S3849

COMMITTEE ON FINANCE

United States Senate

WALTER F. GEORGE, *Chairman*

(Printed for the Use of the Committee on Finance)

H. R. 6000

TITLE: To extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child-welfare assistance and child-welfare provisions of the Social Security Act, and for other purposes.

SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. Old-age and survivors insurance

1. *Extension of coverage.*—Old-age and survivors insurance coverage would be extended to add approximately 11,000,000 new persons to the 35,000,000 persons now covered during an average week. The groups added to the system under the bill are as follows:

(*a*) Nonfarm self-employed persons (other than physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, optometrists, Christian Science practitioners, publishers, and aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineers) whose net earnings from self-employment total $400 or more per year (about 4.5 million).

(*b*) Employees of State and local governments, if the State enters into a voluntary compact with the Federal Security Agency (except for certain transit workers who are covered compulsorily), provided that such employees who are under an existing retirement system shall be covered only if such employees and adult beneficiaries of the retirement system shall so elect by a two-thirds majority (about 3.8 million).

(*c*) Domestic servants in a private home (but not if employed on a farm operated for profit), whose cash earnings are $25 or more per quarter, and who work 26 days or more per quarter, for one employer (about 950,000).

(*d*) Employees of nonprofit institutions other than ministers and members of religious orders, but, if the employer does not elect voluntarily to pay the employer's tax, the employee would receive credit with respect to only one-half his wages for the employee's tax which is compulsorily imposed upon him (about 600,000).

(*e*) Agricultural processing workers off the farm and certain other types of essentially commercial or industrial border-line agricultural labor; also employees of nonprofit agricultural and horticultural organizations (about 200,000).

(*f*) Federal employees not covered under any retirement system except temporary workers, elective officials, "dollar-a-year" employees, etc.; employees of farm loan and production credit organizations (about 100,000).

(*g*) Americans employed by an American employer outside the United States and employees of American aircraft outside the United States (about 150,000).

(*h*) Employees and self-employed in the Virgin Islands (about 5,000) and, if requested by the legislature, in Puerto Rico (about 250,000).

(*i*) Salesmen, taxi drivers, industrial home workers, contract loggers, mine lessees, and other persons technically not employees at common law (about 500,000 to 750,000).

2. *Liberalization of benefits.*—(*a*) About 2.6 million persons currently receiving old-age and survivors insurance benefits would have their monthly benefit increased on the average by about 70 percent. Increases would range from 50 percent for highest benefit groups to as much as 150 percent for lowest benefit groups. The average primary benefit is now approximately $26 per month for a retired insured worker and under the bill it would be approximately $44. Illustrative figures for individual cases are shown in the table below:

Present primary insurance benefit	*New primary insurance amount*
$10	$25
15	31
20	36
25	44
30	51
35	55
40	60
45	64

(*b*) Persons who retire after 1949 would have their benefits computed under the following new formula, with resulting benefits:

(i) Fifty percent of first $100 of average monthly wage, plus 10 percent of the next $200 (based on the maximum wage and tax base of $3,600 per year). This amount would be increased by one-half percent for each year of coverage, and would be reduced proportionately to take into account the time not spent in covered employment. For example, assume that the worker retired before 1956 and had 10 years of coverage since 1936, and that he had an average monthly wage over his years of coverage of $200 per month. His base amount would then be $60 (50 percent of the first $100 of average wage plus 10 percent of the next $100 of average wage, or $50+$10). The amount coming from the increment is 5 percent of the base amount (since there are 10 years of coverage at ½ percent each) or $3. The primary insurance amount is then $63.

(ii) The minimum primary benefit under existing law of $10 per month would be increased to $25.

(iii) The maximum family benefit under existing law of $85 per month would be increased to $150, but not to more than 80 percent of the average monthly wage of the insured person.

(iv) Lump-sum death payments would be made for all insured deaths instead of only for deaths with respect to which immediate monthly survivors benefits are not payable, as limited by present law.

3. *Computation of average wage.*—The average wage of an insured worker would be the average earned in all years of coverage (years after 1949 in which $400 or more was earned in covered employment; prior to 1950, years of coverage are credited for $200 or more of wages) after either 1936 or after 1949, and before the worker dies or retires, whichever yields the higher average wage.

4. *Eligibility for benefits.*—In order to qualify for both old-age and survivors insurance benefits under present law, a person must have either (*a*) quarters of coverage (calendar quarters after 1949 in which $100 or more was earned in covered employment; prior to 1950, quarters of coverage are credited for $50 or more of wages) equal to one-half of the number of quarters since 1936 and before age 65 or death, or (*b*) 40 quarters of coverage. Under the bill a third alternative qualification of 20 quarters of coverage out of the 40-quarter period ending at death or at age 65, or any later date, would be added. This would be of particular advantage to newly covered workers since it would enable them to qualify more quickly.

5. *Limitation on earnings of beneficiaries.*—The amount a beneficiary may earn in covered employment without loss of benefits would be increased from $14.99 to $50 per month. After age 75, benefits would be payable regardless of amount of earnings from employment.

B. Permanent and total disability insurance

1. *Coverage.*—All persons covered by the old-age and survivors insurance program would have protection against the hazard of enforced retirement and loss of earnings caused by permanent and total disability.

2. *Benefits.*—Permanently and totally disabled workers would have their benefits and average wage computed on the same basis as for old-age benefits, but no payments would be available for dependents of disabled workers.

3. *Eligibility for benefits.*—An individual would be insured for disability benefits if he had both (*a*) 6 quarters of coverage out of the 13-quarter period ending when his disability occurred, and (*b*) 20 quarters of coverage out of the 40-quarter period ending when his disability occurred.

C. Old-age and survivors insurance benefits for World War II veterans

World War II veterans would be given wage credits under the old-age, survivors, and disability insurance program of $160 per month for the time spent in military service between September 16, 1940, and July 24, 1947.

D. Financing of old-age, survivors, and disability insurance

1. *Taxable wage base.*—The total annual earnings on which benefits would be computed and contributions paid is raised from $3,000 to $3,600.

2. *Contribution schedule.*—Employers and employees would continue to share equally, with the rate for each being as follows (since 1936 the rate has been 1 percent):

Calendar years:	*Rate, percent*
1950	1½
1951–59	2
1960–64	2½
1965–69	3
1970 and after	3¼

The self-employed who are covered would pay 1½ times the above rates.

E. Public assistance and welfare services

1. *Extension of State-Federal public assistance programs.*—Aid would be extended to persons not now eligible for assistance, as follows:

(*a*) Permanently and totally disabled needy persons would become eligible for State-Federal assistance by the establishment of a fourth category, with the Federal Government sharing in the costs in the same manner as for old-age assistance and aid to the blind.

(*b*) The mother, or other adult relative with whom an eligible dependent child is living, would become eligible as a recipient under the aid to dependent children program, and the Federal Government would share in the costs of the aid furnished such mother or relative.

2. *Increase in Federal share of public assistance costs.*—The bill would strengthen financing of public assistance in all States, and, particularly, would enable States with low-average payments to raise the level of payments to needy recipients under the State-Federal program. Federal funds would be made available to the States under the following matching formula:

(*a*) For old-age assistance, aid to the blind and aid to the totally and permanently disabled, Federal funds will equal four-fifths of the first $25 per recipient plus one-half of the next $10 plus one-third of the next $15 with a maximum of $50 on individual assistance payments.

(*b*) For aid to dependent children, Federal funds will equal four-fifths of the first $15 per recipient (including one adult in each family) plus one-half of the next $6, plus one-third of the remainder, with maximums on individual assistance payments of $27 for the adult plus $27 for the first child plus $18 for each additional child in the family.

3. *Public medical institutions.*—The Federal Government would share in the payments made by the States and localities to the needy aged, blind, and permanently and totally disabled recipients residing in public medical institutions, instead of limiting Federal participation to payments made to recipients residing in private institutions as provided in present law.

4. *Direct payment for medical care.*—States would be authorized to make direct payments to medical practitioners or institutions furnishing medical care to recipients of State-Federal public assistance. Under existing law the Federal Government does not participate in the cost of medical care for recipients unless payment for such care is made directly to the recipient.

5. *Child-welfare services.*—Authorization for child-welfare services in rural areas or areas of special need would be increased from 3.5 million dollars per year to 7 million dollars. The use of child-welfare funds would be authorized for purposes of returning interstate runaway children to their homes.

6. *Cost.*—The estimated additional cost to the Federal Government for the public-assistance and welfare-services amendments would be 256 million dollars annually.

F. Puerto Rico and the Virgin Islands

The old-age, survivors, and disability insurance program and Federal participation in public assistance would be extended to Puerto Rico and the Virgin Islands.

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