at least one-half of his support from such father, mother, stepfather, or stepmother.

Widow's Insurance Benefits

(e) (1) The widow (as defined in section 216 (c)) of an individual who died a fully insured individual after 1939, if such widow—

(A) has not remarried,

(B) has attained [retirement age] *age sixty-two,*

(C) (i) has filed application for widow's insurance benefits or was entitled, after attainment of [retirement age] *age sixty-two,* to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died, or

(ii) was entitled, on the basis of such wages and self-employment income, to mother's insurance benefits for the month preceding the month in which she attained [retirement age] *age sixty-two,*

(D) was living with such individual at the time of his death, and

(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband,

shall be entitled to a widow's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.

(3) *In the case of any widow of an individual—*

(A) who marries another individual, and

(B) whose marriage to the individual referred to in subparagraph (A) is terminated by his death but she is not his widow (as defined in section 216 (c)),

the marriage to the individual referred to in clause (A) shall, for purposes of paragraph (1), be deemed not to have occurred. No benefits shall be payable under this subsection by reason of the preceding sentence for any month prior to whichever of the following is the latest: (i) the month in which the death referred to in subparagraph (B) of the preceding sentence occurs, (ii) the twelfth month before the month in which such widow files application for purposes of this paragraph, or (iii) September 1956.

* * * * * * *

Parent's Insurance Benefits

(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after 1939, if such individual did not leave a widow who meets the conditions in subsection (e) (1) (D) and (E), a widower who meets the conditions in subsection (f) (1) (D), (E), and (F), [or] an unmarried child under the age of eighteen deemed dependent on such individual under subsection (d) (3), (4), or (5), *or an unmarried child who has attained the age of eighteen but is under a disability (as defined in section 223) which began before he attained such age and who is deemed dependent on such individual under subsection (d) (6)*, and if such parent—

(A) has attained retirement age,

(B) was receiving at least one-half of his support from such individual at the time of such individual's death and filed proof of such support within two years of such date of death,[16]

(C) has not married since such individual's death,

(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such deceased individual, and

(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month beginning with the first month after August 1950 in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual.

(2) Such parent's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

(3) As used in this subsection, the term "parent" means the mother or father of an individual, a stepparent of an individual by a marriage contracted before such individual attained the age of sixteen, or an

adopting parent by whom an individual was adopted before he attained the age of sixteen.

* * * * * * *

(o) *In any case in which there is a failure—*

(1) to file proof of support under subparagraph (D) of subsection (c) (1), clause (i) or (ii) of subparagraph (E) of subsection (f) (1), or subparagraph (B) of subsection (h) (1), or under clause (B) of subsection (f) (1) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subparagraph or clause, or

(2) to file, in the case of a death after 1946, application for a lump-sum death payment under subsection (i), or under subsection (g) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subsection, and it shown to the satisfaction of the Secretary that there was good cause for failure to file such proof or application, as the case may be, within such period, such proof or application shall be deemed to have been filed within such period if it is filed within two years following such period or within two years following August 1956, whichever is later. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.

SUSPENSION OF BENEFITS OF ALIENS WHO ARE OUTSIDE THE UNITED STATES

(p) (1) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section to any individual who is not a citizen or national of the United States for any month after the third consecutive calendar month during all of which the Secretary finds, on the basis of information furnished to him by the Attorney General or information which otherwise comes to his attention, that such individual is outside the United States and prior to the first month thereafter for all of which such individual has been in the United States, unless such individual is a citizen of a foreign country which the Secretary finds has in effect a social insurance or pension system which is of general application in such country, under which periodic benefits, or the acturarial equivalent thereof, are paid on account of old age, retirement, or death, and under which individuals who are citizens of the United States but not citizens of such foreign country and who qualify for such benefits are permitted to receive such benefits or the actuarial equivalent thereof while outside such foriegn country for periods of three months or longer.

(2) No person who is, or upon application would be, entitled to a monthly benefit under this section for June 1956 shall be deprived, by reason of paragraph (1), of such benefit or any other benefit based on the wages and self-employment income of the individual on whose wages and self-employment income such monthly benefit for June 1956 is based.

(3) If an individual is outside the United States when he dies and no benefit may, by reason of paragraph (1), be paid to him for the month preceding the month in which he dies, no lump-sum death payment may be made on the basis of such individual's wages and self-employment income.

(4) Subsections (b) and (c) of section 203 shall not apply with respect to any individual for any month for which no monthly benefit may be paid to him by reason of paragraph (1) of this subsection.

(5) The Attorney General shall certify to the Secretary such information regarding aliens who depart from the United States to any foreign country (other than a foreign country which is territorially contiguous to the United States) as may be necessary to enable the Secretary to carry out the purposes of this subsection and shall otherwise aid, assist, and cooperate with the Secretary in obtaining such other information as may be necessary to enable the Secretary to carry out the purposes of this subsection.

REDUCTION OF INSURANCE BENEFITS

Maximum Benefits

SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual is more than $50 and exceeds (1) 80 per centum of his average monthly wage, or (2) one and one-half times his primary insurance amount, whichever is the greater, such total of benefits shall, after any deductions under this section, *after any deductions under section 222 (b), and after any reduction under section 224,* be reduced to 80 per centum of his average monthly wage or to one and one-half times his primary insurance amount, whichever is the greater, but in no case to less than $50; except that when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits, after any deductions under this section, *after any deductions under section 222 (b), and after any reduction under section 224,* shall not be reduced to less than 80 per centum of the sum of the average monthly wages of all such insured individuals. In any case in which the total of the benefits referred to in the preceding sentence, after reduction (if any) thereunder, is more than $200, such total shall, notwithstanding the provisions of such sentence, be reduced to $200. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased.

Deductions on Account of Work or Failure to Have Child in Care

(b) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month—

(1) in which such individual is under the age of seventy-two and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or

(2) in which such individual is under the age of seventy-two and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States; or

(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or

(4) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

(5) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.

For purposes of paragraphs (3), (4), and (5), a child shall not be considered to be entitled to a child's insurance benefit for any month in which an event specified in section 222 (b) occurs with respect to such child. No deduction shall be made under this subsection from any child's insurance benefit for the month in which the child entitled to such benefit attained the age of eighteen or any subsequent month.

* * * * * * *

Occurrence of More Than One Event

(d) If more than one of the events specified in subsections (b) and (c) *and section 222 (b)* occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of earnings to any month shall be treated as an event occurring in such month.

Months to Which Earnings Are Charged

(e) For the purposes of subsections (b) and (c)—

(1) If an individual's earnings for a taxable year of twelve months are not more than $1,200, no month in such year shall be charged with any earnings. If an individual's earnings for a taxable year of less than twelve months are not more than the product of $100 times the number of months in such year, no month in such year shall be charged with any earnings.

(2) If an individual's earnings for a taxable year of twelve months are in excess of $1,200, the amount of his earnings in excess of $1,200 shall be charged to months as follows: The first $80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. If an individual's earnings for a taxable year of less than twelve months are more than the product of $100 times the number of months in such year, the amount of such earnings in excess of such product shall be charged to months as follows: The first $80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, shall be charged at the rate of $80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. Notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month (A) for which the individual whose earnings are involved

was not entitled to a benefit under this title, (B) in which an event described in paragraph (2), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-two or over, or (D) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (4) of this subsection) of more than $80.

(3) (A) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

(B) For purposes of clause (D) of paragraph (2)—

(i) An individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Secretary that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing (as provided in paragraph (4) of this subsection) his net earnings or net loss from self-employment for any taxable year. The Secretary shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

(ii) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (4) of this subsection) of more than $80 until it is shown to the satisfaction of the Secretary that such individual did not render such services in such month for more than such amount.

(4) (A) An individual's earnings for a taxable year shall be (i) the sum of his wages for services rendered in such year and his net earnings from self-employment for such year, minus (ii) any net loss from self-employment for such year.

(B) In determining an individual's net earnings from self-employment and his net loss from self-employment for purposes of subparagraph (A) of this paragraph and subparagraph (B) of paragraph (3), the provisions of section 211, other than paragraphs (1), (4), and (5) of subsection (c), shall be applicable; and any excess of income over deductions resulting from such a computation shall be his net earnings from self-employment and any excess of deductions over income so resulting shall be his net loss from self-employment.

(C) For purposes of this subsection, an individual's wages shall be computed without regard to the limitations as to amounts of remuneration specified in subsections (a), (g) (2), (g) (3), (h) (2), and (j) of section 209; and in making such computation services which do not constitute employment as defined in section 210, performed within the United States by the individual as an employee *or performed outside the United States in the active military or naval service of the United States*, shall be deemed to be employment as so defined if the remuneration for such services is not includible in computing his net earnings or net loss from self-employment.

(5) For purposes of this subsection, wages (determined as provided in paragraph (4) (C)) which, according to reports received by the Secretary, are paid to an individual during a taxable year shall be presumed to have been paid to him for services performed in such year until it is shown to the satisfaction of the Secretary that they were paid for services performed in another taxable year. If such reports with respect to an individual show his wages for a calendar year, such individual's taxable year shall be presumed to be a calendar year for purposes of this subsection until it is shown to the satisfaction of the Secretary that his taxable year is not a calendar year.

* * * * * * *

Report of Earnings to Secretary

(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (4) of subsection (e), in excess of the product of $100 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of his earnings (or wages) for such taxable year. Such report shall be made on or before the fifteenth day of the [third] *fourth* month following the close of such year, and shall contain such information and be made in such manner as the Secretary may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-two.

(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, for any taxable year and any deduction is imposed under subsection (b) (1) by reason of his earnings for such year, he shall suffer additional deductions as follows:

(A) if such failure is the first one with respect to which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

(B) if such failure is the second one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to two times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

(C) if such failure is the third or a subsequent one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to three times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

except that the number of the additional deductions required by this paragraph with respect to a failure to report earnings for a taxable year shall not exceed the number of months in such year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (1) by reason of his earnings. In determining whether a failure to report earnings is the first or a subsequent failure for any individual, all

taxable years ending prior to the imposition of the first additional deduction under this paragraph, other than the latest one of such years, shall be disregarded.

(3) If the Secretary determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deductions imposed under subsection (b) (1) by reason of his earnings for such year, the Secretary may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Secretary may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Secretary has determined whether or not any deduction is imposed for such month under subsection (b). The Secretary is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Secretary may specify, a declaration of his estimated earnings for the taxable year and that he furnish to the Secretary such other information with respect to such earnings as the Secretary may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (1) by reason of his earnings for such year. If, after the close of a taxable year of an individual entitled to benefits under section 202 for such year, the Secretary requests such individual to furnish a report of his earnings (as computed pursuant to paragraph (4) of subsection (e)) for such taxable year or any other information with respect to such earnings which the Secretary may specify, and the individual fails to comply with such request, such failure shall in itself constitute justification for a determination that such individual's benefits are subject to deductions under subsection (b) (1) for each month in such taxable year (or only for such months thereof as the Secretary may specify) by reason of his earnings for such year.

[Circumstances Under Which Deductions Not Required

[(h) Deductions by reason of subsection (b), (f), or (g) shall, notwithstanding the provisions of such subsection, be made from the benefits to which an individual is entitled only to the extent that they reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to him and the other individuals living in the same household.]

CIRCUMSTANCES UNDER WHICH DEDUCTIONS AND REDUCTIONS NOT REQUIRED

(h) In the case of any individual—

(1) deductions by reason of the provisions of subsection (b), (f), or (g) of this section, or the provisions of section 222 (b), shall, notwithstanding such provisions, be made from the benefits to which such individual is entitled, and

(2) any reduction by reason of the provisions of section 224 shall, notwithstanding the provisions of such section, be made with respect to the benefits to which such individual is entitled.

only to the extent that such deductions and reduction reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to such individual and the other individuals living in the same household.

* * * * * * *

Noncovered Remunerative Activity Outside the United States

(k) An individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services outside the United States as an employee and such services do not constitute employment as defined in section 210 *and are not performed in the active military or naval service of the United States*, or if he carries on a trade or business outside the United States (other than the performance of service as an employee) the net income or loss of which (1) is not includible in computing his net earnings from self-employment for a taxable year and (2) would not be excluded from net earnings from self-employment, if carried on in the United States, by any of the numbered paragraphs of section 211 (a). When used in the preceding sentence with respect to a trade or business (other than the performance of service as an employee), the term "United States" does not include Puerto Rico or the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands); and the term "trade or business" shall have the same meaning as when used in section 162 of the Internal Revenue Code of 1954.

* * * * * * *

EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. (a) * * *

(b) The Secretary is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. [Whenever requested by any such individual or whenever requested by a wife, widow, former wife divorced, husband, widower, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Secretary has rendered, he shall give such applicant and such other individual reasonable notice and opportunity for a hearing with respect to such decision, and, if a hearing is held, shall, on the basis of evidence adduced at the hearing, affirm, modify, or reverse his finding of fact and such decision.] *Upon request by any such individual or upon request by a wife, widow, former wife divorced, husband, widower, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Secretary has rendered, he shall give such applicant and such other individual reasonable notice and opportunity for a hearing with respect to such decision, and, if a hearing is held, shall, on the basis of evidence adduced at the hearing, affirm, modify, or reverse his findings of fact and such decision. Any such request with respect to such a decision must be filed within such period after such decision as may be prescribed in regulations of the Secretary, except that the period so prescribed may not*

be less than six months after notice of such decision is mailed to the individual making such request. The Secretary is further authorized, on his own motion, to hold such hearings and to conduct such investigations and other proceedings as he may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, he may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Secretary even though inadmissible under rules of evidence applicable to court procedure.

(c) (1) For the purposes of this subsection—

(A) The term "year" means a calendar year when used with respect to wages and a taxable year (as defined in section 211 (c)) when used with respect to self-employment income.

(B) The term "time limitation" means a period of three years, [two] *three* months, and fifteen days.

(C) The term "survivor" means an individual's spouse, former wife divorced, child, or parent, who survives such individual.

* * * * * * *

(5) After the expiration of the time limitation following any year in which wages were paid or alleged to have been paid to, or self-employment income was derived or alleged to have been derived by, an individual, the Secretary may change or delete any entry with respect to wages or self-employment income in his records of such year for such individual or include in his records of such year for such individual any omitted item of wages or self-employment income but only—

(A) * * *

* * * * * * *

(F) to conform his records to tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code of 1939, or chapters 2 and 21 of the Internal Revenue Code of 1954 or under regulations made under authority of such title or subchapter or chapter, and to information returns filed by a State pursuant to an agreement under section 218 or regulations of the Secretary thereunder; except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Secretary's records pursuant to this subparagraph [in excess of the amount which has been deleted pursuant to this subparagraph as payments erroneously included in such records as wages paid to such individual in such taxable year];

* * * * * * *

(H) to include wages paid during any period in such year to an individual by an employer if there is an absence of an entry in the Secretary's records of wages having been paid by such employer to such individual in such period; [or]

(I) to enter items which constitute remuneration for employment under subsection (o), such entries to be in accordance with certified reports of records made by the Railroad Retirement

Board pursuant to section 5 (k) (3) of the Railroad Retirement Act of 1937[.] *or*

(J) to include self-employment income for any taxable year, up to, but not in excess of, the amount of wages deleted by the Secretary as payments erroneously included in such records as wages paid to such individual, if such income (or net earnings from self-employment), not already included in such records as self-employment income, is included in a return or statement (referred to in subparagraph (F)) filed before the expiration of the time limitation following the taxable year in which such deletion of wages is made.

* * * * * * *

DEFINITIONS OF WAGES

SEC. 209. For the purposes of this title, the term "wages" means remuneration paid prior to 1951 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1950 for employment, including the cash value of all remuneration paid in any medium other than cash; except that, in the case of remuneration paid after 1950, such term shall not include—

(a) * * *

* * * * * * *

(h) (1) Remuneration paid in any medium other than cash for agricultural labor;

[(2) Cash remuneration paid by an employer in any calendar year to an employee for agricultural labor, if the cash remuneration paid in such year by the employer to the employee for such labor is less than $100;]

(2) Cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless (A) the cash remuneration paid in such year by the employer to the employee for such labor is $200 or more, or (B) the employee performs agricultural labor for the employer on thirty days or more during such year for cash remuneration computed on a time basis;

* * * * * * *

DEFINITION OF EMPLOYMENT

SEC. 210. For the purposes of this title—

Employment

(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection

with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee (i) of an American employer (as defined in subsection (e)), or (ii) of a foreign subsidiary (as defined in section 3121 (l) of the Internal Revenue Code of 1954) of a domestic corporation (as determined in accordance with section 7701 of the Internal Revenue Code of 1954) during any period for which there is in effect an agreement, entered into pursuant to section 3121 (l) of the Internal Revenue Code of 1954, with respect to such subsidiary; except that, in the case of service performed after 1950, such terms shall not include—

(1) (A) * * *

(B) Service performed by foreign agricultural workers (i) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended, or (ii) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies, *or from any foreign country or possession thereof*, on a temporary basis to perform agricultural labor;

* * * * * * *

(14) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; [or]

(15) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669) [.]; *or*

(16) Service performed by an individual under an arrangement with the owner or tenant of land pursuant to which—

(A) such individual undertakes to produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land,

(B) the agricultural or horticultural commodities produced by such individual, or the proceeds therefrom, are to be divided between such individual and such owner or tenant, and

(C) the amount of such individual's share depends on the amount of the agricultural or horticultural commodities produced.

* * * * * * *

Crew leader

(m) The term "crew leader" means an individual who furnishes individuals to perform agricultural labor for another person, if such individual pays (either on his own behalf or on behalf of such person) the individuals so furnished by him for the agricultural labor performed by them and if such individual has not entered into a written agreement

with such person whereby such individual has been designated as an employee of such person; and such individuals furnished by the crew leader to perform agricultural labor for another person shall be deemed to be the employees of such crew leader. A crew leader shall, with respect to service performed in furnishing individuals to perform agricultural labor for another person, and services performed as a member of the crew, be deemed not to be an employee of such other person.

SELF-EMPLOYMENT

SEC. 211 For the purposes of this title—

Net Earnings From Self-Employment

(a) The term "net earnings from self-employment" means the gross income, as computed under Subtitle A of the Internal Revenue Code of 1954, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) of income or loss described in section 702 (a) (9) of the Internal Revenue Code of 1954, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary income or loss—

(1) There shall be excluded rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares), together with the deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer; *except that the preceding provisions of this paragraph shall not apply to any income derived by the owner or tenant of land if (A) such income is derived under an arrangement, between the owner or tenant and another individual, which provides that such other individual shall produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land, and that there shall be material participation by the owner or tenant in the production of such agricultural or horticultural commodities, and (B) there is material participation by the owner or tenant with respect to any such agricultural or horticultural commodity;*

* * * * * * *

(7) An individual who is—

(A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order; and

(B) a citizen of the United States performing service described in subsection (c) (4) as an employee of an American employer (as defined in section 210 (e)) *or as a minister in a foreign country who has a congregation which is composed predominantly of citizens of the United States*

shall compute his net earnings from self-employment derived from the performance of service described in subsection (c) (4) without regard to section 911 (relating to earned income from sources without the United States) and section 931 (relating to income from sources within possessions of the United States) of the Internal Revenue Code of 1954.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year. [In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f), (i) if the gross income derived from such trade or business by such individual is not more than $1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than $1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than $900, such net earnings may instead, at the option of such individual, be deemed to be $900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the preceding provisions of this subsection.] *In the case of any trade or business which is carried on by an individual or by a partnership and in which, if such trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f)—*

(i) in the case of an individual, if the gross income derived by him from such trade or business is not more than $1,200, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be the gross income derived by him from such trade or business; or

(ii) in the case of an individual, if the gross income derived by him from such trade or business is more than $1,200 and the net earnings from self-employment derived by him from such trade or business (computed under this subsection without regard to this sentence) are less than $1,200, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be $1,200; and

(iii) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707 (c) of the Internal Revenue Code of 1954 applies) is not more than $1,200, his distributive share of income described in section 702 (a) (9) of such code derived from such trade or business may, at his option, be deemed to be an amount equal to his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been so reduced); or

(iv) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all

payments to which section 707 (c) of the Internal Revenue Code of 1954 applies) is more than $1,200 and his distributive share (whether or not distributed) of income described in section 702 (a) (9) of such code derived from such trade or business (computed under this subsection without regard to this sentence) is less than $1,200, his distributive share of income described in such section 702 (a) (9) derived from such trade or business may, at his option, be deemed to be $1,200.

For purposes of the preceding sentence, gross income means—

(v) in the case of any such trade or business in which the income is computed under a cash receipts and disbursements method, the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the provisions of paragraphs (1) through (7) of this subsection; and

(vi) in the case of any such trade or business in which the income is computed under an accrual method, the gross income from such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (7) of this subsection;

and, for purposes of such sentence, if an individual (including a member of a partnership) derives gross income from more than one such trade or business, such gross income (including his distributive share of the gross income of any partnership derived from any such trade or business) shall be deemed to have been derived from one trade or business.

* * * * * * *

Trade or Business

(c) The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 162 of the Internal Revenue Code of 1954, except that such term shall not include—

(1) The performance of the functions of a public office;

(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (14) (B) performed by an individual who has attained the age of [eighteen and other than] *eighteen, service described in section 210 (a) (16), and* service described in paragraph (4) of this subsection):

* * * * * * *

[(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, or Christian Science practitioner; or the performance of such service by a partnership.]

(5) The performance of service by an individual in the exercise of his profession as a doctor of medicine, doctor of osteopathy, or Christian Science practitioner; or the performance of such service by a partnership.

* * * * * * *

QUARTER AND QUARTER OF COVERAGE

Definitions

SEC. 213. (a) For the purpose of this title—

(1) * * *

(2) (A) * * *

(B) The term "quarter of coverage" means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid $50 or more in wages (except wages for agricultural labor paid after 1954) or for which he has been credited (as determined under section 212) with $100 or more of self-employment income, except that—

(i) * * *

* * * * * * *

(iv) if an individual is paid wages for agricultural labor in a calendar year after 1954, then, subject to clause (i), (a) the last quarter of such year which can be but is not otherwise a quarter of coverage shall be a quarter of coverage if such wages *equal or exceed $100 but* are less than $200; (b) the last two quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed $200 but are less than $300; (c) the last three quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed $300 but are less than $400; and (d) each quarter of such year which is not otherwise a quarter of coverage shall be a quarter of coverage if such wages are $400 or more; and

* * * * * * *

INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SEC. 214. For the purposes of this title—

Fully Insured Individual

(a) (1) * * *

* * * * * * *

[(3) In the case of any individual who did not die prior to January 1, 1955, the term "fully insured individual" means any individual who meets the requirements of paragraph (2) and, in addition, any individual with respect to whom all of the quarters elapsing after 1954 and prior to (i) July 1, 1956, or (ii) if later, the quarter in which he attained retirement age or died, whichever first occurred, are quarters but only if there are not fewer than six of such quarters so elapsing.]

(3) In the case of any individual who did not die prior to January 1, 1955, the term "fully insured individual" means any individual who meets the requirements of paragraph (2) and, in addition, any individual with respect to whom all but four of the quarters elapsing after 1954 and prior to (i) July 1, 1957, or (ii) if later, the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage, but only if not fewer than six of such quarters so elapsing are quarters of coverage.

* * * * * * *

COMPUTATION OF PRIMARY INSURANCE AMOUNT

SEC. 215. For the purposes of this title—

Primary Insurance Amount

(a) * * *

Average Monthly Wage

[(b) (1) An individual's "average monthly wage" shall be the quotient obtained by dividing the total of his wages and self-employment income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), by the number of months elapsing after such starting date and prior to such closing date, excluding from such elapsed months any month in any year prior to the year in which he attained the age of twenty-two if less than two quarters of such prior year were quarters of coverage, and any month in any quarter any part of which was included in a period of disability (as defined in section 216 (i)) unless such quarter was a quarter of coverage, except that when the number of such elapsed months thus computed (including a computation after the application of paragraph (4)) is less than eighteen, it shall be increased to eighteen.]

(b) (1) An individual's "average monthly wage" shall be the quotient obtained by dividing the total of his wages and self-employment income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), by the number of months elapsing after such starting date and prior to such closing date, excluding from such elapsed months—

(A) the months in any year prior to the year in which he attained the age of twenty-two if less than two quarters of such prior year were quarters of coverage, and

(B) the months in any year any part of which was included in a period of disability except the months in the year in which such period of disability began if their inclusion in such elapsed months (together with the inclusion of the wages paid in and self-employment income credited to such year) will result in a higher primary insurance amount.

Nowithstanding the preceding provisions of this paragraph when the number of the elapsed months computed under such provisions (including a computation after the application of paragraph (4)) is less than eighteen, it shall be increased to eighteen.

* * * * * * *

(4) In the case of any individual, the Secretary shall determine the [four] *five* or fewer full calendar years after his starting date and prior to his closing date which, if the months of such years and his wages and self-employment income for such years were excluded in computing his average monthly wage, would produce the highest primary insurance amount. Such months and such wages and self-employment income shall be excluded for purposes of computing such individual's average monthly wage. [The maximum number of calendar years determined under the first sentence of this paragraph shall be five instead of four in the case of any individual who has not less than twenty quarters of coverage.]

* * * * * * *

Primary Insurance Benefit and Primary Insurance Amount for Purposes of Conversion Table

(d) For the purposes of subsection (c), the primary insurance benefits and the primary insurance amounts of individuals shall be determined as follows:

(1) * * *

* * * * * * *

(5) In the case of any individual to whom paragraph (1), (2), or (4) of this subsection is applicable, his primary insurance benefit shall be computed as provided therein except that, for purposes of paragraphs (1) and (2) and subparagraph (C) of paragraph (4), [any quarter prior to 1951 any part of which was included in a period of disability shall be excluded from the elapsed quarters unless it was a quarter of coverage, and any wages paid in any such quarter shall not be counted.] *all quarters, in any year prior to 1951 any part of which was included in a period of disability, shall be excluded from the elapsed quarters and any wages paid in such year shall not be counted. Notwithstanding the preceding sentence, the quarters in the year in which a period of disability began shall not be excluded from the elapsed quarters and the wages paid in such year shall be counted if the inclusion of such quarters and the counting of such wages result in a higher primary insurance amount.*

* * * * * * *

Certain Wages and Self-Employment Income Not To Be Counted

(e) For the purposes of subsections (b) and (d) (4)—

(1) * * *

* * * * * * *

[(4) in computing an individual's average monthly wage, there shall not be taken into account (A) any wages paid such individual in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage, or (B) any self-employment income of such individual for any taxable year all of which was included in a period of disability.]

(4) in computing an individual's average monthly wage, there shall not be counted—

(A) any wages paid such individual in any year any part of which was included in a period of disability, or

(B) any self-employment income of such individual credited pursuant to section 212 to any year any part of which was included in a period of disability,

unless the months of such year are included as elapsed months pursuant to section 215 (b) (1) (B).

* * * * * * *

Rounding of Benefits

(g) The amount of any primary insurance amount and the amount of any monthly benefit computed under section 202 which (after reduction under [section 203 (a)] *sections 203 (a) and 224*) is not a multiple of $0.10 shall be raised to the next higher multiple of $0.10.

OTHER DEFINITIONS

SEC. 216. For the purposes of this title—

Retirement Age

(a) * * *

* * * * * * *

Disability; Period of Disability

(i) (1) [The] *Except for purposes of sections 202 (d), 223, and 225, the* term "disability" means (A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, or (B) blindness; and the term "blindness" means central visual acuity of 5/200 or less in the better eye with the use of a correcting lens. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purpose of this paragraph as having a central visual acuity of 5/200 or less. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required. Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

* * * * * * *

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

SEC. 218. (a) * * *

* * * * * * *

Positions Covered by Retirement Systems

(d) (1) * * *

* * * * * * *

(6) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned. If a retirement system covers positions of employees of one or more institutions of higher learning, then, for purposes of such preceding paragraphs there shall, if the State so desires, be deemed to be a separate retirement

system for the employees of each such institution of higher learning. For the purposes of this paragraph, the term "institutions of higher learning" includes junior colleges and teachers' colleges. *For the purposes of this subsection, any retirement system established by the State of Georgia, Indiana, New York, North Dakota, Pennsylvania, Tennessee, Washington, Wisconsin, or the Territory of Hawaii, or any political subdivision of any such State, which, on, before, or after the date of enactment of this sentence is divided into two divisions or parts, one of which is composed of positions of members of such system who desire coverage under an agreement under this section and the other of which is composed of positions of members of such system who do not desire such coverage, shall, if the State or Territory so desires and if it is provided that there shall be included in such division or part composed of members desiring such coverage the positions of individuals who become members of such system after such coverage is extended, be deemed to be a separate retirement system with respect to each such division or part. The position of any individual which is covered by any retirement system to which the preceding sentence is applicable shall, if such individual is ineligible to become a member of such system on the date of enactment of such sentence or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the positions of members of the division or part who do not desire coverage under the insurance system established under this title. For the purposes of this subsection, in the case of any retirement system of the State of Georgia, North Dakota, Pennsylvania, Washington, or the Territory of Hawaii which covers positions of employees of such State or Territory who are compensated in whole or in part from grants made to such State under title III of the Social Security Act, there shall be deemed to be, if such State or Territory so desires, a separate retirement system with respect to any of the following: (A) the positions of such employees; (B) the positions of all employees of such State or Territory covered by such retirement system who are employed in the department of such State or Territory in which the employees referred to in clause (A) are employed; or (C) employees of such State or Territory covered by such retirement system who are employed in such department of such State or Territory in positions other than those referred to in clause (A).*

* * * * * * *

(p) Any agreement with the State of North Carolina, South Carolina, or South Dakota entered into pursuant to this section prior to the date of enactment of this subsection may, notwithstanding the provisions of subsection (d) (5) (A) and the references thereto in subsections (d) (1) and (d) (3), be modified pursuant to subsection (c) (4) to apply to service performed by employees of such State or any political subdivision thereof in any policeman's or fireman's position covered by a retirement system in effect on or after the date of the enactment of this subsection, but only upon compliance with the requirements of subsection (d) (3). For the purposes of the preceding sentence, a retirement system which covers positions of policemen or firemen, or both, and other positions shall, if the State concerned so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, or both, as the case may be.

* * * * * * *

DISABILITY DETERMINATIONS

SEC. 221. (a) In the case of any individual, the determination of whether or not he is under a disability (as defined in section 216 (i) *or 223*) and of the day such disability began, and the determination of the day on which such disability ceases, shall, except as provided in subsection (g), be made by a State agency pursuant to an agreement entered into under subsection (b). Except as provided in subsections (c) and (d), any such determination shall be the determination of the Secretary for purposes of this title.

* * * * * * *

(c) The Secretary may on his own motion review a determination, made by a State agency pursuant to an agreement under this section, that an individual is under a disability (*as defined in section 216 (i) or 223*) and, as a result of such review, may determine that such individual is not under a disability (*as so defined*) or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency.

* * * * * * *

[REFERRAL FOR REHABILITATION SERVICES

[SEC. 222. It is hereby declared to be the policy of the Congress in enacting the preceding section that disabled individuals applying for a determination of disability shall be promptly referred to the State agency or agencies administering or supervising the administration of the State plan approved under the Vocational Rehabilitation Act for necessary vocational rehabilitation services, to the end that the maximum number of disabled individuals may be restored to productive activity.]

REHABILITATION SERVICES

Referral for Rehabilitation Services

SEC. 222. (a) It is hereby declared to be the policy of the Congress that disabled individuals applying for a determination of disability, and disabled individuals who are entitled to child's insurance benefits, shall be promptly referred to the State agency or agencies administering or supervising the administration of the State plan approved under the Vocational Rehabilitation Act for necessary vocational rehabilitation services, to the end that the maximum number of such individuals may be rehabilitated into productive activity.

Deductions on Account of Refusal To Accept Rehabilitation Services

(b) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month in which such individual, if a child who has attained the age of eighteen and is entitled to child's insurance benefits, refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act. Any individual who is a member or adherent of any recognized church or

religious sect which teaches its members or adherents to rely solely, in the treatment and cure of any physical or mental impairment, upon prayer or spiritual means through the application and use of the tenents or teachings of such church or sect, and who, solely because of his adherence to the teachings or tenents of such church or sect, refuses to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act, shall, for the purposes of the preceding sentence of this subsection, be deemed to have, done so with good cause.

Services Performed Under Rehabilitation Program

(c) For purposes of sections 216 (i) and 223, an individual shall not be regarded as able to engage in substantial gainful activity solely by reason of services rendered by him pursuant to a program for his rehabilitation carried on under a State plan approved under the Vocational Rehabilitation Act. This subsection shall not apply with respect to any such services rendered after the eleventh month following the first month during which such services are rendered.

DEFINITION OF DISABILITY FOR PURPOSES OF CHILD'S INSURANCE BENEFITS

SEC. 223. For purposes of sections 202 (d) and (225), the term "disability" means inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required.

REDUCTION OF BENEFITS BASED ON DISABILITY

SEC. 224. (a) If—

(1) any individual is entitled to a child's insurance benefit for the month in which he attained the age of eighteen or any subsequent month, and

(2) either (A) it is determined by any agency of the United States under any other law of the United States or under a system established by such agency that a periodic benefit is payable by such agency for such month to such individual, and the amount of or eligibility for such periodic benefit is based (in whole or in part) on a physical or mental impairment of such individual, or (B) it is determined that a periodic benefit is payable for such month to such individual under a workmen's compensation law or plan of a State on account of a physical or mental impairment of such individual,

then such child's insurance benefit shall be reduced (but not below zero) by an amount equal to such periodic benefit or benefits for such month. If the periodic benefit or benefits referred to in paragraph (2) exceed such child's insurance benefit, the monthly benefit for such month to which an individual is entitled under subsection (b) or (g) of section 202 shall also be reduced (but not below zero) by the amount of such excess, but only if such individual would not be entitled to such monthly benefit if she did not have such child in her care (individually or jointly with her husband, in the case of a wife).

(b) If any periodic benefit referred to in subsection (a) (2) is determined to be payable on other than a monthly basis (excluding a benefit payable

in a lump sum unless it is a commutation of, or a substitute for, periodic payments), reduction of the benefits under this section shall be made at such time or times and in such amounts as the Secretary finds will approximate, as nearly as practicable, the reduction prescribed in subsection (a).

(c) In order to assure that the purposes of this section will be carried out, the Secretary may, as a condition to certification for payment of any monthly insurance benefit payable to an individual under this title (if it appears to him that such individual may be eligible for a periodic benefit which would give rise to a reduction under this section), require adequate assurance of reimbursement to the Trust Fund in case periodic benefits, with respect to which such a reduction should be made, become payable to such individual and such reduction is not made.

(d) Any agency of the United States which is authorized by any law of the United States to pay periodic benefits, or has a system of periodic benefits, which are based in whole or in part on physical or mental impairment, shall (at the request of the Secretary) certify to him, with respect to any individual, such information as the Secretary deems necessary to carry out his functions under subsection (a).

(e) For purposes of this section, the term "agency of the United States" means any department or other agency of the United States or any instrumentality which is wholly owned by the United States.

SUSPENSION OF BENEFITS BASED ON DISIBILITY

SEC. 225. If the Secretary, on the basis of information obtained by or submitted to him, believes that a child who has attained the age of eighteen and is entitled to benefits under section 202 (d) may have ceased to be under a disability, the Secretary may suspend the payment of benefits under such section until it is determined (as provided in section 221) whether or not such individual's disability has ceased or until the Secretary believes that such disability has not ceased. In the case of any individual whose disability is subject to determination under an agreement with a State under section 221 (b), the Secretary shall promptly notify the appropriate State of his action under this subsection and shall request a prompt determination of whether such individual's disability has ceased. For purposes of this section, the term "disability" has the meaning assigned to such term in section 223.

* * * * * * *

TITLE IV—GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN

APPROPRIATION

SECTION 401. [For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy dependent children, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of $24,750,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title.] *For the purpose of encouraging the care of dependent children in their own homes or in the homes of relatives by enabling each State to furnish financial assistance and other services, as far as practi-*

cable under the conditions in such State, to needy dependent children and the parents or relatives with whom they are living to help maintain and strengthen family life and to help such parents or relatives to attain the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare, State plans for aid to dependent children.

STATE PLANS FOR AID TO DEPENDENT CHILDREN

SEC. 402. (a) A State plan for aid to dependent children must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to dependent children is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan; and (6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children; (9) provide, effective July 1, 1951, that all individuals wishing to make application for aid to dependent children shall have opportunity to do so, and that aid to dependent children shall be furnished with reasonable promptness to all eligible individuals; (10) effective July 1, 1952, provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children in respect of a child who has been deserted or abandoned by a parent; [and] (11) provide, effective October 1, 1950, that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act[.]; *and (12) provide a description of the services (if any) which the State agency makes available to maintain and strengthen family life for children, including a description of the steps taken to assure, in the provision of such*

services, maximum utilization of other agencies providing similar or related services.

* * * * * * *

PAYMENT TO STATES

SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount [, which shall be used exclusively as aid to dependent children,] equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children *in the form of money payments* under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $30, or if there is more than one dependent child in the same home, as exceeds $30 with respect to one such dependent child and $21 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $30—

(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children *in the form of money payments* is paid for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount [, which shall be used exclusively as aid to dependent children,] equal to one-half of the total of the sums expended during such quarter as aid to dependent children *in the form of money payments* under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 with respect to one such dependent child and $12 with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare, for the proper and efficient administration of the State plan, [which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose] *including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision), to relatives with whom such children (applying for or receiving such aid) are living, in order to help such relatives attain self-support or self-care, or which are provided to maintain and strengthen family life for such children; and (4) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan in the form of medical or any other type of remedial care (including expenditures for insurance premiums for such care or the cost thereof), not counting so much of such expenditure for any month as exceeds (A) the product of $4 multiplied by the total number of dependent children*

who received aid to dependent children under the State plan for such month plus (B) except in the case of Puerto Rico and the Virgin Islands, the product of $8 multiplied by the total number of other individuals who received aid to dependent children under the State plan for such month.

* * * * * * *

DEFINITIONS

SEC. 406. When used in this title—

(a) The term "dependent child" means a needy [child under the age of sixteen, or under the age of eighteen if found by the State agency to be regularly attending school,] *child under the age of eighteen* who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, [or aunt] *aunt, first cousin, nephew, or niece,* in a place of residence maintained by one or more of such relatives as his or their own home;

* * * * * * *

TITLE VII—ADMINISTRATION

OFFICE OF COMMISSIONER OF SOCIAL SECURITY

SEC. 701. * * *

* * * * * * *

TRAINING GRANTS FOR PUBLIC WELFARE PERSONNEL

SEC. 705. (a) In order to assist in increasing the effectiveness and efficiency of administration of public assistance programs by increasing the number of adequately trained public welfare personnel available for work in public assistance programs, there are hereby authorized to be appropriated for the fiscal year ending June 30, 1958, the sum of $5,000,000, and for each succeeding fiscal year such sums as the Congress may determine.

(b) From the sums appropriated pursuant to subsection (a), the Secretary shall make allotments to the States on the basis of (1) population, (2) relative need for trained public welfare personnel, particularly for personnel to provide self-support and self-care services, and (3) financial need.

(c) From each State's allotment under subsection (b), the Secretary shall from time to time pay to such State the Federal percentage of its expenditures in carrying out the purposes of this section through (1) grants to public or other nonprofit institutions of higher learning for training personnel employed or preparing for employment in public assistance programs, (2) special courses of study or seminars of short duration conducted for such personnel by experts hired on a temporary basis for the purpose, and (3) establishing and maintaining, directly or through grants to such institutions, fellowships or traineeships for such personnel at such institutions, with such stipends and allowances as may be permitted under regulations of the Secretary. For purposes of this subsection, the

Federal percentage for any State shall be 100 per centum during each fiscal year in the period beginning July 1, 1957, and ending June 30, 1967, and 80 per centum during the fiscal years thereafter.

(d) Payments pursuant to subsection (c) shall be made in advance on the basis of estimates by the Secretary and adjustments may be made in future payments under this section to take account of overpayments or underpayments in amounts previously paid.

(e) The amount of any allotment to a State under subsection (b) for any fiscal year which the State certifies to the Secretary will not be required for carrying out the purposes of this section in such State shall be available for reallotment from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines have need in carrying out such purposes for sums in excess of those previously allotted to them under this section and will be able to use such excess amounts during such fiscal year; such reallotments to be made on the basis provided in subsection (b) for the initial allotments to the States. Any amount so realloted to a State shall be deemed part of its allotment under such subsection.

* * * * * * *

TITLE X—GRANTS TO STATES FOR AID TO THE BLIND

APPROPRIATION

SECTION 1001. [For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals who are blind, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of $3,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title.] *For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals who are blind and of encouraging each State, as far as practicable under such conditions, to help such individuals attain self-support or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title.* The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education and Welfare, State plans for aid to the blind.

STATE PLANS FOR AID TO THE BLIND

SEC. 1002. (a) A State plan for aid to the blind must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation af a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with

respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act or aid to dependent children under the State plan approved under section 402 of this Act; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first $50 per month of earned income; (9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the blind; (10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished with reasonable promptness to all eligible individuals; [and] (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions[.]; *and (13) provide a description of the services (if any) which the State agency makes available to applicants for and recipients of aid to the blind to help them attain self-support or self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services.*

* * * * * * *

PAYMENT TO STATES

SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount[, which shall be used exclusively as aid to the blind,] equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind *in the form of money payments* under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the blind *in the form of money payments* for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount[, which shall be used exclusively as aid to the blind,] equal to one-half of the total of the sums expended during such quarter as aid to the blind *in the form of money payments* under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, [which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose] *including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of aid to the blind to help them attain self-support or self-care; and (4) in the case of any State, an amount equal to one-ahlf of the total of the sums expended during such quarter as aid to the blind under the State plan in the form of medical or any other type of remedial care (including expenditures for insurance premiums for such care or the cost thereof), not counting so much of such expenditure for any month as exceeds the product of $8 multiplied by the total number of individuals who received aid to the blind under the State plan for such month.*

TITLE XI—GENERAL PROVISIONS

DEFINITIONS

SEC. 1101. (a) When used in this Act—

(1) The term "State" includes Alaska, Hawaii, and the District of Columbia, and when used in titles I, IV, V, *VII*, X, and XIV includes Puerto Rico and the Virgin Islands.

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COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

SEC. 1110. (a) There are hereby authorized to be appropriated for the fiscal year ending June 30, 1957, $5,000,000 and for each fiscal year thereafter such sums as the Congress may determine for (1) making grants to States and public and other nonprofit organizations and agencies for paying part of the cost of research or demonstration projects such as those relating to the prevention and reduction of dependency, or which will aid in effecting coordination of planning between private and public welfare agencies or which will help improve the administration and effectiveness of programs carried on or assisted under the Social Security Act and programs related thereto, and (2) making contracts or jointly financed cooperative arrangements with States and public and other nonprofit organizations and agencies for the conduct of research or demonstration projects relating to such matters.

(b) No contract or jointly financed cooperative arrangement shall be entered into, and no grant shall be made, under subsection (a), until the Secretary obtains the advice and recommendations of specialists who are competent to evaluate the proposed projects as to soundness of their design, the possibilities of securing productive results, the adequacy of resources to conduct the proposed research or demonstrations, and their

relationship to other similar research or demonstrations already completed or in process.

(c) Grants and payments under contracts or cooperative arrangements under subsection (a) may be made either in advance or by way of reimbursement, as may be determined by the Secretary; and shall be made in such installments and on such conditions as the Secretary finds necessary to carry out the purposes of this section.

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TITLE XIV—GRANTS TO STATES FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

APPROPRIATION

SEC. 1401. [For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals eighteen years of age or older who are permanently and totally disabled, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of $50,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title.] *For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals eighteen years of age and older who are permanently and totally disabled and of encouraging each State, as far as practicable under such conditions, to help such individuals attain self-support or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title.* The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare, State plans for aid to the permanently and totally disabled.

STATE PLANS FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

SEC. 1402. (a) A State plan for aid to the permanently and totally disabled must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the permanently and totally disabled is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time

to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act, aid to dependent children under the State plan approved under section 402 of this Act, or aid to the blind under the State plan approved under section 1002 of this Act; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the permanently and totally disabled; (9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the permanently and totally disabled; (10) provide that all individuals wishing to make application for aid to the permanently and totally disabled shall have opportunity to do so, and that aid to the permanently and totally disabled shall be furnished eith reasonable promptness to all eligible individuals; [and] (11) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions[.]; *and (12) provide a description of the services (if any) which the State agency makes available to applicants for and recipients of aid to the permanently and totally disabled to help them attain self-support or self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services.*

* * * * * * *

PAYMENTS TO STATES

SEC. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount [, which shall be used exclusively as aid to the permanently and totally disabled,] equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled *in the form of money payments* under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the permanently and totally disabled *in the form of money payments* for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount [, which shall be used exclusively as aid to the permanently and totally disabled,] equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled *in the*

form of money payments under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, [which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose] *including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of such aid to help them attain self-support or self-care; and (4) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan in the form of medical or any other type of remedial care (including expenditures for insurance premiums for such care or the cost thereof), not counting so much of such expenditure for any month as exceeds the product of $8 multiplied by the total number of individuals who received aid to the permanently and totally disabled under the State plan for such month.*

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SECTIONS 1 (q) AND 5 (f) (2) OF THE RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

DEFINITIONS

SECTION 1. For the purposes of this Act—

(a) * * *

(q) The terms "Social Security Act" and "Social Security Act, as amended" shall mean the Social Security Act as amended in [1954] *1956.*

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ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. (a) * * *

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(f) LUMP-SUM PAYMENT.—(1) * * *

(2) Whenever it shall appear, with respect to the death of an employee on or after January 1, 1947, that no benefits, or no further benefits, other than benefits payable to a widow, widower, or parent upon attaining age sixty at a future date, will be payable under this section or, pursuant to subsection (k) of this section, upon attaining age sixty-five (*age sixty-two in the case of a widow*) at a future date, will be payable under section 202 of the Social Security Act, as amended, there shall be paid to such person or persons as the deceased employee may have designated by a writing filed with the Board prior to his or her death, or if there be no designation, to the person or persons in the order provided in paragraph (1) of this subsection or, in the absence of such person or persons, to his or her estate, a lump sum in an amount equal to the sum of 4 per centum of his or her compensation paid after December 31, 1936, and prior to January

1, 1947, and 7 per centum of his or her compensation after December 31, 1946 (exclusive in both cases of compensation in excess of $300 for any month before July 1, 1954, and in the latter case in excess of $350 for any month after June 30, 1954), minus the sum of all benefits paid to him or her, and to others deriving from him or her, during his or her life, or to others by reason of his or her death, under this Act, and pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended: *Provided, however,* That if the employee is survived by a widow, widower, or parent who may upon attaining age sixty be entitled to further benefits under this section, or pursuant to subsection (k) of this section, upon attaining age sixty-five (*age sixty-two in the case of a widow*) be entitled to further benefits under section 202 of the Social Security Act, as amended, such lump sum shall not be paid unless such widow, widower, or parent makes and files with the Board an irrevocable election, in such form as the Board may prescribe, to have such lump sum paid in lieu of all benefits to which such widow, widower, or parent might otherwise become entitled under this section or, pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended. Such election shall be legally effective according to its terms. Nothing in this section shall operate to deprive a widow, widower, or parent making such election of any insurance benefits under section 202 of the Social Security Act, as amended, to which such widow, widower, or parent would have been entitled had this section not been enacted. The term "benefits" as used in this paragraph includes all annuities payable under this Act, lump sums payable under paragraph (1) of this subsection, and insurance benefits and lump-sum payments under section 202 of the Social Security Act, as amended, pursuant to subsection (k) of this section, except that the deductions of the benefits which, pursuant to subsection (k) (1) of this section, are paid under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in "employment" pursuant to said subsection (k) (1).

CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

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SEC. 1402. DEFINITIONS.

(a) NET EARNINGS FROM SELF-EMPLOYMENT.—The term "net earnings from self-employment" means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) of income or loss described in section 702 (a) (9) from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary income or loss—

(1) there shall be excluded rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares) together with the deductions attrib-

utable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer; *except that the preceding provisions of this paragraph shall not apply to any income derived by the owner or tenant of land if (A) such income is derived under an arrangement, between the owner or tenant and another individual, which provides that such other individual shall produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land, and that there shall be material participation by the owner or tenant in the production of such agricultural or horticultural commodities, and (B) there is material participation by the owner or tenant with respect to any such agricultural or horticultural commodity;*

(2) there shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 35) are received in the course of a trade or business as a dealer in stocks or securities;

(3) there shall be excluded any grain or loss—

(A) which is considered as gain or loss from the sale or exchange of a capital asset,

(B) from the cutting of timber, or the disposal of timber or coal, if section 631 applies to such gain or loss, or

(C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither—

(i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor

(ii) property held primarily for sale to customers in the ordinary course of the trade or business.

(4) the deduction for net operating losses provided in section 172 shall not be allowed;

(5) if—

(A) any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife; and

(B) any portion of a partner's distributive share of the ordinary income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

(6) a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to section 933;

(7) the deduction for personal exemptions provided in section 151 shall not be allowed;

(8) an individual who is—

(A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order; and

[(B) a citizen of the United States performing service described in subsection (c) (4) as an employee of an American employer (as defined in section 3121 (h))]

(B) a citizen of the United States performing service described in subsection (c) (4) as an employee of an American employer (as defined in section 3121 (h)) or as a minister in a foreign country who has a congregation which is composed predominantly of citizens of the United States

shall compute his net earnings from self-employment derived from the performance of service described in subsection (c) (4) without regard to section 911 (relating to earned income from sources without the United States) and section 931 (relating to income from sources within possessions of the United States)

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based on the ordinary income or loss of the partnership for any taxable year of the partnership ending within or with his taxable year. [In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 3121 (g), (i) if the gross income derived from such trade or business by such individual is not more than $1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 percent of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than $1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than $900, such net earnings may instead, at the option of such individual, be deemed to be $900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the preceding provisions of this subsection.] *In the case of any trade or business which is carried on by an individual or by a partnership and in which, if such trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 3121 (g)—*

(i) in the case of an individual, if the gross income derived by him from such trade or business is not more than $1,200, the net earnings from self-employment derived by him from such trade or business

may, at his option, be deemed to be the gross income derived by him from such trade or business; or

(ii) in the case of an individual, if the gross income derived by him from such trade or business is more than $1,200 and the net earnings from self-employment derived by him from such trade or business (computed under this subsection without regard to this sentence) are less than $1,200, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be $1,200; and

(iii) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707 (c) applies) is not more than $1,200, his distributive share of income described in section 702 (a) (9) derived from such trade or business may, at his option, be deemed to be an amount equal to his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been so reduced); or

(iv) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707 (c) applies) is more than $1,200 and his distributive share (whether or not distributed) of income described in section 702 (a) (9) derived from such trade or business (computed under this subsection without regard to this sentence) is less than $1,200, his distributive share of income described in section 702 (a) (9) derived from such trade or business may, at his option, be deemed to be $1,200.

For purposes of the preceding sentence, gross income means—

(v) in the case of any such trade or business in which the income is computed under a cash receipts and disbursements method, the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the provisions of paragraphs (1) through (7) of this subsection; and

(vi) in the case of any such trade or business in which the income is computed under an accrual method, the gross income from such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (7) of this subsection;

and, for purposes of such sentence, if an individual (including a member of a partnership) derived gross income from more than one such trade or business, such gross income (including his distributive share of the gross income of any partnership derived from any such trade or business) shall be deemed to have been derived from one trade or business.

(b) SELF-EMPLOYMENT INCOME.—The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year; except that such term shall not include—

(1) that part of the net earnings from self-employment which is in excess of—

(A) for any taxable year ending prior to 1955, (i) $3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(B) for any taxable year ending after 1954, (i) $4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; or

(2) the net earnings from self-employment, if such net earnings for the taxable year are less than $400.

For purposes of clause (1), the term "wages" includes such remuneration paid to an employee for services included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees), or under an agreement entered into pursuant to the provisions of section 3121 (l) (relating to coverage of citizens of the United States who are employees of foreign subsidiaries of domestic corporations), as would be wages under section 3121 (a) if such services constituted employment under section 3121 (b). An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or a resident of Puerto Rico shall not, for purposes of this chapter be considered to be a nonresident alien individual.

(c) TRADE OR BUSINESS.—The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 162 (relating to trade or business expenses), except that such term shall not include—

(1) the performance of the functions of a public office;

[(2) the performance of service by an individual as an employee (other than service described in section 3121 (b) (14) (B) performed by an individual who has attained the age of 18 and other than service described in paragraph (4) of this subsection);]

(2) the performance of service by an individual as an employee (other than service described in section 3121 (b) (14) (B) performed by an individual who has attained the age of 18, service described in section 3121 (b) (16), and service described in paragraph (4) of this subsection);

(3) the performance of service by an individual as an employee or employee representative as defined in section 3231;

(4) the performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

[(5) the performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, or Christian Science practitioner; or the performance of such service by a partnership.]

(5) the performance of service by an individual in the exercise of his profession as a doctor of medicine, doctor of osteopathy, or Christian Science practitioner; or the performance of such service by a partnership.

The provisions of paragraph (4) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by such individual under subsection (e) is in effect. The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during

the period for which a certificate filed by him under subsection (e) is in effect.

(d) EMPLOYEE AND WAGES.—The term "employee" and the term "wages" shall have the same meaning as when used in chapter 21 (sec. 3101 and following, relating to Federal Insurance Contributions Act).

(e) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—

(1) WAIVER CERTIFICATE.—Any individual who is (A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) or (B) a Christian Science practitioner may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that he elects to have the insurance system established by title II of the Social Security Act extended to service described in subsection (c) (4), or service described in subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, as the case may be, performed by him.

(2) TIME FOR FILING CERTIFICATE.—Any individual who desires to file a certificate pursuant to paragraph (1) must file such certificate on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed, in the case of an individual referred to in paragraph (1) (A), without regard to subsection (c) (4), and, in the case of an individual referred to in paragraph (1) (B), without regard to subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner) of $400 or more, any part of which was derived from the performance of service described in subsection (c) (4), or from the performance of service described in subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, as the case may be.

(3) EFFECTIVE DATE OF CERTIFICATE.—A certificate filed pursuant to this subsection shall be effective for the first taxable year with respect to which it is filed (but in no case shall the certificate be effective for a taxable year with respect to which the period for filing a return has expired, or for a taxable year ending prior to 1955) and all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable.

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Subtitle C—Employment Taxes

CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

Subchapter A—Tax on Employees

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SEC. 3102. DEDUCTION OF TAX FROM WAGES.

(a) REQUIREMENT.—The tax imposed by section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. An employer who in any calendar quarter pays to an employee cash remuneration to which paragraph (7) (B) or (C) or (10) of section 3121 (a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar quarter is less than $50; and an employer who in any calendar year pays to an employee cash remuneration to which paragraph (8) (B) of section 3121 (a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar year is less than [$100] *$200 and the employee has not performed agricultural labor for the employer on 30 days or more in the calendar year for cash remuneration computed on a time basis.*

(b) INDEMNIFICATION OF EMPLOYER.—Every employer required so to deduct the tax shall be liable for the payment of such tax, and shall be indemnified against the claims and demands of any person for the amount of any such payment made by such employer.

Subchapter B—Tax on Employers

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SEC. 3113. DISTRICT OF COLUMBIA CREDIT UNIONS.

Notwithstanding the provisions of section 16 of the Act of June 23, 1932 (D. C. Code, sec. 26-516; 47 Stat. 331), or any other provision of law (whether enacted before or after the enactment of this section) which grants to any credit union chartered pursuant to such Act of June 23, 1932, an exemption from taxation, such credit union shall not be exempt from the tax imposed by section 3111.

Subchapter C—General Provisions

SEC. 3121. DEFINITIONS.

(a) WAGES.—For purposes of this chapter, the term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

(1) that part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $4,200 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $4,200 to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

(2) the amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of—

(A) retirement, or

(B) sickness or accident disability, or

(C) medical or hospitalization expenses in connection with sickness or accident disability, or

(D) death;

(3) any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

(4) any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of 6 calendar months follow-

ing the last calendar month in which the employee worked for such employer;

(5) any payment made to, or on behalf of, an employee or his beneficiary—

(A) from or to a trust described in section 401 (a) which is exempt from tax under section 501 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or

(B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 401 (a) (3), (4), (5), and (6);

(6) the payment by an employer (without deduction from the remuneration of the employee)—

(A) of the tax imposed upon an employee under section 3101 (or the corresponding section of prior law), or

(B) of any payment required from an employee under a State unemployment compensation law;

(7) (A) remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

(B) cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this subparagraph, the term "domestic service in a private home of the employer" does not include service described in subsection (g) (5);

(C) cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this subparagraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in subsection (g) (5);

(8) (A) remuneration paid in any medium other than cash for agricultural labor;

[(B) cash remuneration paid by an employer in any calendar year to an employee for agricultural labor, if the cash remuneration paid in such year by the employer to the employee for such labor is less than $100;]

(B) cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless (i) the cash remuneration paid in such year by the employer to the employee for such labor is $200 or more, or (ii) the employee performs agricultural labor for the employer on 30 days or more during such year for cash remuneration computed on a time basis;

(9) any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of 65, if he did not work for the employer in the period for which such payment is made; or

(10) remuneration paid by an employer in any calendar quarter to an employee for service described in subsection (d) (3) (C)

(relating to home workers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50.

(b) EMPLOYMENT.—For purposes of this chapter, the term "employment" means any service performed after 1936 and prior to 1955 which was employment for purposes of subchapter A of chapter 9 of the Internal Revenue Code of 1939 under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1954 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (h)); except that, in the case of service performed after 1954, such term shall not include—

(1) (A) service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended (46 Stat. 1550 § 3; 12 U. S. C. 1141j);

[(B) service performed by foreign agricultural workers (i) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461–1468), or (ii) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies on a temporary basis to perform agricultural labor;]

(B) service performed by foreign agricultural workers (i) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461–1468), or (ii) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies, or from any foreign country or possession thereof, on a temporary basis to perform agricultural labor;

(2) domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

(3) service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother;

(4) service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if (A) the individual is employed on and in connection with such vessel or aircraft, when outside the United States and (B) (i) such individual is not a citizen of the United States or (ii) the employer is not an American employer;

(5) service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 3111 by virtue of any provision of law

which specifically refers to such section (or the corresponding section of prior law) in granting such exemption;

(6) (A) service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

(B) service performed by an individual in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code of 1939 on December 31, 1950, and if such service is covered by a retirement system established by such instrumentality; except that the provisions of this subparagraph shall not be applicable to—

(i) service performed in the employ of a corporation which is wholly owned by the United States;

(ii) service performed in the employ of a national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

(iii) service performed in the employ of a State, county, or community committee under the Commodity Stabilization Service;

(iv) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; or

(v) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;

(C) service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner of or to the Congress;

(ii) in the legislative branch;

(iii) in a penal institution of the United States by an inmate thereof;

(iv) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

(v) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency; or

(vi) by any individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;

(7) service (other than service which, under subsection (j), constitutes covered transportation service) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions,

(8) (A) service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

(B) service performed in the employ of a religious, charitable, educational, or other organization described in section 501 (c) (3) which is exempt from income tax under section 501 (a), but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (k) (or the corresponding subsection of prior law), is in effect if such service is performed by an employee—

(i) whose signature appears on the list filed by such organization under subsection (k) (or the corresponding subsection of prior law), or

(ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

(9) service performed by an individual as an employee or employee representative as defined in section 3231;

(10) (A) service performed in any calendar quarter in the employ of any organization exempt from income tax under section 501 (a) (other than an organization described in section 401 (a)) or under section 521, if the remuneration for such service is less than $50;

(B) service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

(11) service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

(12) service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) if the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) if the Secretary of State shall certify to the Secretary that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(13) service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an intern in the employ of a hospital by an indi-

vidual who has completed a 4 years' course in a medical school chartered or approved pursuant to State law;

(14) (A) service performed by an individual under the age of 18 in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; [or]

(15) service performed in the employ of an international organization[.] ; *or*

(16) service performed by an individual under an arrangement with the owner or tenant of land pursuant to which—

(A) such individual undertakes to produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land,

(B) the agricultural or horticultural commodities produced by such individual, or the proceeds therefrom, are to be divided between such individual and such owner or tenant, and

(C) the amount of such individual's share depends on the amount of the agricultural or horticultural commodities produced.

(c) INCLUDED AND EXCLUDED SERVICE.—For purposes of this chapter, if the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term "pay period" means a period (of not more than 31 consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by subsection (b) (9).

(d) EMPLOYEE.—For purposes of this chapter, the term "employee" means—

(1) any officer of a corporation; or

(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or

(3) any individual (other than an individual who is an employee under paragraph (1) or (2)) who performs services for remuneration for any person—

(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit prod-

ucts, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

(B) as a full-time life insurance salesman;

(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him; or

(D) as a traveling or city salesman, other than as an agent-driver or commission-driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

(e) STATE, UNITED STATES, AND CITIZEN.—For purposes of this chapter—

(1) STATE.—The term "State" includes Alaska, Hawaii, the District of Columbia, Puerto Rico, and the Virgin Islands.

(2) UNITED STATES.—The term "United States" when used in a geographical sense includes Puerto Rico and the Virgin Islands. An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) shall be considered, for purposes of this section, as a citizen of the United States.

(f) AMERICAN VESSEL AND AIRCRAFT.—For purposes of this chapter, the term "American vessel" means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State; and the term "American aircraft" means an aircraft registered under the laws of the United States.

(g) AGRICULTURAL LABOR.—For purposes of this chapter, the term "agricultural labor" includes all service performed—

(1) on a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife;

(2) in the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush

and other debris left by a hurricane, if the major part of such service is performed on a farm;

(3) in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended (46 Stat. 1550, § 3; 12 U. S. C. 1141j), or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes;

(4) (A) in the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed;

(B) in the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than 20 at any time during the calendar quarter in which such service is performed;

(C) the provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption; or

(5) on a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

As used in this subsection, the term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

(h) AMERICAN EMPLOYER.—For purposes of this chapter, the term "American employer" means an employer which is—

(1) the United States or any instrumentality thereof,

(2) an individual who is a resident of the United States,

(3) a partnership, if two-thirds or more of the partners are residents of the United States,

(4) a trust, if all of the trustees are residents of the United States, or

(5) a corporation organized under the laws of the United States or of any State.

(i) COMPUTATION OF WAGES IN CERTAIN CASES.—For purposes of this chapter, in the case of domestic service described in subsection (a) (7) (B), any payment of cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions

and to such extent as may be prescribed by regulations made under this chapter, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (a) (7) (B).

(j) COVERED TRANSPORTATION SERVICE.—For purposes of this chapter—

(1) EXISTING TRANSPORTATION SYSTEMS—GENERAL RULE.—Except as provided in paragraph (2), all service performed in the employ of a State or political subdivision in connection with its operation of a public transportation system shall constitute covered transportation service if any part of the transportation system was acquired from private ownership after 1936 and prior to 1951.

(2) EXISTING TRANSPORTATION SYSTEMS—CASES IN WHICH NO TRANSPORTATION EMPLOYEES, OR ONLY CERTAIN EMPLOYEES, ARE COVERED.—Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

(A) any part of the transportation system was acquired from private ownership after 1936 and prior to 1951, and substantially all service in connection with the operation of the transportation system was, on December 31, 1950, covered under a general retirement system providing benefits which, by reason of a provision of the State constitution dealing specifically with retirement systems of the State or political subdivisions thereof, cannot be diminished or impaired; or

(B) no part of the transportation system operated by the State or political subdivision on December 31, 1950, was acquired from private ownership after 1936 and prior to 1951;

except that if such State or political subdivision makes an acquisition after 1950 from private ownership of any part of its transportation system, then, in the case of any employee who—

(C) became an employee of such State or political subdivision in connection with and at the time of its acquisition after 1950 of such part, and

(D) prior to such acquisition rendered service in employment (including as employment service covered by an agreement under section 218 of the Social Security Act) in connection with the operation of such part of the transportation system acquired by the State or political subdivision,

the service of such employee in connection with the operation of the transportation system shall constitute covered transportation service, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of such part took place, unless on such first day such service of such employee is covered by a general retirement system which does not, with respect to such employee, contain special provisions applicable only to employees described in subparagraph (C).

(3) TRANSPORTATION SYSTEMS ACQUIRED AFTER 1950.—All service performed in the employ of a State or political subsidivion thereof in connection with its operation of a public transportation system shall constitute covered transportation service if the transportation system was not operated by the State or political subdivision prior to 1951 and, at the time of its first acquisition (after 1950) from private ownership of any part of its transportation system, the State or political subdivision did not have a general retirement system covering substantially all service performed in connection with the operation of the transportation system.

(4) DEFINITIONS.—For purpose of this subsection—

(A) The term "general retirement system" means any pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof for employees of the State, political subdivision, or both; but such term shall not include such a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

(B) A transportation system or a part thereof shall be considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or part thereof acquired constituted employment under this chapter or subchapter A of chapter 9 of the Internal Revenue Code of 1939 or was covered by an agreement made pursuant to section 218 of the Social Security Act and some of such employees became employees of the State or political subdivision in connection with and at the time of such acquisition.

(C) The term "political subdivision" includes an instrumentality of—

(i) a State,

(ii) one or more political subdivisions of a State, or

(iii) a State and one or more of its political subdivisions.

(k) EXEMPTION OF RELIGIOUS, CHARITABLE, AND CERTAIN OTHER ORGANIZATIONS.—

(1) Waiver of exemption by organization.—An organization described in section 501 (c) (3) which is exempt from income tax under section 501 (a) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees and that at least two-thirds of its employees concur in the filing of the certificate. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended at any time prior to the expiration of the twenty-fourth month following the first calendar quarter for which the certificate is in effect, *or at any time prior to January 1, 1959, whichever is the later,* by filing with the prescribed official a supplemental list or lists containing

the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this chapter. The certificate shall be in effect (for purposes of subsection (b) (8) (B) and for purposes of section 210 (a) (8) (B) of the Social Security Act) for the period beginning with [the first day following the close of the calendar quarter in which such certificate is filed,] *the first day of the calendar quarter in which such certificate is filed or the first day of the succeeding calendar quarter, as may be specified in the certificate,* except that, in the case of service performed by an individual whose name appears on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect, the certificate shall be in effect, for purposes of such subsection (b) (8) and for purposes of section 210 (a) (8) of the Social Security Act, only with respect to service performed by such individual after the calendar quarter in which such supplemental list is filed. The period for which a certificate filed pursuant to this subsection or the corresponding subsection of prior law is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving 2 years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than 8 years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this chapter.

(2) TERMINATION OF WAIVER PERIOD BY SECRETARY OR HIS DELEGATE.—If the Secretary or his delegate finds that any organization which filed a certificate pursuant to this subsection or the corresponding subsection of prior law has failed to comply substantially with the requirements applicable with respect to the taxes imposed by this chapter or the corresponding provisions of prior law or is no longer able to comply with the requirements applicable with respect to the taxes imposed by this chapter, the Secretary or his delegate shall give such organization not less than 60 days' advance notice in writing that the period covered by such certificate will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary or his delegate by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the organization. No notice of termination or of revocation thereof shall be given under this paragraph to an organization without the prior concurrence of the Secretary of Health, Education, and Welfare.

(3) NO RENEWAL OF WAIVER.—In the event the period covered by a certificate filed pursuant to this subsection or the corresponding subsection of prior law is terminated by the organization, no certificate may again be filed by such organization pursuant to this subsection.

(l) AGREEMENTS ENTERED INTO BY DOMESTIC CORPORATIONS WITH RESPECT TO FOREIGN SUBSIDIARIES.—

(1) AGREEMENT WITH RESPECT TO CERTAIN EMPLOYEES OF FOREIGN SUBSIDIARIES.—The Secretary or his delegate shall, at the request of any domestic corporation, enter into an agreement (in such form and manner as may be prescribed by the Secretary or his delegate) with any such corporation which desires to have the insurance system established by title II of the Social Security Act extended to service performed outside the United States in the employ of any one or more of its foreign subsidiaries (as defined in paragraph (8)) by all employees who are citizens of the United States, except that the agreement shall not be applicable to any service performed by, or remuneration paid to, an employee if such service or remuneration would be excluded from the term "employment" or "wages", as defined in this section, had the service been performed in the United States. Such agreement may be amended at any time so as to be made applicable, in the same manner and under the same conditions, with respect to any other foreign subsidiary of such domestic corporation. Such agreement shall be applicable with respect to citizens of the United States who, on or after the effective date of the agreement, are employees of and perform services outside the United States for any foreign subsidiary specified in the agreement. Such agreement shall provide—

(A) that the domestic corporation shall pay to the Secretary or his delegate, at such time or times as the Secretary or his delegate may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 (including amounts equivalent to the interest, additions to the taxes, additional amounts, and penalties which would be applicable) with respect to the remuneration which would be wages if the services covered by the agreement constituted employment as defined in this section; and

(B) that the domestic corporation will comply with such regulations relating to payments and reports as the Secretary or his delegate may prescribe to carry out the purposes of this subsection.

(2) EFFECTIVE PERIOD OF AGREEMENT.—An agreement entered into pursuant to paragraph (1) shall be in effect for the period beginning with the first day of the calendar quarter in which such agreement is entered into or the first day of the succeeding calendar quarter, as may be specified in the agreement, but in no case prior to January 1, 1955; except that in case such agreement is amended to include the services performed for any other subsidiary and such amendment is executed after the first month following the first calendar quarter for which the agreement is in effect, the agreement shall be in effect with respect to service performed for such other subsidiary only after the calendar quarter in which such amendment is executed.

(3) TERMINATION OF PERIOD BY A DOMESTIC CORPORATION.—The period for which an agreement entered into pursuant to paragraph (1) of this subsection is effective may be terminated with respect to any one or more of its foreign subsidiaries by the

domestic corporation, effective at the end of a calendar quarter, upon giving two year's advance notice in writing, but only if, at the time of the receipt of such notice, the agreement has been in effect for a period of not less than eight years. The notice of termination may be revoked by the domestic corporation by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner as may be prescribed by regulations. Notwithstanding any other provision of this subsection, the period for which any such agreement is effective with respect to any foreign corporation shall terminate at the end of any calendar quarter in which the foreign corporation, at any time in such quarter, ceases to be a foreign subsidiary as defined in paragraph (8).

(4) TERMINATION OF PERIOD BY SECRETARY.—If the Secretary or his delegate finds that any domestic corporation which entered into an agreement pursuant to this subsection has failed to comply substantially with the terms of such agreement, the Secretary or his delegate shall give such domestic corporation not less than sixty days' advance notice in writing that the period covered by such agreement will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary or his delegate by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the domestic corporation. No notice of termination or of revocation thereof shall be given under this paragraph to a domestic corporation without the prior concurrence of the Secretary of Health, Education, and Welfare.

(5) NO RENEWAL OF AGREEMENT.—If any agreement entered into pursuant to paragraph (1) of this subsection is terminated in its entirety (A) by a notice of termination filed by the domestic corporation pursuant to paragraph (3), or (B) by a notice of termination given by the Secretary or his delegate pursuant to paragraph (4), the domestic corporation may not again enter into an agreement pursuant to paragraph (1). If any such agreement is terminated with respect to any foreign subsidiary, such agreement may not thereafter be amended so as again to make it applicable with respect to such subsidiary.

(6) DEPOSITS IN TRUST FUND.—For purposes of section 201 of the Social Security Act, relating to appropriations to the Federal Old-Age and Survivors Insurance Trust Fund, such remuneration—

(A) paid for services covered by an agreement entered into pursuant to paragraph (1) as would be wages if the services constituted employment, and

(B) as is reported to the Secretary or his delegate pursuant to the provisions of such agreement or of the regulations issued under this subsection,

shall be considered wages subject to the taxes imposed by this chapter.

(7) OVERPAYMENTS AND UNDERPAYMENTS.—

(A) If more or less than the correct amount due under an agreement entered into pursuant to this subsection is paid with respect to any payment of remuneration, proper ad-

justments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be required by regulations prescribed by the Secretary or his delegate.

(B) If an overpayment cannot be adjusted under subparagraph (A), the amount thereof shall be paid by the Secretary or his delegate, through the Fiscal Service of the Treasury Department, but only if a claim for such overpayment is filed with the Secretary or his delegate within two years from the time such overpayment was made.

(8) DEFINITION OF FOREIGN SUBSIDIARY.—For purposes of this subsection and section 210 (a) of the Social Security Act, a foreign subsidiary of a domestic corporation is—

[(A) a foreign corporation more than 50 percent of the voting stock of which is owned by such domestic corporation; or]

(A) a foreign corporation not less than 20 percent of the voting stock of which is owned by such domestic corporation; or

(B) a foreign corporation more than 50 percent of the voting stock of which is owned by the foreign corporation described in subparagraph (A).

(9) DOMESTIC CORPORATION AS SEPARATE ENTITY.—Each domestic corporation which enters into an agreement pursuant to paragraph (1) of this subsection shall, for purposes of this subsection and section 6413 (c) (2) (C), relating to special refunds in the case of employees of certain foreign corporations, be considered an employer in its capacity as a party to such agreement separate and distinct from its identity as a person employing individuals on its own account.

(10) REGULATIONS.—Regulations of the Secretary or his delegate to carry out the purposes of this subsection shall be designed to make the requirements imposed on domestic corporations with respect to services covered by an agreement entered into pursuant to this subsection the same, so far as practicable, as those imposed upon employers pursuant to this title with respect to the taxes imposed by this chapter.

(m) CREW LEADER.—For purposes of this chapter, the term "crew leader" means an individual who furnishes individuals to perform agricultural labor for another person, if such individual pays (either on his own behalf or on behalf of such person) the individuals so furnished by him for the agricultural labor performed by them and if such individual has not entered into a written agreement with such person whereby such individual has been designated as an employee of such person; and such individuals furnished by the crew leader to perform agricultural labor for another person shall be deemed to be the employees of such crew leader. For purposes of this chapter, a crew leader shall, with respect to service performed in furnishing individuals to perform agricultural labor for another person and service performed as a member of the crew, be deemed not to be an employee of such other person.

* * * * * * *

SECTION 8 OF SOCIAL SECURITY ACT AMENDMENTS OF 1952, AS AMENDED

* * * * * * *

SEC. 8. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received old-age assistance for such month; plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

(b) Section 403 (a) of such Act is amended to read as follows:

"SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $30, or if there is more than one dependent child in the same home, as exceeds $30 with respect to one such dependent child and $21 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $30—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 with respect to one such dependent child and $12 with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(c) Section 1003 (a) of such Act is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose."

(d) Section 1403 (a) of such Act is amended to read as follows:

"SEC. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose."

(e) The amendments made by this section shall be effective for the period beginning October 1, 1952, and ending with the close of [September 30, 1956,] *June 30, 1959*, and after such amendments cease to be in effect any provision of law amended thereby shall be in full force and effect as though this Act had not been enacted.

SECTION 403 OF SOCIAL SECURITY ACT AMENDMENTS OF 1954

[SERVICE FOR CERTAIN TAX-EXEMPT ORGANIZATIONS PRIOR TO ENACTMENT OF THIS ACT

[SEC. 403. (a) In any case in which—

[(1) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of this Act, by an organization which is exempt from income tax under section 101 (6) of the Internal Revenue Code of 1939 but which has failed to file prior to the enactment of this Act a waiver certificate under section 1426 (l) (1) of the Internal Revenue Code of 1939;

[(2) the service performed by such individual as an employee of such organization during the period subsequent to 1950 and prior to 1955 would have constituted employment (as defined in section 210 of the Social Security Act and section 1436 (b) of the Internal Revenue Code of 1939) if such organization had filed prior to the performance of such service such a certificate accompained by a list of the signatures of employees who concurred in the filing of such certificate and such individual's signature had appeared on such list;

[(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 have been paid with respect to any part of the remuneration paid to such individual by such organization for such service;

[(4) part of such taxes have been paid prior to the enactment of this Act:

[(5) so much of such taxes as have been paid prior to the enactment of this Act have been paid by such organization in good faith and upon the assumption that a waiver certificate had been filed by it under section 1426 (l) (1) of the Internal Revenue Code of 1939; and

[(6) no refund of such taxes has been obtained.

the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual (filed in such form and manner, and with such official, as may be prescribed by regulations made under subchapter A of Chapter 9 of the Internal Revenue Code of 1939), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939.

[(b) In any case in which—

[(1) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of this Act, by an organization which has filed a waiver certificate under section 1426 (l) (1) of the Internal Revenue Code of 1939;

[(2) the service performed by such individual during the time he was so employed would have constituted employment (as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939) if such individual's signature had appeared on the list of signatures of employees who concurred in the filing of such certificate;

[(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 have been paid prior to the enactment of this Act with respect to any part of the remuneration paid to such individual by such organization for such service; and

[(4) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual (filed on or before January 1, 1957, and in such form and manner, and with such official, as may be prescribed by regulations made under subchapter A of chapter 9 of the Internal Revenue Code of 1939), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939, and such individual shall be deemed to have concurred in the filing of the waiver certificate filed by such organization under section 1426 (l) (1) of the Internal Revenue Code of 1939.]

SERVICE FOR CERTAIN TAX-EXEMPT ORGANIZATIONS PRIOR TO ENACTMENT OF THE SOCIAL SECURITY AMENDMENTS OF 1956

SEC. 403. (a) In any case in which—

"(1) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of the Social Security Amendments of 1956, by an organization which is described in section 501 (c) (3) of the Internal Revenue Code of 1954 and which is exempt from income tax under section 501 (a) of such Code but which has failed to file prior to the enactment of the Social Security Amendments of 1956 a valid waiver certificate under section 1426 (l) (1) of the Internal Revenue Code of 1939 or section 3121 (k) (1) of the Internal Revenue Code of 1954;

(2) the service performed by such individual as an employee of such organization during the period subsequent to 1950 and prior to 1957 would have constituted employment (as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939 or section 3121 (b) of the Internal Revenue Code of 1954, as the case may be, at the time such service was performed) if such organization had filed prior to the performance of such service such a certificate accompanied by a list of the signatures of employees who concurred in the filing of such certificate and such individual's signature had appeared on such list;

(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 or sections 3101 and 3111 of the Internal Revenue Code of 1954, as the case may be, have been paid with respect to any part of the remuneration paid to such individual by such organization for such service;

(4) part of such taxes have been paid prior to the enactment of the Social Security Amendments of 1956;

(5) so much of such taxes as have been paid prior to the enactment of the Social Security Amendments of 1956 have been paid by such organization in good faith and upon the assumption that a valid waiver certificate had been filed by it under section 1426 (l) (1) of the Internal Revenue Code of 1939 or section 3121 (k) (1) of the Internal Revenue Code of 1954, as the case may be; and

(6) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual (filed in such form and manner, and with such official, as may be prescribed by regulations under chapter 21 of the Internal Revenue Code of 1954), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939 or section 3121 (b) of the Internal Revenue Code of 1954, as the case may be.

"(b) In any case in which—

"(1) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of the Social Security Amendments of 1956, by an organization which has filed a valid waiver certificate under section 1426 (l) (1) of the Internal Revenue Code of 1939 or section 3121 (k) (1) of the Internal Revenue Code of 1954;

"(2) the service performed by such individual during the time he was so employed would have constituted employment (as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939 or section 3121 (b) of the Internal Revenue Code of 1954, as the case may be, at the time such service was performed) if such individual's signature had appeared on the list of signatures of employees who concurred in the filing of such certificate;

"(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 or sections 3101 and 3111 of the Internal Revenue Code of 1954, as the case may be, have been paid prior to the enactment of the Social Security Amendments of 1956 with respect to any part of the remuneration paid to such individual by such organization for such service; and

"(4) *no refund of such taxes has been obtained,*

the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual (filed on or before January 1, 1959, and in such form and manner, and with such official, as may be prescribed by regulations made under chapter 21 of the Internal Revenue Code of 1954), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939 or section 3121 (b) of the Internal Revenue Code of 1954, as the case may be, and such individual shall be deemed to have concurred in the filing of the waiver certificate filed by such organization under section 1426 (l) (1) of the Internal Revenue Code of 1939 or section 3121 (k) (1) of the Internal Revenue Code of 1954."

MINORITY VIEWS ON H. R. 7225

The Senate Committee on Finance had almost a full year during which the House-passed bill was before it. While the bill has been improved in several respects, the actions of the Senate Committee on Finance resulted in striking out some of the most beneficial provisions of the bill passed by the House. Specifically, we feel that the committee should never have eliminated those provisions which provided disability benefits for workers who become disabled after age 50 and those provisions which lowered the retirement age for working women, wives of retired workers and dependent mothers.

We further believe that the bill should have been amended to provide additional Federal assistance to State welfare plans for the assistance of the needy aged, blind, and totally and permanently disabled.

Disability Benefits

The old-age and survivors insurance system now pays benefits to retired people who are 65 or over. To a considerable extent these benefits rest on a general presumption of the likelihood of serious disabilities in later life. Yet there is no magic in the selection of age 65 as the point at which workers no longer young are forced out of the labor market because of disabilities. There are around a million persons between ages 50 and 65, for example, who would be working but for serious long-term disability. At present they have little recourse but the charity of friends and relatives and the Federal-State programs of assistance to the needy.

We believe that retirement protection for the 70 million workers under old-age and survivors insurance is woefully incomplete because it does not now provide a lower retirement age for those who are demonstrably retired by reason of a permanent and total disability. We recommend the narrowing of this serious gap in the old-age and survivors insurance system by providing for the payment of retirement benefits at age 50 to those regular workers who are forced into premature retirement because of disability.

The majority report states that through the assistance programs in most of the States—

> provisions have already been made to meet the basic needs of those who cannot support themselves because of extended and serious disability.

Such State welfare plans no more meet the needs of insurance to care for disability than do the welfare plans for the needy aged eliminate the need of old-age insurance.

Many States, because of inadequacy of funds, are able to provide welfare payments no greater than $35 per month. Many States have lien requirements whereby any recipient of disability assistance is subject to having his property seized and sold at his death. In addition, many States do not permit welfare assistance to any person if

there is a relative in the family who could, if he would, provide some assistance for the needy person.

Seven States have no program whatever to provide relief in cases of disability. Nearly a fifth of the Nation's population resides in these areas.

Under a sound social-insurance program, Americans should be protected against the fundamental hazards which would otherwise destroy their earning power and reduce them to beggary. Granted that some form of income is necessary to provide for those who are unable to provide for themselves, it is far preferable that these persons should remain proud, self-sufficient Americans rather than become hat-in-hand pleaders for public charity.

PRIOR CONSIDERATION OF DISABILITY INSURANCE

For almost 20 years it has been maintained that disability benefits should be paid under our social-security program but that such benefits should be delayed for further study. Additional delay is completely unjustified.

In 1937 the Senate Special Committee on Social Security appointed a 25-member Advisory Council on Social Security composed of individuals representing employers, employees, and the public to study the social-security system. After a year of study, this nonpartisan group reported its recommendations. The council reported unanimous agreement on the social desirability of paying benefits to insured persons who became totally and permanently disabled, and disagreed only as to whether such benefits should be inaugurated immediately, or after further detailed study.

In 1947 the Senate Finance Committee appointed an Advisory Council on Social Security composed of 17 members from representative areas of American life to consider, among other questions, the advisability of initiating disability payments as a part of the social-insurance system. In 1948 the chairman, the late Edward R. Stettinius, Jr., reported back to the committee that, after careful study of all aspects of the question, 15 of the 17 members felt that the time had come to extend social-insurance protection to the risk of loss of income from disability.

The only two dissenting members were the present Secretary of Health, Education, and Welfare and the then president of a large insurance company.

The council particularly stressed the desirability of insurance benefits related to past contributions as a matter of right rather than forcing the disabled worker to reduce himself to virtual destitution and depend upon public assistance. The council felt that the protection of the disabled worker's dignity and self-respect in this manner would play an important part in preserving his will to work and a positive attitude toward rehabilitation.

Of the need for such a program, the council felt no doubt:

> Income loss from permanent and total disability is a major economic hazard to which, like old age and death, all gainful workers are exposed * * *. The economic hardship resulting from permanent and total disability is frequently even greater than that created by old age or death.

In 1950, following extensive hearings, the House Ways and Means Committee favorably reported a social-security bill containing provisions for permanent and total disability insurance. The committee pointed out that the proposed public assistance program for the disabled could meet only part of the problem and that the worker who had paid social insurance contributions over a number of years had a real stake in the system which deserved to be recognized.

The Senate Finance Committee, however, disapproved the disability insurance provisions, stating in its report that

> * * * further study should be made of the problem of income maintenance for permanently and totally disabled persons.

The 1950 bill, as finally passed, did not include the provisions for disability insurance, although the disability problem was recognized to a degree by the establishment of a separate public assistance program for the disabled.

In 1954 recognition was again given to the equity involved in the case of an insured worker who became disabled. The "disability freeze" allowed the disabled worker to leave out the years of disability in computing his average wages for the purpose of determining benefits payable at 65. The experience thus far under this legislation has been highly useful in demonstrating that disability can be determined administratively within the framework of our social-security system without unusual difficulty.

Over the years the experience of foreign governments in providing disability insurance has not been without value to those concerned with the problem in the United States. By 1954, 37 foreign countries had put into effect programs of disability insurance on a contributory basis, as compared to only 4 countries which had disability benefits restricted to a needs test. While the benefits in some countries are extremely low, other countries have successfully administered programs paying benefits at least as high in relation to average wages as those proposed in the United States.

In the consideration of disability insurance during the present Congress, the views expressed by those who are intimately connected with programs of public welfare have been particularly important, it seems to us, because of their close association on the local level with such problems as disability determination, adjudication, and rehabilitation.

At a meeting in Washington in March of this year, the public assistance and welfare directors of the States expressed unanimous approval of the proposed disability insurance program.

Despite the plea by the Secretary of Health, Education, and Welfare for more time, we know that the Department of Health, Education, and Welfare has made exhaustive studies over the years, and we are convinced that it is prepared to conduct a sound disability benefits program. On this point, John W. Tramburg, who served as Commissioner of Social Security under the present administration, and now is president of the American Public Welfare Association, testified before this committee:

> The staff of the Social Security Administration has investigated every possible angle of this subject, such as the experi-

> ence of private insurance companies and the experience of foreign countries in the administration of disability benefits; they have studied the disability benefits experience of the Railroad Retirement Board and other Government agencies; they have studied and looked into the possible ways of administering a sound and efficient disability insurance benefit program.
>
> While Commissioner of Social Security I was responsible for the early stages of planning the administration of the disability freeze which your committee included in the 1954 social-security amendments. I know each of the officials responsible for the administration of the disability freeze program * * * they are as able and conscientious a group of public officials as can be found and in their hands the basic planning of the disability * * * benefit program will be wisely and efficiently carried out.

In the light of the experience now available from so many sources, and in view of the consideration given the question of disability insurance for almost 20 years, it seems to us that the continued objections regarding the uncertainties of such a program and the continued call for further study constitute a tactical maneuver on the part of those who basically are opposed to the idea.

It is true that all of the possible administrative problems are not known, and cannot possibly be known until the program is under way. Yet as the 1937 council reported:

> If the Social Security Act had not been launched until all administrative difficulties had been solved, this act would never have been put into operation.

COST OF DISABILITY BENEFITS

Much has been said about the cost aspects of the proposed disability-benefits program. Seldom is this cost explained in terms of additional insurance the worker is buying. American people are perfectly willing to pay a nominal increase in taxes to obtain this vital protection against expensive and unpredictable risk of a crippling illness or injury.

Under our proposal the top cost of buying this kind of protection for the employee paying on the full $4,200 would approximate $10 per year. (The approximate figure for employees is used because self-employed individuals contribute only 1½ times the employee rate and so the share for employers and employees is somewhat more than the level-premium cost.) In return he will recieve benefits of $108.50 per month if he is totally and permanently disabled after age 50, and meets the other qualifications. People with lower earnings will, of course, pay proportionately less.

These figures are based upon the intermediate cost estimates furnished to the committee which show that the level-premium cost of adding disability benefits for people 50 and over would be well under one-half percent of payroll—or 0.42 percent.

The predicated costs may indeed, be lower than the intermediate-cost estimate we have used. In our judgment the Chief Actuary of the Social Security Administration has made as good an estimate of the probable cost of these proposed new benefits, and of the benefits already provided under the old-age and survivors' insurance system,

as is humanly possible. But it is important to remember that, according to past experience, the estimates usually have been higher, rather than lower, than actual costs. They are based upon the assumption that there will be no future increase in the general level of earnings.

This is, of course, contrary to the actual experience in the past, particularly since 1939, since which time average weekly wages have trebled. As the actuary pointed out in his testimony before this committee, his present estimate of the cost of benefits now being paid, based on 1954 earnings, has been reduced by 0.26 percent of payroll as compared with his estimate based upon 1951-52 earnings. He also states that a "possibly lower cost" would result if the cost estimate were made on the basis of 1955 earnings.

In our opinion, there is no question that such a cost estimate would be lower because of the considerable increase in earnings in 1955 as compared with 1954 and the general trend of rising wage levels that the country has experienced and will continue to experience.

These figures are estimates, and costs could vary. But even on the remote possibility that the high cost figures prevail, we believe the American people would want to buy the kind of protection they will provide. According to these high-cost estimates, an employee with wages of $4,200 per year would have to pay an additional $14 per year, approximately. Under the low-cost estimates the annual cost to the same worker would be approximately $7 per year.

We doubt that the cost would approach the high-cost estimates, but even if, as some people have predicted, costs would greatly exceed the intermediate estimate used in our proposal, we believe that the families of this country would want the added protection.

ADMINISTRATION OF DISABILITY BENEFITS

Under our proposal the determination of disability will be made by the State agencies which make the determinations under the disability "freeze" provision enacted in 1954. The Department of Health, Education, and Welfare now has agreements with 36 States, the District of Columbia, and Puerto Rico to make such determinations. In all but 5 of these 38 jurisdictions, there are agreements with State vocational rehabilitation agencies.

Eleven additional States and two Territories have designated vocational rehabilitation agencies to enter into agreements for this purpose, and it is expected that these agreements will be completed in the near future. In the few States where the State agency designated is the public welfare agency rather than the rehabilitation agency, working relationships have been developed for the proper referral of individuals for rehabilitation purposes.

The use of these State agencies in making disability determinations for a program of disability benefits will avoid duplicating use of existing medical facilities and records and will utilize well-established relationships with the medical profession. The near-universality of the coverage of old-age and survivors insurance means that through its earnings reports and records the Bureau of Old Age and Survivors Insurance will have an automatic check on the earnings of the disabled.

In the future it may be found preferable that the determination of disability should be made by the Federal Government under its own

rules and regulations. If so, a simple amendment to the Social Security Act at a later date could provide for an orderly changeover. In the meanwhile, it will facilitate the beginning of the program to take advantage of the facilities and experience of the State agencies.

Field offices established for old-age and survivors insurance and for the disability freeze could continue to function for disability benefits. People could therefore go to one field office for all questions concerning earnings records, filing, etc., where facts established for one type of benefit—such as marriage or age—are on record for both programs. Employers would keep a single set of records for both programs.

The majority report stresses the difficulty of determining disability in a public program providing such benefits. But we know that disability determinations are being made successfully every day, not only in connection with the "disability freeze" provision of the old-age and survivors insurance system, but also in numerous public programs which pay benefits. As a matter of fact, some 420,000 people are now receiving disability benefits under the following federally administered programs:

Veterans with 70 percent or more disability:

World War I	41,000
Korean conflict	18,000
World War II	128,000
Regular Establishment	10,000
Railroad retirement	85,000
Federal civil service	57,000
Federal noncontributory	81,000
Total	420,000

Most State and local retirement systems also include benefits for persons who have been disabled prior to retirement. Of the 3 million members of State and local retirement systems, about 2.9 million have protection against service-connected disability and about 2.5 million are in systems which include protection against all disability.

Experience with a disability benefit plan in the railroad retirement system indicates that it would be equally effective in a social-security system, in the opinion of William J. Kennedy, former Chairman of the Railroad Retirement Board, who has written:

> Frankly, I have always been at a loss to understand these criticisms (that disability programs are difficult to administer) in the light of the existence of an obviously successful disability program under the railroad retirement system to say nothing of those under the Federal and the numerous State and municipal retirement systems for government employees or of the workmen's compensation laws in every State in the Union.
>
> While the administration of the disability part of our program has presented problems not involved in the payment of old-age retirement benefits, we have not found these problems insuperable or even particularly difficult * * * The standards, which have been strictly adhered to, are, in our opinion, in conformity with the statutory provisions and with the intent of Congress as reflected in the well-documented legislative history of the act * * * Our disability program has been kept well in hand not only administratively but financially as well. There has been

> no tendency for the number of disability retirements to increase beyond the bounds set by advance cost estimates * * * From our observation * * * we have come to the general conclusion that, under our system, retirement for disability has tended to be influenced by the same economic factors as retirement on account of age.

We submit that the experience with these well-established programs has demonstrated that the extent of disability can be determined with sufficient precision to make such a program administratively feasible and financially sound. We also wish to point out that the rehabilitation features of the program we propose make an important contribution in this respect because they bring into play other factors—such as attitude and work record—to supplement the medical diagnosis as to the extent of disability.

EFFECT ON REHABILITATION

The majority report takes the position that the payment of disability benefits might discourage rehabilitation. Belief that rehabilitation would be hindered or malingering encouraged seems to us to be unjustified in view of the stringent eligibility requirements, limited benefits, and positive stress on rehabilitation contained in the proposal to which we subscribe.

The eligibility requirements would require a substantial and recent attachment to the labor force, determined by a work history which would have to include covered employment in 6 out of the last 13 and 20 out of the last 40 quarters prior to disability.

The definition of disability contained in the proposal is a conservative one, limited to medically determinable physical or mental impairment which prevents the individual from engaging in any substantial gainful activity. Furthermore, a waiting period of 6 consecutive months of disability prior to eligibility for benefits is required.

Since benefits under our proposal would not be paid to the dependents of a disabled worker, the income available to a worker's family from disability insurance would not be sufficient to encourage persons on the borderline of total disablement to seek benefits if employment alternatives were open to them. A worker who had earned average wages of $350 per month would received only 31 percent of his former income, or $108.50 monthly. If his wages had averaged $100 monthly, his benefits would be 55 percent, or $55; if $150, they would be 45 percent, or $68.50. In addition to the fact that the worker probably would have been without income for the 6-month waiting period, such benefits would make it unprofitable for a person who could work not to do so.

The disability provisions which we support incorporate the rehabilitation process with the disability benefit plan. Refusal, without good cause, to accept rehabilitation would result in termination of the individual's benefits. At the same time, in order to avoid setting up barriers to vocational rehabilitation, our proposal specifically provides that a person who performs work while under a State rehabilitation program will not, solely by reason of this work lose his benefits during the first 12 months while he is testing a new earning capacity.

A great deal of emphasis must rightly be placed on rehabilitation. However, the fact must be recognized that a great many older dis-

abled workers cannot be rehabilitated successfully. Our best information indicates that it has not been possible to rehabilitate more than 25 percent of disabled persons who are age 50 or over. Furthermore, rehabilitation cannot be a substitute for income for the disabled worker.

Lowering the Eligibility Age for Women

We wholeheartedly agree with the provision of the Senate bill which lowers from 65 to 62 the age at which surviving widows may first become eligible for their benefits, but we believe this provision should also apply to working women, wives, and dependent mothers.

It is estimated that about 800,000 women would receive benefits immediately if our proposal is enacted into law, and another 400,000 women in this age group—who are working or are wives of workingmen—would become eligible to draw benefits in case they retire. In about 25 years, when a larger proportion of people will have qualified, an additional 1,800,000 women will be receiving benefits earlier than they would under existing law.

We believe that the policy adopted by the committee of excluding two groups of women—wives and women workers—from the same privilege which they extend to other women is a serious departure from a well-established principle of the old-age and survivors insurance system. Under such a provision, a widow who normally works and supports herself would be able to receive benefits if she lost her job at age 62, and was unable to find work, while a woman worker in the same circumstances would be forced to wait until her 65th birthday for benefits. This would be true even though she may have contributed throughout her working life to the old-age and survivors insurance system.

Any woman who loses her job between the ages of 62 and 65 cannot easily get other employment. The fact is that the overwhelming majority of women at the ages of 60 to 65 are not gainfully employed. When this age group is compared to the age group 55 to 64, we find that women go out of the labor force about 2½ times faster than men. This is not surprising, in view of the demand upon the strength of many older workingwomen resulting from the dual responsibility of job and home. They cannot be expected to be able to continue working as long as men.

All evidence shows that even if older women are able to work they find it more difficult to get and hold jobs than do older men. Recent studies by the Department of Labor show that age limits are more frequently placed on job openings for women than for men and that the age limits are lower in the case of women.

In many retirement systems the eligibility age for women is lower than for men and in many cases this earlier retirement age is compulsory. The waiting period for these women who are forced into early retirement is actually much longer than it is for men. It would be manifestly inequitable, in our view, to reduce the eligibility age to 62 for widows and for women workers but not for wives.

The majority report justifies its exclusion of the wife's benefits at age 62 on the ground that—

An elderly couple has the husband's benefit in the interval between the time when he retires and the time when his wife becomes eligible for a wife's benefit.

This position, we believe, is contrary to a fundamental principle of the old-age and survivor insurance plan—the principle that the payment of a wife's benefit is justified because the elderly family needs both benefits.

To assume that the retired couple can maintain themselves without a substantial sacrifice to their standard of living on an amount designed for a single person is unreasonable. Even a worker with the highest possible earnings credit of $350 a month would receive only $108.50 per month for himself and his wife—or 30 percent of his full-time earnings—while his wife is under age 65. If the husband is entitled to only $50, or $60, or $70 a month the family income is pitifully inadequate. But many aged couples are striving to make ends meet on such miserable amounts. Our proposal would help to remedy this situation.

The couples who will be helped by a reduction in the eligibility age to 62 for wives will, as a rule, be those most in need of their benefits. Husbands do not always have the choice of delaying retirement until their wife reaches age 65.

Men almost universally retire because they become disabled, because they reach the retirement age in the industry in which they work, or because the employer terminates the employment for other reasons. Although lowering the eligibility age to 62 does not solve the problem for all elderly couples, we cannot overlook the fact that it would provide immediate benefits to over 20 percent more wives than at present and a shorter waiting period for the remainder.

It is not realistic to assume that an elderly wife will be able to go out and get a job when the family income is reduced because of the retirement of the husband. They experience the same problem of obtaining employment as do other older women. Over 90 percent of all wives between the ages of 62 and 65 are not in the labor force.

We feel that the omission of dependent female parents is unjustified. These older parents who have been dependent upon the wage earner for their needs are not in the labor force at the time of the wage earner's death. It will be just as hard for them to support themselves at age 62 as it is for widows and wives since they also have usually been homemakers during their married life.

The level premium cost of adding benefits for working women, wives, and dependent mothers, would be only 0.36 percent of payroll. These relatively small added costs are more than justified so that all women will have the right to retire at age 62, which committee bill grants only to widows.

Public Assistance

Nothing has been done by Congress to improve the lot of our needy aged and disabled since 1952, when the present formula of Federal assistance to the States was adopted as a result of the successful amendment sponsored by Senator Ernest McFarland. Under the present formula the Federal Government puts up four-fifths of the first $25 of a payment, plus half up to a maximum of $55 per month. The increased Federal matching funds thus made available have made it possible for the States, particularly those with low per capita in-

comes, to make considerable headway in meeting the tremendous problems of poverty among the aged and disabled needy.

Since 1952 not only has national income risen appreciably but benefits under old-age and survivors insurance have been increased by a significant proportion, even for those already retired. Average monthly payments under these three public-assistance titles, however, remain at low levels. For old-age assistance, aid to the blind, and aid to the permanently and totally disabled, monthly payments as of February 1956 amounted to $54, $58, and $56, respectively.

EFFECT OF PROPOSED REVISION

We propose revising and making permanent the formula contained in the McFarland amendment of 1951. We believe that the Federal share of each monthly payment for old-age assistance, aid to the blind, and aid to the permanently and totally disabled should be increased to five-sixths of $30 plus half up to $65.

An amendment to this effect was introduced earlier this year on behalf of 4 members of the Finance Committee and 43 other Senators.

The more liberal formula, we believe, should be made available only to States which pass on the additional funds through increases in payments to recipients.

Alabama	$6,057,524	New Hampshire	$568,675
Arizona	1,246,914	New Jersey	2,071,152
Arkansas	3,755,189	New Mexico	798,695
California	24,548,405	New York	12,242,794
Colorado	4,773,355	North Carolina	4,102,900
Connecticut	1,685,922	North Dakota	737,631
Delaware	148,751	Ohio	9,535,873
District of Columbia	456,983	Oklahoma	8,507,302
Florida	5,511,196	Oregon	1,909,993
Georgia	6,751,900	Pennsylvania	5,699,156
Idaho	793,496	Rhode Island	807,133
Illinois	8,676,809	South Carolina	3,188,860
Indiana	2,611,337	South Dakota	694,260
Iowa	3,455,871	Tennessee	4,186,820
Kansas	3,099,006	Texas	13,827,460
Kentucky	3,506,460	Utah	959,803
Louisiana	8,668,225	Vermont	572,604
Maine	1,061,792	Virginia	1,487,749
Maryland	1,212,425	Washington	5,678,057
Massachusetts	8,723,071	West Virginia	2,017,160
Michigan	6,435,485	Wisconsin	3,613,253
Minnesota	4,351,656	Wyoming	385,656
Mississippi	4,648,660	Alaska	150,578
Missouri	9,069,640	Hawaii	250,653
Montana	906,964		
Nebraska	1,500,124	Total United States	207,894,372
Nevada	242,995		

Under our proposal, all States could immediately raise their individual payments by from $5 to $7.50 per month. Over 2,900,000 persons would receive sorely needed increases with which to purchase the necessities of life.

The proposal would make the following additional funds available in each State:

The cost of this proposal, at the present caseload level, would amount to $208 million annually, this estimate being based on the assumption that all States take advantage of the formula by maintaining their own expenditures for this purpose at about present levels.

OLD-AGE ASSISTANCE

Of those who would be benefited by our proposal, 2,552,000 are recipients of old-age assistance. Many of these individuals, who never had the opportunity to participate in the old-age and survivors insurance program, are people who have contributed in large measure to the development and growth of this Nation. The original Social Security Act took the welfare of these persons every bit as much into consideration as it did those who could become covered by old-age and survivors insurance. It was never intended that the old-age assistance program be neglected, for the two programs were conceived as being complementary to each other until the eventual time when virtually all of our aged population is covered under the insurance program.

In 1954 those who had already retired under the social security program saw their insurance benefits increased by from $5 to $13.50, not as a result of any increased contributions on their part, but because of official acknowledgment of the inadequacy of previous benefits. A modest increase in the payments to our neediest citizens would be well in line with the complementary aspect of the two programs. Not only did the majority of old age assistance recipients fail to be affected by the aforementioned increases, but those who receive supplemental old age assistance in addition to small benefits under social security saw their old age assistance checks reduced by the same amount as the increase in social security payments.

Our proposal will make possible further progress among the low per capita income, low-payment States through the automatic $5 increase. At the same time our amendment will meet another problem. States with higher per capita income, particularly those States with a large percentage of their aged population already protected by old age and survivors insurance, have found themselves able to advance public assistance payments beyond the $55 at which point Federal matching ceases.

To provide an extra $5 of Federal matching for those high-income States, States which make large contributions to Federal revenues, would not permit those States to benefit in any genuine way. If those States cared to advance payments to their public assistance recipients, the additional $5 of Federal matching would be offset by the fact that the additional contribution of the State above $55 would not be subject to Federal matching.

Therefore, in justice and fairness those States having a higher per capita income and a higher percentage of the Federal tax burden, should be entitled to expect that the Federal Government will match State contributions to public assistance at least to the extent of $65 per month.

The Secretary of the Department of Health, Education, and Welfare has opposed any increase in the Federal rate of contribution beyond the formula established by the McFarland amendment in 1952. We find it somewhat significant that in 1951 the then Secretary did not favor the McFarland amendment, nor did the previous Secretary favor the last previous increase in the Federal share of contributions toward State welfare programs.

One of the reasons advanced by the Secretary for opposing the amendment was that the Federal Government already bears a dis-

proportionately heavy share of the first $25 of welfare payments for old-age assistance, aid to the needy blind, and aid to the totally and permanently disabled. The argument completely overlooks the fact that States with low per capita income are those in which the most severe cases of need exist in the greatest number. It is those same States which have the greatest difficulty in providing the essential services of State government and raising sufficient revenues to provide adequately for the needy within their boundaries.

NEED FOR ADDITIONAL FUNDS

A recent survey by the Social Security Administration further determined that 67 percent of persons beyond the age of 65 had less than $1,000 per year income; 24 percent had no income whatever. Income for the purposes of this study included welfare payments. The cold hard facts are that many of the low-income States, for lack of sufficient funds, have been unable to provide for a large number of needy cases.

Furthermore, they have been unable to make adequate payments in cases where severe need exists. The following table clearly demonstrates that there is need for additional matching funds. It shows the percent of national average per capital income in each State, the percent of aged people over 65 who are receiving old age and survivors insurance benefits, percent receiving old age assistance grants under State public welfare plans, and the percent of persons who receive no income from either program. It will be seen that more than 45 percent of aged persons over 65 are not receiving payments from either source.

It should be particularly noted that in some States with low per capital income there are very high percentages of individuals who are not protected by old age and survivors insurance. Much of this result is due to the fact that those who were employed in agricultural endeavors in the past were not insured by social security. Such individuals have no privilege of electing to retire when they are no longer economically productive. They must exist by exhausting such meager resources as they have been able to save, obtaining help from relatives, or receiving public assistance.

State	Per capita income as percent of average per capita income for United States, 1954 ($1,770)	Population aged 65 and above 1954 (estimate)	Percent of aged receiving neither OAA nor OASI, 1954	Percent of aged on OASI rolls, 1954	Percent of aged on OAA rolls, 1954	Percent of aged receiving OASI or OAA or both 1954 [1]
Alabama	61.6	214,000	41.4	29.7	29.6	58.6
Arizona	72.4	53,000	40.0	40.1	26.2	60.0
Arkansas	55.3	163,000	42.4	27.1	32.3	57.6
California	122.2	1,044,000	39.4	44.2	26.0	60.6
Colorado	95.3	129,000	37.9	34.6	40.9	62.1
Connecticut	133.4	201,000	44.1	50.2	8.4	55.9
Delaware	134.0	29,000	50.9	44.2	5.8	49.1
District of Columbia	125.4	63,000	64.2	32.0	4.9	35.8
Florida	91.0	297,000	33.3	48.9	23.4	66.7
Georgia	69.9	243,000	36.9	26.3	40.1	63.1
Idaho	81.0	49,000	50.6	35.5	18.1	49.4
Illinois	121.8	854,000	59.9	40.0	11.4	49.1
Indiana	103.6	392,000	51.2	40.1	9.6	48.8
Iowa	94.2	293,000	58.6	29.5	14.5	41.4
Kansas	95.4	209,000	56.7	29.6	16.5	43.3
Kentucky	68.7	251,000	50.1	30.0	22.3	49.9
Louisiana	73.6	193,000	22.7	27.2	62.0	77.3
Maine	84.3	95,000	40.1	50.3	14.3	59.9
Maryland	109.6	181,000	54.3	40.8	5.9	45.7
Massachusetts	108.6	510,000	39.6	49.0	17.9	60.4
Michigan	114.0	534,000	45.0	44.3	14.3	55.0
Minnesota	92.9	304,000	52.7	33.1	17.1	47.3
Mississippi	49.3	159,000	39.2	20.4	42.6	60.8
Missouri	98.7	434,000	43.3	33.2	30.7	56.7
Montana	97.7	59,000	55.4	32.2	15.8	44.6
Nebraska	92.4	144,000	62.0	27.4	12.6	38.0
Nevada	136.4	13,000	47.7	40.3	20.4	52.3
New Hampshire	90.7	60,000	42.2	49.8	10.7	57.8
New Jersey	125.4	450,000	47.0	49.5	4.6	53.0
New Mexico	78.4	39,000	45.4	27.0	31.2	54.6
New York	122.2	1,430,000	48.8	45.8	7.3	51.2
North Carolina	67.2	253,000	53.2	28.0	20.4	46.8
North Dakota	67.0	54,000	67.6	18.8	15.3	32.4
Ohio	112.0	785,000	47.3	42.3	13.2	52.7
Oklahoma	82.9	209,000	35.1	26.6	25.7	64.9
Oregon	99.3	153,000	42.9	48.0	13.2	57.1
Pennsylvania	100.9	978,000	48.2	46.8	6.0	51.8
Rhode Island	103.0	78,000	37.5	54.9	10.7	62.5
South Carolina	60.1	130,000	43.0	25.5	33.1	57.0
South Dakota	75.3	63,000	61.7	23.2	17.4	38.3
Tennessee	68.5	254,000	48.2	27.2	26.6	51.8
Texas	88.9	591,000	40.1	27.0	37.6	59.9
Utah	83.8	49,000	46.7	37.4	36.9	53.3
Vermont	79.6	40,000	45.3	41.5	17.2	54.7
Virginia	83.6	237,000	59.9	33.2	7.3	40.1
Washington	110.1	240,000	37.2	45.3	25.3	62.8
West Virginia	69.6	152,000	41.9	42.6	16.7	58.
Wisconsin	96.4	346,000	49.9	40.2	12.8	50.1
Wyoming	100.5	22,000	54.0	32.4	18.5	46.0
Alaska	.....	4,742	27.2	47.6	25.2	72.8
Hawaii	.....	25,000	51.4	42.4	7.3	48.6
Puerto Rico	.....	85,578	32.0	15.7	52.5	68.0
Virgin Islands	.....	2,011	56.6	9.7	33.9	43.4
United States	100.0	13,729,000	45.3	39.7	18.7	54.7

[1] Net total, does not duplicate concurrent recipients of both.

Source: Department of Health, Education, and Welfare, Bureau of the Census.

Old-age assistance will largely be replaced eventually by old-age and survivors insurance when the latter program reaches full maturity. It is expected that the program will fall off sharply after the year 1980. In the meantime, however, it seems to us that it is an irresponsible attitude to overlook the immediate problems of the millions who sorely need additional income today.

ASSISTANCE TO DISABLED AND BLIND

The same essential problems exist with regard to assistance payments to the disabled and the blind. Most States have made considerable progress in initiating and improving programs for these groups. Encouragement is greatly needed, however, for them to continue their progress. It seems to us singularly inappropriate for those who oppose disability insurance provisions under social security to oppose further improvements in the public assistance programs for the disabled. We believe that the 244,000 disabled and 105,000 blind recipients of public assistance are in all justice entitled to the increased monthly payments which the revised formula would provide.

It is our earnest hope that the Congress will adopt our proposals in order to afford a modest measure of relief for our neediest citizens in a manner both humane and practical.

WALTER F. GEORGE.
RUSSELL B. LONG.
PAUL H. DOUGLAS.

INDIVIDUAL VIEWS ON H. R. 7225

While in general I agree with the views of the majority of the committee, I feel that the retirement age for working women, wives, and dependent mothers should have been lowered to age 62 in addition to the committee's action lowering the retirement age for widows to age 62.

It is also my feeling that the committee should have provided more liberal Federal matching funds to State welfare plans for aid to needy aged, blind, and totally and permanently disabled.

GEORGE A. SMATHERS.

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