

SOCIAL SECURITY AMENDMENTS
OF 1964

SUPPLEMENTAL REPORT

TOGETHER WITH

INDIVIDUAL VIEWS

OF THE

COMMITTEE ON FINANCE

ON

H.R. 11865

TO INCREASE BENEFITS UNDER THE FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, TO PROVIDE CHILD'S INSURANCE BENEFITS BEYOND AGE 18 WHILE IN SCHOOL, TO PROVIDE WIDOW'S BENEFITS AT AGE 60 ON A REDUCED BASIS, TO PROVIDE BENEFITS FOR CERTAIN INDIVIDUALS NOT OTHERWISE ELIGIBLE AT AGE 72, TO IMPROVE THE ACTUARIAL STATUS OF THE TRUST FUNDS, TO EXTEND COVERAGE, AND FOR OTHER PURPOSES



AUGUST 20, 1964.—Ordered to be printed

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Mr. MANSFIELD (for Mr. BYRD of Virginia), from the Committee on Finance, submitted the following

R E P O R T

together with

SUPPLEMENTAL AND INDIVIDUAL VIEWS

[To accompany H.R. 11865]

The Committee on Finance, to whom was referred the bill (H.R. 11865) to increase benefits under the Federal old-age, survivors, and disability insurance system, to provide child's insurance benefits beyond age 18 while in school, to provide widow's benefits at age 60 on a reduced basis, to provide benefits for certain individuals not otherwise eligible at age 72, to improve the actuarial status of the trust funds, to extend coverage, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

I. PURPOSE AND SCOPE OF THE BILL

The purpose of the committee bill is to improve the benefit and coverage provisions and the financing structure of the Federal old-age, survivors, and disability insurance (OASDI) system. The bill also increases the Federal matching maximum on the State public assistance programs for the needy aged, blind, and disabled, and eliminates the exclusion of aged recipients who are in mental and tuberculosis institutions.

The last across-the-board adjustment in social security benefits, and the last adjustment in the amount of annual earnings that is taxed and credited toward benefits (the contribution and benefit base), were enacted in 1958. In recognition of changes in the economy since that time the bill provides for increasing the insurance benefits by 5 percent across the board and for increasing the contribution and benefit base.

To permit payment of benefits to certain aged people who did not work long enough under social security to meet the present work requirements for benefits payments, the bill contains a special provision reducing the covered work requirements for aged workers, aged wives, and aged widows. Benefits would be payable when these individuals attain age 72.

To help children continue in school, the bill provides for the payment of a child's benefit beyond age 18 and up to age 22 if the child is in school or college.

To improve the protection now provided under the social security system for aged widows, the bill lowers the age at which they can first become eligible for benefits to age 60 on a voluntary and an actuarially reduced basis.

Consistent with the policies established by the Congress, the improvements made by the bill will be adequately financed and the program will continue to be self-supporting on a sound actuarial basis. A revised schedule of social security tax rates would be provided along with an increase in the taxable earnings base which will improve the actuarial balance over what it is at the present time.

The bill also will provide for increasing the total allocation to the Federal disability insurance trust fund in order to strengthen the disability fund.

II. SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

A. FIVE-PERCENT ACROSS-THE-BOARD INCREASE IN INSURANCE BENEFIT PAYMENTS

The bill would increase the benefit payments under present law by 5 percent for all persons now on the benefit rolls, and there would be corresponding increases for all future beneficiaries.

1. *Workers, dependents, and survivors benefits*

For workers retiring at age 65 with average monthly earnings of \$400 or less, monthly payments would range from \$42 to \$133.40 for primary beneficiaries as compared with \$40 to \$127 under present law. Primary benefits ranging up to \$143.40 would be payable to people who retire and come on the benefit rolls in the future as the increase in the earnings base that the committee is recommending makes possible the counting of up to \$5,400 of annual earnings toward benefits. Survivors and dependents benefits would also be proportionately increased.

2. *Family benefits*

Under present law, the ceiling on the total amount of family benefits payable on a worker's earnings record ranges from \$60 to \$254 a month, depending on the worker's average monthly earnings. Under the bill the minimum amount of monthly benefits for a family would be raised to \$63 and the maximum would be \$281.20 at the \$400 average monthly earnings level, which is the highest possible under the present \$4,800 earnings base. In the future, maximum family benefit amounts up to \$300 would be payable as the \$5,400 earnings base that the bill would provide becomes effective and average monthly earnings rise above \$400.

3. *Number of beneficiaries and effective date*

The 5-percent across-the-board increase would be effective for the 20 million beneficiaries on the rolls in their benefit payments which are due for the second calendar month following the date of enactment.

For the first full year, 1965, it is estimated that \$925 million in additional benefit amounts would be paid as a result of this 5-percent increase.

B. PAYMENT OF BENEFITS TO CERTAIN AGED PERSONS

The bill would provide limited benefits for certain aged individuals who have some social security coverage but not enough to meet the minimum required by existing law.

A special provision would liberalize the eligibility requirements so that certain aged people who do not meet the work requirements in present law could qualify for benefits on the basis of as few as three quarters of coverage. Upon attaining age 72, a worker or widow who qualifies under these provisions would get a monthly benefit of \$35; a wife who qualifies would get a benefit of \$17.50.

1. *Men and women workers*

To accomplish the above, a new concept of "transitional insured" status under the bill would provide that these oldest workers will receive benefits with only three quarters of coverage, as contrasted with the present requirement of six quarters. For those workers who are not quite so old, the quarters of coverage requirement would increase until the requirement merges with the present minimum requirement of six quarters.

The following table illustrates the operation of the "transitional insured" status provision for workers:

Transitional insured status requirements for worker's benefits

Men		Women	
Age (in 1965)	Quarters of coverage required	Age (in 1965)	Quarters of coverage required
76 or over.....	3.	73 or over.....	3.
75.....	4.	72.....	4.
74.....	5.	71.....	5.
73 or younger.....	6 or more.	70 or younger.....	6 or more.

Thus, to be eligible for benefits an individual must both (1) meet the above coverage requirements, and (2) have attained age 72.

2. *Wives*

A wife's benefit would be payable at age 72 to the wife of a worker who qualified for benefits under the transitional provisions if she attains age 72 before 1968.

3. *Widows*

Any widow who is age 72 or over in 1965, if her husband died or reached age 65 in 1954 or earlier, would get a widow's benefit if her husband had at least three quarters of coverage. Present law requires six quarters. If the husband died or reached 65 in 1955, the require-

ment is four quarters. If he died or reached 65 in 1956, the requirement would be five quarters. If he died or reached 65 in 1957 or later, the minimum requirement would be six quarters, the same as present law.

For widows reaching age 72 in 1966 and 1967, there is a grading-in of coverage requirement of four or five quarters of coverage, respectively. Widows reaching age 72 in 1968 or after would be subject to the requirements of existing law of six or more quarters of coverage.

The table below sets forth the requirements as to widows:

Transitional insured status requirements for widow's benefits

Year of husband's death (or attainment of age 65, if earlier)	Present quarters required	Proposed quarters required for widow attaining age 72 in—		
		1965 or before	1966	1967
1954 or before.....	6.....	3.....	4.....	5.
1955.....	6.....	4.....	4.....	5.
1956.....	6.....	5.....	5.....	5.
1957 or after.....	6 or more.....	6 or more.....	6 or more.....	6 or more.

4. Persons affected, benefits, and effective date

These provisions would become effective for the second month after the month of enactment. It is estimated that 400,000 individuals will be added to the social security benefit rolls by this provision, with such benefits totaling about \$160 million in 1965.

C. PAYMENT OF CHILD'S INSURANCE BENEFITS TO CHILDREN ATTENDING SCHOOL OR COLLEGE AFTER ATTAINMENT OF AGE 18 AND UP TO AGE 22

The bill would provide for the payment of child's insurance benefits until the child reaches age 22, provided the child is attending school, including a vocational school, or college as a full-time student after he reaches age 18.

This provision would become effective for the month following the month of enactment. It is estimated that 275,000 children will benefit in the total amount of \$175 million under this provision in 1965.

D. BENEFITS FOR WIDOWS AT AGE 60

The bill would provide for the payment of benefits to widows beginning at age 60 at their election, with the benefits payable to those who claim them before age 62 actuarially reduced to take account of the longer period over which they will be paid. Under present law, widow's benefits are payable at the earliest at age 62.

This provision would be effective for months after the month of enactment. In the first full year, 1965, it is estimated that 180,000 widows will take advantage of this provision and receive \$150 million in benefits.

E. COVERAGE EXTENSIONS AND IMPROVEMENTS

1. Employees of States and localities

(a) *Division of retirement systems.*—Alaska and Kentucky would be added to the list of 17 States that may cover State and local government employees under the divided retirement system provision.

This amendment would be effective upon enactment.

(b) *Certain hospital employees.*—Coverage would be extended to certain hospital employees in California whose positions were removed from a State or local government retirement system.

In general, the coverage provided under this special provision begins on January 1, 1962.

(c) *Extension of time for election of coverage.*—Another opportunity would be provided, through 1965, for the election of coverage by people who originally did not choose coverage under the divided retirement system provision.

2. Computation of self-employment income from agriculture

The maximum amount of gross farm income that farmers may use in computing covered farm self-employment income, under the optional reporting method based on gross income, would be increased from \$1,800 to \$2,400.

This amendment would be effective with respect to taxable years ending after December 31, 1964.

3. Changes in House bill provisions

The provision in the House bill extending coverage to self-employed physicians has been deleted because the national association representing 70 percent of the physicians in the United States has, once again, indicated to the committee its opposition to the inclusion of self-employed physicians.

The committee has also deleted the House provision which would have repealed the longstanding prohibition against the social security coverage of policemen and firemen under State and local retirement systems. The committee believes the present method of providing such coverage on a State-by-State basis offers both an opportunity for those who wish coverage to obtain it while it continues the safeguards which organizations representing policemen and firemen believe are necessary to preserve the integrity of their unique retirement systems.

Finally, the committee deleted the section of the House bill providing for the coverage of cash tips. The committee was not altogether convinced that this was a workable provision, and believes that it might unduly burden employers and employees and tend to disrupt traditional working relationships in industries where tipping plays a major role.

F. AUTOMATIC RECOMPUTATION OF BENEFITS

The retirement benefits of people on the rolls would be recomputed automatically each year to take account of any covered earnings that the worker might have had in the previous year that would increase his benefit amount.

G. OTHER PROVISIONS

The committee has also extended the period for filing proof of support and applications for dependent husbands, widowers, and parents or for lump-sum death payments and has made certain changes so as to preserve existing relationships for individuals who are also entitled to benefits under the railroad retirement system and from the Veterans' Administration.

H. FINANCING PROVISIONS

1. Increase in the earnings base

The earnings base which establishes the amount of annual earnings that is subject to tax for the support of the program and which is used in determining social security benefits would be increased so that earnings up to \$5,400 would be so taxed and counted beginning with 1965. The base is \$4,800 under present law.

2. Revision and increases in the tax schedule

Under the bill, the schedule of social security contribution rates would be modified as follows:

[In percent]

Year	Contribution rates			
	Employer and employee, each		Self-employed	
	Present law	H.R. 11865	Present law	H.R. 11865
1965.....	3.625	3.8	5.4	5.7
1966-67.....	4.125	4.0	6.2	6.0
1968-70.....	4.625	4.5	6.9	6.8
1971.....	4.325	4.8	6.9	7.2

3. Reallocation of contribution income between the trust funds

Under the bill, an additional 0.15 percent of taxable wages and 0.1125 percent of taxable self-employment income would be allocated to the disability insurance trust fund bringing the total allocation to 0.65 and 0.4875 percent, respectively. A corresponding amount would be deducted from the allocation to the old-age and survivors insurance trust fund, making a more realistic allocation to each and leaving both trust funds in an actuarially sound position.

4. Effect of financing provisions

The net effect of the bill is to improve slightly the actuarial soundness of the program.

PUBLIC ASSISTANCE

A. INCREASE IN FEDERAL MATCHING MAXIMUM

The committee added an amendment which would increase the maximum amount which will be matched by the Federal Government by \$5 a month per individual in the State public assistance programs for the aged, the blind, and the disabled. The cost of this proposal will be about \$35 million a year.

B. MENTAL AND TUBERCULOSIS EXCLUSION

An amendment was also added which removes the prohibition in the public assistance medical programs for the aged against payments to persons in mental or tuberculosis institutions.

The cost of this proposal is about \$150 million a year.

III. DISCUSSION OF PRINCIPAL PROVISIONS

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

A. FIVE-PERCENT ACROSS-THE-BOARD INCREASE IN BENEFIT PAYMENTS

The committee believes that a general increase in social security benefits is necessary at this time. Nearly 20 million people now get social security checks, and for the overwhelming majority of these people—disabled and aged retired workers, aged wives and widows, and orphaned children and their widowed mothers—the benefits are the major source of support; for a great many, they are the only source. The last general benefit increase was enacted in 1958 and was effective with benefits payable for January 1959. Since that date there have been changes in wages, prices, and other aspects of the economy.

The bill would provide for an increase of 5 percent over the benefit levels now provided on average earnings up to \$400 a month. For retired workers now on the benefit rolls, monthly payments would range from \$42 to \$133.40, as compared with \$40 to \$127 under present law, effective for payments for the second month after the month of enactment. People coming on the rolls in the future whose benefits are based on annual earnings of \$4,800 or less would get benefits 5 percent higher than they would get under present law. However, because of the increase the committee is proposing in the earnings base, people coming on the rolls in the future with benefits based on annual earnings of more than \$4,800 would of course get benefits of more than \$133.40; the ultimate maximum benefit amount, payable on average monthly earnings of \$450, would be \$143.40. Table 1 presents illustrative benefit amounts for various family groups under the bill as compared with present law.

TABLE 1.—Illustrative monthly benefits payable under present law and committee bill

Average monthly wage	Old-age benefits ¹				Survivors benefits				
	Worker		Man and wife ²		Widow aged 62, widower, or parent		Widow aged 60 ³	Widow and 2 children	
	Present law	Bill	Present law	Bill	Present law	Bill	Bill	Present law	Bill ⁴
\$67 or less.....	\$40.00	\$42.00	\$60.00	\$63.00	\$40.00	\$42.00	\$36.40	\$60.00	\$63.00
\$100.....	59.00	62.00	88.50	93.00	48.70	51.20	44.40	88.50	93.00
\$150.....	73.00	76.70	109.50	115.10	60.30	63.30	54.90	120.00	120.00
\$200.....	84.00	88.20	126.00	132.30	69.30	72.80	63.10	161.70	161.70
\$250.....	95.00	99.80	142.50	149.70	78.40	82.40	71.50	202.50	202.50
\$300.....	105.00	110.30	157.50	165.50	86.70	91.00	78.90	236.40	240.00
\$350.....	116.00	121.80	174.00	182.70	95.70	100.50	87.10	254.10	260.40
\$400.....	127.00	133.40	190.50	200.10	104.80	110.10	95.50	254.10	281.40
\$450.....	(⁵)	143.40	(⁵)	215.10	(⁵)	118.40	102.70	(⁵)	300.00

¹ Worker aged 65 or over at time of retirement, and wife aged 65 or over at the time when she comes on the rolls.

² Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as shown below.

³ Not applicable under present law.

⁴ For families on the benefit roll in the month after the month of enactment who are affected by the maximum-benefit provisions, the amounts payable under the bill would, in some cases, be somewhat higher than those shown here (namely, for the cases where the average monthly wages are \$150 through \$350)

⁵ Not applicable since maximum average monthly wage possible is \$400.

Family maximum.—Under the bill the maximum amount of benefits payable to a family would be related to the worker's average monthly earnings at the higher earnings level, as well as at the lower levels as under present law. Under present law, the \$254 maximum applies at all average monthly earnings levels above \$314; under the bill, a different family maximum amount would be provided at virtually every average monthly wage bracket in the benefit table, from a minimum of \$63 to a maximum of \$300. The maximum amount payable to a family now on the benefit rolls would be \$281.20, as compared with \$254 under present law.

B. PAYMENT OF BENEFITS TO CERTAIN AGED PERSONS

The committee recommends that special insured status provisions be adopted so that social security benefits can be provided for people who, though they worked in covered jobs, did not have the opportunity to work long enough to become insured under the program, and for the wives and widows of men in this category. About 400,000 people would become eligible immediately for social security benefits under these provisions.

The present law requires a minimum of six quarters of coverage for insured status; this has the effect of requiring that people who reached retirement age (65 for men, 62 for women) in 1954 or earlier have two quarters of coverage for each year that has elapsed after 1950 and before 1954 to be insured. The general requirement for insured status, on the other hand, is only one quarter of coverage for each elapsed year after 1950 and up to the year of death or retirement age, whichever is earlier.

Under the bill, the provision in present law under which a worker needs one quarter of coverage for each elapsed year to be fully insured would continue to be applied but with a minimum requirement as low as three quarters of coverage rather than six. Thus, a person

could be insured with three quarters of coverage if he attained retirement age in 1954, with four quarters of coverage if he attained retirement age in 1955, and with five quarters of coverage if he attained retirement age in 1956.

Benefits would be payable to workers insured under the special provision when they attain age 72, and at age 72 such workers' wives who attain age 72 before 1968.

Widow's benefits would be payable under the special provision to a widow who reached age 72 before 1968 if her husband had qualified for old-age benefits under the special provisions. Also, a widow whose husband had attained age 65 or died before 1957 without being insured could get benefits if the husband had at least one quarter of coverage for each year after 1950 and up to the year he reached age 65, or died if earlier, but not less than three quarters of coverage, and if she attained age 72 in or before 1965, or if he had four quarters of coverage and she attained age 72 in 1966, or if he had five quarters of coverage and she attained age 72 in 1967.

Under these provisions the benefit amount for a worker would be \$35 per month; for his wife, \$17.50 per month; for his widow, \$35 per month.

Benefits will be payable for and after the second month following the month of enactment.

C. PAYMENT OF CHILD'S INSURANCE BENEFITS TO CHILDREN ATTENDING SCHOOL OR COLLEGE AFTER ATTAINMENT OF AGE 18 AND UP TO AGE 22

Under present law a child beneficiary is considered dependent, and is paid benefits, until he reaches age 18, or after that age if disabled and if he was disabled before age 18. The committee believes that a child over age 18 who is attending school full time is dependent just as a child under 18 or a disabled older child is dependent, and that it is not realistic to stop such a child's benefits at age 18. A child who cannot look to a father for support (because he has died, is disabled, or is retired) is at a disadvantage in completing his education in comparison with the child who still has his father to depend on. Not only may the child be prevented from going to college by loss of parental support and loss of his benefits; he may even be prevented from finishing high school or going to a vocational school. With many employers requiring more than a high school education as a condition for employment, education beyond the high school level has become almost a necessity in preparing for work.

The committee believes it is now appropriate and desirable to provide social security benefits for children who are full-time students between the ages of 18 and 22 and most of whom will have suffered a loss of parental support. The provision would be applicable as to those students whose social security child's benefits had already terminated at age 18 as well as to those children currently on the rolls. The median age of students graduating from high school is about 18; providing benefits to age 22 would mean that generally a child's benefits could continue for the time it would take him to complete a 4-year college course.

School is defined broadly to permit payments to students taking vocational or academic courses. It includes all schools, colleges, and universities which are public or accredited. Full-time attendance at school would be determined by the Secretary of Health, Education,

and Welfare in light of the standards and practices of the school involved. Specifically excluded, however, would be an individual paid by his employer to attend school. Benefits would be paid during normal school vacation periods as well as during the school year.

The bill would not provide for the continuation of mother's benefits in such cases, unless, of course, the mother still had in her care younger children under the age of 18 who are receiving benefits. Thus, the bill would not provide for the payment of benefits to the mother whose only child is over 18 and getting benefits because he is attending school. There is less need to pay benefits to the mother in such cases, since she is not required to stay at home to care for the child as she may have been when he was younger.

An estimated 275,000 children aged 18 to 21 on the effective date of this provision are expected to claim benefits during the first year of operation. Benefit payments to these children would be about \$175 million in the first year.

D. BENEFITS FOR WIDOWS AT AGE 60

Under present law, the earliest age at which a widow can qualify for benefits based on the earnings of her deceased husband is 62. Many women are widowed years after having left the labor market to become housewives and mothers, and they lack the skills necessary to qualify for reasonably suitable employment. Women who are widowed in their late fifties and sixties are often denied employment because of their age.

The bill would provide for the payment of aged widow's benefits beginning at age 60, with the benefits actuarially reduced to take account of the longer period over which they would be paid. This provision would thus extend to these individuals a choice of retiring at any time between age 60 and 62, with a proportionately reduced benefit, or of waiting until age 62 to receive a full benefit. The amount of the reduction is sufficient to assure that over the long run there will be no additional cost to the social security system as a result of the earlier payment of the benefits. If the widow chose to get her benefits starting at age 60 her benefit would be reduced by five-ninths of 1 percent for each month in which it was paid before age 62, or, in other words, by 13½ percent. The reduced benefit at age 60 would amount to 71½ percent of the deceased husband's primary benefit (at age 62 the full benefit equals 82½ percent of the deceased husband's primary benefit).

An estimated 180,000 widows aged 60 to 61 on the effective date of this provision are expected to claim benefits during the first year of operation. Benefit payments to these widows would be about \$150 million in the first year.

E. COVERAGE EXTENSIONS AND IMPROVEMENTS

1. Coverage provisions applying to employees of States and localities

(a) *Addition of Alaska and Kentucky to the States which may provide coverage through division of retirement systems.*—Under a provision of the Social Security Act which is designed to facilitate the extension of social security coverage to members of State and local government retirement systems, 17 specified States (and all interstate instrumentalities) are permitted to divide a State or local government

retirement system into two parts for purposes of social security coverage, one part consisting of the positions of members who desire coverage, and the other consisting of the positions of members who do not desire coverage. Services performed by employees in the part consisting of the positions of members who desire coverage may then be covered under social security, and, once those services are covered, the services of all persons who in the future become members of the retirement system must also be covered. The 17 States which are now permitted to extend coverage under this provision are California, Connecticut, Florida, Georgia, Hawaii, Massachusetts, Minnesota, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, and Wisconsin. The committee's bill would add Alaska and Kentucky to this group of States.

(b) *Coverage for certain additional hospital employees in California.*—The bill would modify a provision of the Social Security Amendments of 1960 which made coverage under the social security program available to certain hospital employees in the State of California who had performed services at some time during the period from January 1, 1957, through December 31, 1959, with respect to which contributions had been erroneously paid to the Internal Revenue Service prior to July 1, 1960. The 1960 legislation provided for crediting the remuneration which had been erroneously reported during the 1957–59 period, and for covering the services performed after 1959 by the individuals for whom the erroneous reportings had been made. The committee's bill provides for covering, beginning with January 1, 1962, the services of hospital employees employed in the positions in question after 1959, and for crediting remuneration erroneously reported for them for periods prior to 1962 if contributions with respect to such remuneration have been paid before the enactment of the bill.

The individuals who would be affected by the committee's bill could not be covered under the 1960 legislation, since they were not in the group for which erroneous reports had been filed during the 1957 through 1959 period. And, like the employees to whom the 1960 legislation applied, they cannot be covered under the generally applicable provisions of the Social Security Act providing coverage for employees of States and localities.

Generally speaking, the Social Security Act does not permit States to bring under social security coverage persons whom the States have removed from coverage under a State and local retirement system. The positions of the employees in question were removed from coverage under the California State employees retirement system effective July 1, 1957, without awareness that this section established a bar to future social security coverage. This misunderstanding led to the erroneous reports, and created the need for the 1960 amendment.

The employees to whom the bill is directed have the same need for coverage as those to whom the 1960 legislation applied, and are barred from coverage under the general provisions of law in the same way as were the employees covered by the 1960 legislation. The committee believes that they should be given the same opportunity to obtain protection under the social security program as was given in 1960 to hospital employees in a similar situation.

(c) *Facilitating coverage under the provision for division of State and local government retirement systems.*—The bill would provide a further opportunity for election of social security coverage by employees of

States and localities who did not elect coverage when they previously had the opportunity to do so under the provision permitting specified States to cover only those members of a retirement system who desire coverage. Under the present provision, the specified States may, during the 2-year period after coverage of a group is approved, cover additional employees who request coverage. (However, employees hired after coverage of the group is originally approved are covered on a compulsory basis.) The bill would reopen, or hold open through December 31, 1965, the opportunity for election of coverage by those employees who had not elected coverage before the expiration of the 2-year period following approval of the coverage of their group.

The committee recognizes that employees who initially failed to elect coverage under the divided retirement system provision were provided two subsequent opportunities for election of coverage under amendments made to the Social Security Act in 1958 and 1961. Although in general it is important that the time limits for electing coverage be maintained and that it be known they will be maintained, this situation involves special circumstances which seem to the committee to justify providing one additional opportunity. The committee believes, however, that in the future there should be no further reopening of the opportunity for electing coverage under the divided retirement system provisions beyond that which would be provided under this bill. We urge that those now contemplating participation in the program take timely action to exercise their choice.

The social security coverage of employees obtaining coverage as a result of the further opportunity provided by the proposed amendment would be required to begin on the same date as was provided when their group was originally covered. Thus, the employees electing coverage as a result of this amendment would have no choice as to the beginning date for their coverage.

2. Computation of self-employment income from agriculture

Under present law, persons with net earnings from [farm self-employment have the following option in reporting for social security purposes: (a) If annual gross income from agricultural self-employment is not over \$1,800, either actual net earnings or 66% percent of gross income may be reported; (b) if gross income from agricultural self-employment is over \$1,800 and net earnings are less than \$1,200, either net earnings or \$1,200 (two-thirds of \$1,800) may be reported; and (c) if the annual gross income is more than \$1,800 and net earnings are \$1,200 or more, actual net earnings must be reported.

The bill approved by the committee would retain the present option in the reporting of farm self-employment income but would **raise** the level of income which may be reported under the gross income option by increasing the \$1,800 figure to \$2,400 and the \$1,200 figure to \$1,600.

Thus, persons with agricultural self-employment would be permitted to use the following option in reporting their earnings from agricultural self-employment for social security purposes: (a) if annual gross income from agricultural self-employment is not over \$2,400, either actual net earnings or 66% percent of gross income may be reported; (b) if gross income from agricultural self-employment is over \$2,400 and actual net earnings are less than \$1,600, either actual net earnings or \$1,600 may be reported; and (c) if gross earnings are

more than \$2,400 and net earnings are more than \$1,600, the actual net earnings must be reported.

F. AUTOMATIC RECOMPUTATION OF BENEFITS

Under the bill, provision is made for automatic annual recomputation of benefits to take account of earnings a beneficiary may have after he comes on the rolls that would increase his benefit amount. Under present law, benefit recomputations to take account of additional earnings generally are available only on application by the individual and can be made only if the individual had covered earnings of more than \$1,200 in a calendar year after he became entitled to benefits.

Experience has shown that a large number of people who are eligible for benefit recomputations to take account of additional earnings, and who will profit from such recomputations, fail to apply for them. Automatic recomputation would assure the beneficiary that he will get credit for any earnings that would increase his benefit amount. With the improved electronic equipment that is now used to compute benefit amounts, the committee has been advised that it is both feasible and administratively advantageous to handle these recomputations on an automatic basis.

An additional effect of the change would be to assure that no one would be disadvantaged by applying for benefits at age 65 instead of waiting until a somewhat later age. Under present law this is not so, since in some few cases a larger benefit is payable to a worker who delays the filing of his application than would be paid if he applied at age 65. People therefore, in certain situations, do not know whether to apply for benefits or to defer filing. Sometimes they do apply and it turns out to have been disadvantageous. If it were possible to assure everyone that he could not lose by applying at 65, serious administrative problems would be avoided. This will be accomplished by this provision.

G. EXTENSION OF PERIOD FOR FILING PROOF OF SUPPORT AND APPLICATIONS FOR LUMP-SUM DEATH PAYMENT

The law requires that for benefits for dependent husbands, widowers, and parents or for lump-sum death benefits, proof of support must be filed 2 years after application for benefits, or death, whichever is appropriate. In 1956, an amendment to the Social Security Act extended the time for filing proof of support for an additional 2-year period or until August 31, 1958, whichever was later, upon a showing that good cause existed for failure to file within the initial 2-year period. Many instances have arisen, however, where there has been failure to file within the existing time limitation. Temporary legislation has been enacted in the past to allow additional periods for filing, and a number of private bills have been proposed and some enacted to remedy inequities as to specific individuals. Believing that it is more desirable to provide for these situations by a provision of general law, the committee has included an amendment under which, if it is shown to the satisfaction of the Secretary of Health, Education, and Welfare that there was good cause for failure to file within the initial 2-year period, an applicant would be allowed to file proof of support at

any time. The determination of what constitutes good cause shall be made according to regulations of the Secretary.

H. AMENDMENT PRESERVING RELATIONSHIP BETWEEN THE RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEMS

As has been done in previous old-age, survivors, and disability insurance amendments, section 1(q) of the Railroad Retirement Act is amended so that the social security benefit increases in the committee bill will be reflected in the so-called social security minimum provision of that act. The social security minimum provides that railroad retirement benefits shall in no case be less than 110 percent of the social security benefit (or additional benefit) if the railroad earnings had been covered earnings under the Social Security Act. About 90 percent of the survivor benefits under the Railroad Retirement Act and about 15 percent of the benefits payable during the lifetime of an employee are paid under this minimum guarantee provision.

The committee bill also provides for the payment of a railroad retirement child's benefit as to children over age 17 but less than 22 who are full-time students in schools or colleges. The language parallels the provision in the committee bill for the child's benefit under the social security system.

To finance these provisions, the committee has struck the provision in the House bill which would have amended the Railroad Retirement Tax Act so as to prohibit the automatic adjustments in its tax rate because of changes in the social security tax rate. The additional revenue from this source, plus transfers from the social security trust funds under the financial interchange provisions, provide all but \$6.4 million of the annual cost of these changes.

The chairman of the Committee on Labor and Public Welfare and the chairman of its Subcommittee on Railroad Retirement have urged the committee to incorporate these amendments into the present bill. A majority of the Railroad Retirement Board also favors this change.

I. INTERRELATIONSHIP BETWEEN VETERANS BENEFITS AND INCREASED SOCIAL SECURITY BENEFITS

It has been brought to the committee's attention that the present bill may have the unintended result of reducing or eliminating non-service-connected pensions of certain veterans or their widows because of the receipt of increased social security benefits. To prevent this, the committee amendment amends the appropriate provisions of the veterans' law to exempt from its annual income test the amount of social security increase resulting from this bill.

J. FINANCING PROVISIONS

1. *Increase in earnings base*

The committee bill raises the limitation on the annual amount of a worker's earnings that is counted toward benefits and subject to tax for the support of the program—generally referred to as the earnings base—to \$5,400 beginning with 1965.

Congress has increased the earnings base from time to time in the past so as to provide benefits that are reasonably related to the earn-

ings of covered workers. The last increase in the earnings base, to \$4,800, was enacted in 1958 and was effective starting with 1959. If a \$4,800 earnings base had been in effect in 1958, about 76 percent of all workers and 55 percent of regularly employed men would have had all of their earnings taxed and credited toward benefits, and about 82 percent of all earnings in covered work would have been taxed for the support of the program. If the \$5,400 earnings base the committee is recommending were effective this year, about 73 percent of all workers and 48 percent of regularly employed men would have had all of their earnings taxed and credited toward benefits, and about 78 percent of all earnings in covered work would have been taxed for the support of the program. If the earnings base is not increased as wages rise, the wage-related character of the system will be weakened and eventually lost.

2. Reallocation of contribution income between the trust funds

Because disability insurance termination rates due to death and recovery have been lower than anticipated, with the result that costs of the disability insurance part of the program have somewhat exceeded expectations, the committee has increased the contribution income allocated to the disability insurance trust fund. Under the bill, 0.15 percent of taxable wages and 0.1125 percent of taxable self-employment income that is allocated to the old-age and survivors insurance trust fund under present law would be allocated instead to the disability insurance trust fund. This will bring the total allocation to the disability insurance trust fund, for years beginning after 1964, to 0.65 percent of taxable wages and 0.4875 percent of taxable self-employment income. Such a reallocation of contribution income between the two parts of the program will not affect the overall actuarial balance of the program; rather, it will provide a more reasonable distribution of contribution income between the two parts of the program, and puts each trust fund within the accepted limit of actuarial soundness.

3. Changes in contribution rate

(a) *OASDI program.*—It is essential that the old-age, survivors, and disability insurance program remain soundly financed. The Congress has established the policy that the contribution income from the tax schedule in the law should make the system fully self-supporting and keep it actuarially sound. Consistent with this policy, the bill makes provision for meeting the cost of the improvements by changing the schedule of contribution rates as well as by increasing the annual earnings base from \$4,800 to \$5,400, beginning January 1, 1965.

The increase in the level-cost of the program resulting from the benefit changes provided in the bill is estimated at about 0.5 percent of payroll. Since the level equivalent of the additional income to the trust funds provided by the increase in the contribution rates and in the earnings base is estimated to be slightly larger than the cost of the additional benefits, the bill improves the actuarial balance of the entire program. As indicated above, the allocation of the tax rate as between the old-age and survivors insurance trust fund and the disability insurance trust fund has been revised, so that the latter receives 0.65 percent of taxable payroll with respect to the combined employer-employee rate (and a corresponding amount from the self-

employed rate), instead of 0.50 percent as under present law. As a result, each part of the system is in approximate actuarial balance.

The present and proposed schedules are as follows:

Contribution rates

[In percent]

Calendar year	Employer and employee, each		Self-employed	
	Present law	Proposal	Present law	Proposal
1965.....	3 $\frac{1}{2}$ %	3.8	5.4	5.7
1966-67, inclusive.....	4 $\frac{1}{8}$ %	4.0	6.2	6.0
1968-70, inclusive.....	4 $\frac{5}{8}$ %	4.5	6.9	6.8
1971 and after.....	4 $\frac{5}{8}$ %	4.8	6.9	7.2

4. Actuarial status of the trust funds

The overall effect of the bill, considering both the additional benefits provided and the additional financing provisions, is to improve the actuarial balance of the program. Because the additional financing provided is more than adequate to pay for the benefits included in the bill, the estimated actuarial deficit of 0.24 percent of taxable payroll for the present program would be reduced to 0.22 percent. As a result of the reallocation of the contribution income, the disability insurance system is in almost exact actuarial balance while the old-age and survivors insurance program is well within acceptable limits.

The changes in the actuarial balance of the program are shown in table 2.

TABLE 2.—Changes in actuarial balance, expressed in terms of estimated level-cost as percentage of taxable payroll, by type of change, intermediate-cost estimate, present law, and committee bill, based on 3.5 percent interest

[In percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present system.....	-0.10	-0.14	-0.24
Earnings base of \$5,400.....	+0.23	+0.02	+0.25
Revised contribution schedule.....	+0.15	+0.15	+0.30
5-percent increase in benefits ¹	-0.39	-0.03	-0.42
Child's benefits to age 22 if in school.....	-0.09	-0.01	-0.10
Actuarially reduced benefits for widows at age 60.....	-----	-----	-----
Liberalized insured status for persons aged 72 and over.....	-0.01	-----	-0.01
Total effect of changes in bill.....	-0.11	+0.13	+0.02
Actuarial balance under bill.....	-0.21	-0.01	-0.22

¹ This increase applies only on the 1st \$400 of average monthly wage. The same benefit factor as in present law applies for that portion of the average monthly wage above \$400.

PUBLIC ASSISTANCE

A. INCREASE IN FEDERAL MATCHING MAXIMUM FOR NEEDY AGED, BLIND, AND DISABLED

The committee bill would increase the maximum amount which will be matched by the Federal Government by \$5 per month per individual in the State public assistance programs for the aged, the blind, and the disabled. The bill increases the matching maximum from \$70 to \$75 a month for the needy blind and disabled and an

equivalent amount for old-age assistance where a special provision of \$15 of medical matching in existing law brings the maximum to \$90 a month.

This is a modest adjustment which will enable States to provide more adequate payments to the needy and still enjoy Federal participation as to all or nearly all of their expenditures for this purpose. The committee hopes this will be an incentive to States to make increases in their payments to the needy to reflect their present needs.

The cost of this proposal will be about \$35 million a year.

B. REMOVAL OF THE PROHIBITION IN THE PUBLIC ASSISTANCE MEDICAL PROGRAMS FOR THE AGED AGAINST PAYMENTS TO PERSONS IN MENTAL OR TUBERCULOSIS INSTITUTIONS

The committee believes that the historical exclusion of Federal matching as to these two specific types of medical institutions and the patients in them is no longer warranted. The existing discrimination against aged persons with these diseases seems out of spirit with other recent Federal legislative action in this area. The committee earnestly believes, however, that this additional financing should provide better care for afflicted individuals, rather than serve as a replacement for State funds now being expended for this purpose.

The cost of this proposal is estimated at about \$150 million a year

IV. ACTUARIAL COST ESTIMATES FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM

A. FINANCING POLICY

1. *Self-supporting nature of system*

The Congress has always carefully considered the cost aspects of the old-age, survivors, and disability insurance system when amendments to the program have been made. In connection with the 1950 amendments, the Congress stated the belief that the program should be completely self-supporting from the contributions of covered individuals and employers. Accordingly, in that legislation the provision permitting appropriations to the system from general revenues of the Treasury was repealed. This policy has been continued in subsequent amendments. The Congress has always very strongly believed that the tax schedule in the law should make the system self-supporting as nearly as can be foreseen and, therefore, actuarially sound.

2. *Actuarial soundness of system*

The concept of actuarial soundness as it applies to the old-age, survivors, and disability insurance system differs considerably from this concept as it applies to private insurance and private pension plans, although there are certain points of similarity with the latter. In connection with individual insurance, the insurance company or other administering institution must have sufficient funds on hand so that if operations are terminated, it will be in a position to pay off all the accrued liabilities. This, however, is not a necessary basis for a national compulsory social insurance system and, moreover, is not always the case for well-administered private pension plans, which may not have funded all the liability for prior service benefits.

It can reasonably be presumed that, under Government auspices, such a social insurance system will continue indefinitely into the future. The test of financial soundness, then, is not a question of whether there are sufficient funds on hand to pay off all accrued liabilities. Rather, the test is whether the expected future income from tax contributions and from interest on invested assets will be sufficient to meet anticipated expenditures for benefits and administrative costs. Thus, the concept of "unfunded accrued liability" does not by any means have the same significance for a social insurance system as it does for a plan established under private insurance principles, and it is quite proper to count both on receiving contributions from new entrants to the system in the future and on paying benefits to this group. These additional assets and liabilities must be considered in order to determine whether the system is in actuarial balance.

Accordingly, it may be said that the old-age, survivors, and disability insurance program is actuarially sound if it is in actuarial balance. This will be the case if the estimated future income from contributions and from interest earnings on the accumulated trust fund investments will, over the long run, support the disbursements for benefits and administrative expenses. Obviously, future experience may be expected to vary from the actuarial cost estimates made now. Nonetheless, the intent that the system be self-supporting (or actuarially sound) can be expressed in law by utilizing a contribution schedule that, according to the intermediate-cost estimate, results in the system being in balance or substantially close thereto.

The committee believes that it is a matter for concern if either portion of the old-age, survivors, and disability insurance system shows any significant actuarial insufficiency. Traditionally, the view has been held that for the old-age and survivors insurance portion of the program, if such actuarial insufficiency has been no greater than 0.25 percent of payroll, it is at the point where it is within the limits of permissible variation. The corresponding point for the disability insurance portion of the system is about 0.05 percent of payroll (lower because of the relatively smaller financial magnitude of this program). Furthermore, traditionally when there has been an actuarial insufficiency exceeding the limits indicated, any subsequent liberalizations in benefit provisions were fully financed by appropriate changes in the tax schedule or through raising the earnings base, and at the same time the actuarial status of the program was improved. The changes provided in the bill are in conformity with these principles.

B. ACTUARIAL BALANCE OF PROGRAM IN PAST YEARS

1. Status after enactment of 1952 act

The actuarial balance under the 1952 act¹ 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, as shown in table A. This was the case because the estimates for the 1952 act took into consideration the rise in earnings levels in the 3 years preceding the enactment of that act. This factor virtually offset the increased cost due to the benefit liberalizations made. New cost estimates made 2 years after the enactment of the 1952 act indicated that the level-cost (i.e., the average long-range cost, based on discounting at interest, relative

¹ The term "1952 act" (and similar terms) is used to designate the system as it existed after the enactment of the amendments of that year.

to taxable payroll) of the benefit disbursements and administrative expenses was somewhat more than 0.5 percent of payroll higher than the level equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

TABLE A.—Actuarial balance of OASDI program under various acts for various estimates, intermediate-cost basis

[In percent]

Legislation	Date of estimate	Level-equivalent ¹		
		Benefit costs ²	Contributions	Actuarial balance ³
Old-age, survivors, and disability insurance ⁴				
1935 act.....	1935	5.36	5.36	-----
1939 act.....	1939	5.22	5.30	+0.08
1939 act (as amended in the 1940's ⁵).....	1950	4.45	3.98	-.47
1950 act.....	1950	6.20	6.10	-.10
1950 act.....	1952	5.49	5.90	+ .41
1952 act.....	1952	6.00	6.00	-.10
1952 act.....	1954	6.62	6.05	-.57
1954 act.....	1954	7.50	7.12	-.38
1954 act.....	1956	7.45	7.20	-.16
1956 act.....	1956	7.85	7.72	-.13
1956 act.....	1958	8.25	7.83	-.42
1958 act.....	1958	8.76	8.52	-.24
1958 act.....	1960	8.73	8.08	-.05
1960 act.....	1960	8.98	8.68	-.30
1961 act.....	1961	9.35	9.05	-.30
1961 act.....	1963	9.33	9.02	-.31
1961 act.....	1964	9.36	9.12	-.24
1964 bill (House).....	1964	9.61	9.41	-.20
1964 bill (Senate committee).....	1964	9.63	9.41	-.22
Old-age and survivors insurance ⁴				
1956 act.....	1956	7.43	7.23	-0.20
1956 act.....	1958	7.90	7.33	-.57
1958 act.....	1958	8.27	8.02	-.25
1958 act.....	1960	8.38	8.18	-.20
1960 act.....	1960	8.42	8.18	-.24
1961 act.....	1961	8.70	8.55	-.15
1961 act.....	1963	8.69	8.52	-.17
1961 act.....	1964	8.72	8.62	-.10
1964 bill (House).....	1964	8.95	8.76	-.19
1964 bill (Senate committee).....	1964	8.97	8.76	-.21
Disability insurance ⁴				
1950 act.....	1950	0.42	0.49	+0.07
1950 act.....	1958	.35	.50	+ .15
1958 act.....	1958	.49	.50	+ .01
1958 act.....	1960	.35	.50	+ .15
1960 act.....	1960	.56	.50	-.06
1961 act.....	1961	.56	.50	-.06
1961 act.....	1963	.64	.50	-.14
1961 act.....	1964	.64	.50	-.14
1964 bill (House).....	1964	.66	.65	-.01
1964 bill (Senate committee).....	1964	.66	.65	-.01

¹ Expressed as a percentage of effective taxable payroll, including adjustment to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate.

² Including adjustments (a) to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate, (b) for the interest earnings on the existing trust fund, (c) for administrative expense costs, and (d) for the net cost of the financial interchange provisions with the railroad retirement system.

³ A negative figure indicates the extent of lack of actuarial balance. A positive figure indicates more than sufficient financing, according to the particular estimate.

⁴ The disability insurance program was inaugurated in the 1950 act so that all figures for previous legislation are for the old-age and survivors insurance program only.

⁵ The major changes being in the revision of the contribution schedule; as of the beginning of 1950, the ultimate combined employer-employee rate scheduled was only 4 percent.

NOTE.—The figures for the 1950 act and for the 1952 act according to the 1952 estimates have been revised as compared with those presented previously, so as to place them on a comparable basis with the later figures.

2. Status after enactment of 1954 act

Under the 1954 act, the increase in the contribution schedule met all the additional cost of the benefit changes made then and at the same time reduced substantially the actuarial insufficiency that the then-current estimates had indicated in regard to the financing of the 1952 act.

3. Status after enactment of 1956 act

The estimates for the 1954 act were revised in 1956 to take into account the rise in the earnings level that had occurred since 1951-52, the period that had been used for the earnings assumptions for the estimates made in 1954. Taking this factor into account reduced the lack of actuarial balance under the 1954 act to the point where, for all practical purposes, it was nonexistent. The benefit changes made by the 1956 amendments were fully financed by the increased contribution income provided. Accordingly, the actuarial balance of the system was unaffected.

Following the enactment of the 1956 legislation, new cost estimates were made to take into account the developing experience; also, certain modified assumptions were made as to anticipated future trends. In 1956-57, there were very considerable numbers of retirements from among the groups newly covered by the 1954 and 1956 amendments, so that benefit expenditures ran considerably higher than had previously been estimated. Moreover, the analyzed experience for the recent years of operation indicated that retirement rates had risen or, in other words, that the average retirement age had dropped significantly. This may have been due, in large part, to the liberalizations of the retirement test that had been made in recent years—so that aged persons are better able to effectuate a smoother transition from full employment to full retirement. The cost estimates made in early 1958 indicated that the program was out of actuarial balance by somewhat more than 0.4 percent of payroll.

4. Status after enactment of 1958 act

The 1958 amendments recognized this situation and provided additional financing for the program—both to reduce the lack of actuarial balance and also to finance certain benefit liberalizations made. In fact, one of the stated purposes of the legislation was “to improve the actuarial status of the trust funds.” This was accomplished by introducing an immediate increase (in 1959) in the combined employer-employee contribution rate, amounting to 0.5 percent, and by advancing the subsequently scheduled increases so that they would occur at 3-year intervals (beginning in 1960) instead of at 5-year intervals.

The revised cost estimates made in 1958 for the disability insurance program contained certain modified assumptions that recognized the emerging experience under the new program. As a result, the moderate actuarial surplus originally estimated was increased somewhat, and most of this was used in the 1958 amendments to finance certain benefit liberalizations, such as inclusion of supplemental benefits for certain dependents and modification of the insured status requirements.

5. Status after enactment of 1960 act

At the beginning of 1960, the cost estimates for the old-age, survivors, and disability insurance system were reexamined and were

modified in certain respects. The earnings assumption had previously been based on the 1956 level, and this was changed to reflect the 1959 level. Also, data first became available on the detailed operations of the disability provisions for 1956, which was the first full year of operation that did not involve picking up "backlog" cases. It was found that the number of persons who meet the insured status conditions to be eligible for these benefits had been significantly overestimated. It was also found that the disability incidence experience for eligible women was considerably lower than had been originally estimated, although the experience for men was very close to the intermediate estimate. Accordingly, revised assumptions were made in regard to the disability insurance portion of the program. As a result, the changes made by the 1960 amendments could according to the revised estimates, be made without modifying the financing provisions.

6. Status after enactment of 1961 act

The changes made by the 1961 amendments involved an increased cost that was fully met by the changes in the financing provisions (namely, an increase in the combined employer-employee contribution rate of one-fourth of 1 percent, a corresponding change in the rate for the self-employed, and an advance in the year when the ultimate rates would be effective—from 1969 to 1968). As a result, the actuarial balance of the program remained unchanged.

Subsequent to 1961, the cost estimates were further reexamined in the light of developing experience. The earnings assumption was changed to reflect the 1963 level, and the interest-rate assumption used was modified upward to reflect recent experience. At the same time, the retirement-rate assumptions were increased somewhat to reflect the experience in respect to this factor. The further developing disability experience indicated that costs for this portion of the program were significantly higher than previously estimated (because benefits are not being terminated by death or recovery as rapidly as had been originally assumed). Accordingly, the actuarial balance of the disability insurance program was shown to be in an unsatisfactory position, and this has been recognized by the Board of Trustees, who recommended that the allocation to this trust fund should be increased (while, at the same time, correspondingly decreasing the allocation to the old-age and survivors insurance trust fund, which under present law is estimated to be in satisfactory actuarial balance even after such a reallocation).

C. BASIC ASSUMPTIONS FOR COST ESTIMATES

1. General basis for long-range cost estimates

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

The long-range cost estimates (shown for 1975 and thereafter) are presented on a range basis so as to indicate the plausible variation in future costs depending upon the actual trends developing for the various cost factors. Both the low- 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 1963. In addition to the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low- and high-cost estimates (by averaging their components) are shown so as to indicate the basis for the financing provisions.

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. As a result, there will be a dip in the relative proportion of the aged from 1995 to about 2010, which would tend to result in low benefit costs for the old-age, survivors, and disability insurance system during that period. Accordingly, the year 2000 is by no means a typical ultimate year insofar as costs are concerned.

2. Measurement of costs in relation to taxable payroll

In general, the costs are shown as percentages of covered payroll. This is the best measure of the financial cost of the program. Dollar figures taken alone are misleading. For example, a higher earnings level will increase not only the outgo of the system but also, and to a greater extent, its income. The result is that the cost relative to payroll will decrease. In fact, if the level of earnings that will apparently occur in 1964 (according to the experience of the first few months) were utilized, the lack of actuarial balance of the entire program would be reduced from the figure of 0.20 percent of taxable payroll shown in table A to about 0.13 percent.

3. General basis for short-range cost estimates

The short-range cost estimates (shown for the individual years 1965-72) are not presented on a range basis since—assuming a continuation of present economic conditions—it is believed that the demographic factors involved can be reasonably closely forecast, so that only a single estimate is necessary. A gradual rise in the earnings level in the future, paralleling that which has occurred in the past few years, is assumed. As a result of this assumption, contribution income is somewhat higher than if level earnings were assumed, while benefit outgo is only slightly affected.

The cost estimates have been prepared on the basis of the same assumptions and methodology as those contained in the 24th Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (H. Doc. No. 236, 88th Cong.).

4. Level-cost concept

An important measure of long-range cost is the level-equivalent 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. If such a level rate were adopted, relatively large accumulations in the old-age and survivors insurance 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 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 heavy deferred benefit costs.

5. Future earnings assumptions

The long-range 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 are assumed to rise steadily as the population at the working ages is estimated to increase. If in the future the earnings level should be considerably above that which now prevails, and if the benefits are adjusted upward so that the annual costs relative to payroll will remain the same as now estimated for the present system, 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 long-range 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.

It is important to note that the possibility that a rise in earnings levels will produce lower costs of the program in relation to payroll is a very important safety factor in the financial operations of the system. The financing of the system is based essentially on the intermediate-cost estimate, along with the assumption of level earnings; if experience follows the high-cost assumptions, additional financing will be necessary. However, if covered earnings increase in the future as in the past, the resulting reduction in the cost of the program (expressed as a percentage of taxable payroll) will more than offset the higher cost arising under experience following the high-cost estimate. If the latter condition prevails, the reduction in the relative cost of the program coming from rising earnings levels can be used to maintain the actuarial soundness of the system, and any remaining savings can be used to adjust benefits upward (to a lesser degree than the increase in the earnings level). The possibility of future increases in earnings levels should be considered only as a safety factor and not as a justification for adjusting benefits upward in anticipation of such increases.

If benefits are adjusted currently to keep pace with rising earnings trends as they occur, the year-by-year costs as a percentage of payroll would be unaffected. If benefits are increased in this manner, the level-cost of the program would be higher than now estimated, since, under such circumstances, the relative importance of the interest receipts of the trust funds would gradually diminish with the passage of time. If earnings and benefit levels do consistently rise, thorough consideration will need to be given to the financing basis of the system because then the interest receipts of the trust funds will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

6. Interrelationship with railroad retirement system

An important element affecting old-age, survivors, and disability insurance costs arose through amendments made to the Railroad

Retirement Act in 1951. These provide for a combination of railroad retirement compensation and old-age, survivors, and disability insurance covered earnings in determining benefits for those with less than 10 years of railroad service (and also for all survivor cases).

Financial interchange provisions are established so that the old-age and survivors insurance trust fund and the disability insurance trust fund are to be placed in the same financial position in which they would have been if railroad employment had always been covered under the program. It is estimated that over the long range the net effect of these provisions will be a relatively small loss to the old-age, survivors, and disability insurance system since the reimbursements from the railroad retirement system will be somewhat smaller than the net additional benefits paid on the basis of railroad earnings.

7. Reimbursement for costs of military service wage credits

Another important element affecting the financing of the program arose through legislation in 1956 that provided for reimbursement from general revenues for past and future expenditures in respect to the noncontributory credits that had been granted for persons in military service before 1957. The cost estimates contained here reflect the effect of these reimbursements (which are included as contributions), based on the assumption that the required appropriations will be made in the future.

8. Inclusion of cost effects of H.R. 9393

The cost estimates presented here include not only the effect of this bill, but also the effect of the provisions of H.R. 9393, on which the committee has also reported favorably. The major cost effect of this bill is to provide full retroactivity for disability determinations, which is only of short-range cost effect—with respect to the existing backlog.

D. INTERMEDIATE-COST ESTIMATES

1. Purposes of intermediate-cost estimates

The long-range intermediate-cost estimates are developed from the low- and high-cost estimates by averaging them (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). The intermediate-cost estimate does not represent the most probable estimate, since it is impossible to develop any such figures. Rather, it has been set down as a convenient and readily available single set of figures to use for comparative purposes.

The Congress, in enacting the 1950 act and subsequent legislation, was of the belief that the old-age, survivors, and disability insurance program should be on a completely self-supporting basis or, in other words, actuarially sound. Therefore, a single estimate is necessary in the development of a tax schedule intended to make the system self-supporting. 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.

2. Contribution rate schedule in bill

The contribution schedule contained in the committee bill is higher than that under present law by 0.35 percent in the combined employer-employee rate in 1965, is lower by 0.25 percent in 1966-70, and is higher by 0.35 percent in 1971 and thereafter. The maximum earnings base to which these tax rates are applied is \$5,400 per year under the committee bill as compared with \$4,800 under present law. These tax schedules are as follows:

[In percent]

Calendar year	Present law		Committee bill	
	Employee rate (same for employer)	Self-employed rate	Employee rate (same for employer)	Self-employed rate
1965.....	3.025	5.4	3.8	5.7
1966-67.....	4.125	6.2	4.0	6.0
1968-70.....	4.025	6.9	4.5	6.8
1971 and after.....	4.025	6.9	4.8	7.2

3. Interest rate used in cost estimates

The interest rate used for computing the level-costs for the committee bill is 3½ percent for the intermediate-cost estimate. This is somewhat above the average yield of the investments of the trust funds at the end of 1963 (about 3.0 percent), but is below the rate currently being obtained for new investments (about 4¼ percent).

4. Actuarial balance of OASDI system

Table A has shown that under the 1961 amendments the lack of actuarial balance of the old-age and survivors insurance system that was estimated at the time of enactment was 0.24 percent of taxable payroll. The disability insurance system similarly had a lack of actuarial balance of 0.06 percent of payroll. The effect of these amendments on the combined old-age, survivors, and disability insurance system was an actuarial deficit of 0.30 percent of taxable payroll, which is within the margin of variation possible in the actuarial cost estimates, and which was about the same as had generally prevailed in the past when the system has been considered to be in substantial actuarial balance. The latest cost estimates made for the 1961 act indicate that there is an actuarial deficit of 0.24 percent of taxable payroll for the combined system, but that this deficit is 0.14 percent for the disability insurance portion, and 0.10 percent for the old-age and survivors insurance portion.

Under the committee bill the benefit changes proposed would, it is estimated, be more than financed by the increases in the contribution rates and the earnings base. Accordingly, the previous lack of actuarial balance is significantly reduced. The level-cost of the benefits and the level-equivalent of the contributions are somewhat higher than in respect to the 1961 act according to the estimate made when it was enacted, not only because of the provisions of the bill, but also because of the valuation date being 2 years later (beginning of 1964, instead of beginning of 1962); but the relative relationship of benefits and contributions is about the same.

Table B traces through the change in the actuarial balance of the system from its situation under the 1961 act, according to the latest

estimate, to that under the committee bill, by type of major changes involved.

TABLE B.—Changes in actuarial balance, expressed in terms of estimated level-cost as percentage of taxable payroll, by type of change, intermediate-cost estimate, present law and committee bill, based on 3.5 percent interest

[In percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present system.....	-0.10	-0.14	-0.24
Earnings base of \$5,400.....	+ .23	+ .02	+ .25
Revised contribution schedule.....	+ .15	+ .15	+ .30
5-percent increase in benefits ¹	- .39	- .03	- .42
Child's benefits to age 22 if in school.....	- .09	- .01	- .10
Actuarially reduced benefits for widows at age 60.....			
Transitional insured status for certain persons aged 72 and over.....	- .01		- .01
Total effect of changes in bill.....	- .11	+ .13	+ .02
Actuarial balance under bill.....	- .21	- .01	- .22

¹ This increase applies only on the 1st \$400 of average monthly wage. The same benefit factor underlying present law for average monthly wages in excess of \$110 applies for that portion of the average monthly wage above \$400.

The changes made by the committee bill would improve the actuarial position of the old-age, survivors, and disability insurance system. The estimated actuarial deficit of 0.24 percent of taxable payroll for the present system would be reduced to 0.22 percent, which is well below the amounts that had generally prevailed in the past when the system had been considered to be substantially in actuarial balance. The reduction in the actuarial deficit would have been slightly larger under the House-approved bill to (0.20 percent of taxable payroll—due to the savings to the system resulting from the provisions that would have extended coverage to doctors of medicine and to tips, which were deleted by the committee). Moreover, the disability insurance system—as a result of the reallocation of the contribution income, described previously, more than offsetting the effects of the benefit liberalizations—is shown to be in almost exact actuarial balance, while the corresponding figure for the old-age and survivors insurance system is well within acceptable limits.

It should be emphasized that in 1950 and in subsequent amendments, the Congress did not recommend that the system be financed by a high-level tax rate in the future, but rather recommended an increasing schedule, which, of necessity, ultimately rises higher than such a level 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 an equivalent level tax rate. This fund will be invested in Government securities (just as is also the case for the trust funds of the civil service retirement, railroad retirement, national service life insurance, and U.S. Government life insurance systems). The resulting interest income will help to bear part of the higher benefit costs of the future.

5. Level-costs of benefits, by type

The level-cost of the old-age and survivors insurance benefits (without considering administrative expenses and the effect of interest earnings on the existing trust fund) under the 1961 act, according to the latest intermediate-cost estimate, was about 8.7 percent of payroll,

and the corresponding figure for the program as it would be modified by the committee bill is about 9.0 percent. The corresponding figures for the disability benefits are about 0.65 percent for both the 1961 act and after taking into account the committee bill.

Table C presents the benefit costs for the system as it would be after enactment of the committee bill, separately for each of the various types of benefits.

TABLE C.—*Estimated level-cost of benefit payments, administrative expenses, and interest earnings on existing trust fund after enactment of committee bill as percentage of taxable payroll,¹ by type of benefit, intermediate-cost estimate at 3.5 percent interest*

[In percent]

Item	Old-age and survivors insurance	Disability insurance
Primary benefits.....	6.35	0.54
Wife's benefits.....	.52	.03
Widow's benefits.....	1.14	(²)
Parent's benefits.....	.01	(²)
Child's benefits.....	.68	.08
Mother's benefits.....	.16	(²)
Lump-sum death payments.....	.11	(²)
Total benefits.....	8.96	.65
Administrative expenses.....	.14	.03
Railroad retirement financial interchange.....	.04
Interest on existing trust fund ³	-.17	-.02
Net total level-cost.....	8.97	.60

¹ Including adjustment to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate.

² This type of benefit is not payable under this program.

³ This item is taken as an offset to the benefit and administrative expense costs.

The level contribution rate equivalent to the graded schedules in the law may be computed in the same manner as level-costs of benefits. These are shown in table A, as are also figures for the net actuarial balances.

6. OASI income and outgo in near future

Under the committee bill, old-age and survivors insurance benefit disbursements for the calendar year 1964 will be increased by about \$120 million, since the effective dates for the increased benefits are either the first or second months after the month of enactment. There will, of course, be no additional income during 1964, since the contribution rate increase and the change in the earnings base are effective on January 1, 1965.

In calendar year 1964, benefit disbursements under the old-age and survivors insurance system as modified by the committee bill will total about \$15.1 billion. At the same time, contribution income for old-age and survivors insurance in 1964 will amount to about \$15.3 billion under the committee bill, the same as under present law. Thus, contribution income under the committee bill is estimated to exceed benefit outgo by about \$200 million, whereas under present law the corresponding figure is \$300 million. The size of the old-age and survivors insurance trust fund under the committee bill will, on the basis of this estimate, remain virtually unchanged in 1964 (interest receipts are somewhat less than the outgo for administrative expenses and for transfers to the railroad retirement account); under present law, it is estimated that this trust fund would

increase by about \$135 million as between the beginning and the end of 1964.

In 1965, benefit disbursements under the old-age and survivors insurance system as it would be modified by the committee bill will be about \$17.1 billion, or an increase of about \$1.4 billion over present law. Contribution income for old-age and survivors insurance under the committee bill for 1965 will be \$17.0 billion, an increase of about \$1.2 billion over present law. Accordingly, in 1965, there will be an excess of benefit outgo over contribution income of about \$140 million under the committee bill. The situation will change in 1966 (as a result of the scheduled increase in the tax rate), and there will be an excess of contributions over benefit outgo of about \$720 million in 1966 and about \$650 million in 1967.

Under the system as modified by the committee bill, according to this estimate, the old-age and survivors insurance trust fund will thus decrease slightly in 1965 from its size of \$18.5 billion at the end of 1963 and 1964, declining to \$18.2 billion at the end of 1965. At the end of 1966, however, it is estimated to rise to \$18.7 billion. Under present law, a small increase in the trust fund during 1964-65 is estimated, about \$60 million.

7. DI income and outgo in near future

As to the disability insurance system, as it would be affected by the committee bill in calendar year 1964, benefit disbursements will total about \$1,340 million (or about \$45 million more than under present law), and there will be an excess of benefit disbursements over contribution income of about \$210 million. In 1965 and the years immediately following, contribution income will be well in excess of benefit outgo (as a result of the increased allocation to this trust fund, as provided the committee bill).

8. Increases in benefit disbursements in 1965, by cause

The total benefit disbursements of the old-age, survivors, and disability insurance system would be increased by about \$1.5 billion in 1965 as a result of the changes that the committee bill would make. Of this amount, about \$925 million results from the 5-percent benefit increase, \$175 million from the benefit payments to children aged 18-21 who are in full-time school attendance, \$150 million from the benefit payments to widows aged 60-61, \$160 million from the liberalization of the insured-status provisions for certain persons aged 72 and over, and \$60 million from the removal of the retroactivity deadline for disability benefits.

9. Long-range operations of OASI trust fund

Table D gives the estimated operation of the old-age and survivors insurance trust fund under the program as it would be changed by the committee bill for the long-range future, based on the intermediate-cost estimate. It will, of course, be recognized that the figures for the next two or three decades are the most reliable (under the assumption of level-earnings trends in the future) since the populations concerned—both covered workers and beneficiaries—are already born. As the estimates proceed further into the future, there is, of course, much more uncertainty—if for no reason other than the relative difficulty in predicting future birth trends—but it is desirable and necessary, nonetheless, to consider these long-range possibilities

under a social insurance program that is intended to operate in perpetuity.

TABLE D.—Progress of old-age and survivors insurance trust fund under system as modified by committee bill, intermediate-cost estimate at 3.5 percent interest ¹

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange ²	Interest on fund ³	Balance in fund ⁴
Actual data						
1951.....	\$3,307	\$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	92	-\$21	447	20,576
1955.....	5,713	4,968	119	-7	454	21,663
1956.....	6,172	5,715	132	-6	526	22,519
1957.....	6,825	7,347	162	-2	556	22,393
1958.....	7,566	8,327	194	124	552	21,864
1959.....	8,052	9,842	184	282	532	20,141
1960.....	10,866	10,677	203	318	516	20,324
1961.....	11,285	11,862	239	332	548	19,725
1962.....	12,059	13,358	258	361	526	18,337
1963.....	14,541	14,217	281	423	521	18,480
Estimated data (short-range estimate)						
1964.....	\$15,314	\$16,125	\$314	\$423	\$543	\$18,475
1965.....	16,978	17,115	322	418	558	18,156
1966.....	18,615	17,892	324	455	579	18,679
1967.....	19,292	18,647	336	465	620	19,143
1968.....	22,096	19,443	343	455	701	21,699
1969.....	23,227	20,242	350	445	763	24,652
1970.....	23,855	21,022	357	420	897	27,605
1971.....	26,035	21,789	364	410	1,062	32,139
1972.....	27,027	22,541	371	384	1,268	37,198
Estimated data (long-range estimate)						
1975.....	\$26,574	\$23,360	\$394	\$325	\$1,510	\$48,303
1980.....	28,084	26,824	436	160	2,136	66,577
1990.....	32,831	33,478	515	-----	2,995	91,348
2000.....	38,079	36,851	664	-55	3,976	121,634
2020.....	45,908	50,606	730	-85	8,166	243,885

¹ An interest rate of 3.5 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

² A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

³ Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to \$377 for 1953, \$284 for 1954, \$163 for 1955, \$60 for 1956, and nothing for 1957 and thereafter.

⁴ These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1969 is too low).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

In every year after 1965 for the next 20 years, contribution income under the system as it would be modified by the committee bill is estimated to exceed old-age and survivors insurance benefit disbursements. Even after the benefit-outgo curve rises ahead of the contribution-income curve, the trust fund will nonetheless continue to increase because of the effect of interest earnings (which more than meet the administrative expense disbursements and any financial interchanges with the railroad retirement program). As a result, this trust fund is estimated to grow steadily under the long-range cost estimate (with a level-earnings assumption), reaching \$48 billion in

1975, \$67 billion in 1980, and over \$120 billion at the end of this century. In the very far distant future, namely, in about the year 2025, the trust fund is estimated to reach a maximum of about \$250 billion, and then decrease.

10. Long-range operations of DI trust fund

The disability insurance trust fund, under the program as it would be changed by the committee bill, grows slowly, but steadily after 1965, according to the intermediate long-range cost estimate, as shown by table E. In 1975, it is shown as being \$2.3 billion, while in 2000, the corresponding figure is \$3.4 billion. There is a small excess of contribution income over benefit disbursements for every year after 1964.

TABLE E.—Progress of disability insurance trust fund under system as modified by committee bill, intermediate-cost estimate at 3.5 percent interest ¹

[In millions]						
Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange ²	Interest on fund ¹	Balance in fund
Actual data						
1957.....	\$702	\$57	\$ 3	-----	\$7	\$649
1958.....	966	249	12	-----	25	1,379
1959.....	891	457	50	-\$22	40	1,825
1960.....	1,010	568	36	-5	53	2,289
1961.....	1,038	887	64	5	66	2,437
1962.....	1,046	1,105	66	11	68	2,368
1963.....	1,099	1,210	68	20	66	2,235
Estimated data (short-range estimate)						
1964.....	\$1,133	\$1,337	\$82	\$20	\$63	\$1,992
1965.....	1,539	1,507	86	19	69	1,878
1966.....	1,663	1,570	88	20	69	2,016
1967.....	1,708	1,626	93	15	60	2,050
1968.....	1,759	1,660	96	15	60	2,098
1969.....	1,809	1,691	99	15	61	2,103
1970.....	1,861	1,716	102	15	64	2,255
1971.....	1,915	1,742	105	15	69	2,377
1972.....	1,971	1,768	108	15	78	2,535
Estimated data (long-range estimate)						
1975.....	\$1,031	\$1,904	\$103	\$0	\$72	\$2,258
1980.....	2,083	2,060	106	-1	69	2,197
1990.....	2,384	2,284	106	-4	71	2,334
2000.....	2,766	2,683	120	-4	106	3,372

¹ An interest rate of 3.5 percent is used in determining the level-costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

² A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

³ These figures are artificially low because of the method of reimbursements between this trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

E. COST ESTIMATES ON RANGE BASIS

1. Long-range operations of trust funds

Table F shows the estimated operation of the old-age and survivors insurance trust fund under the program as it would be changed by the committee bill for the low- and high-cost estimates, while table G gives corresponding figures for the disability insurance trust fund.

Under the low-cost estimate, the old-age and survivors insurance trust fund builds up quite rapidly and in the year 2000 is shown as being about \$285 billion and is then growing at a rate of about \$17 billion a year. Likewise, the disability insurance trust fund grows steadily under the low-cost estimate, reaching about \$6 billion in 1980 and \$22 billion in the year 2000, at which time its annual rate of growth is about \$1 billion. For both trust funds, under these estimates, benefit disbursements do not exceed contribution income in any year after 1964 for the foreseeable future.

TABLE F.—Estimated progress of old-age and survivors insurance trust fund under system as modified by committee bill, low- and high-cost estimated

[In millions]						
Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial inter-change ¹	Interest on fund ²	Balance in fund
Low-cost estimate						
1975.....	\$27,136	\$22,893	\$365	\$290	\$1,975	\$50,091
1980.....	29,584	26,027	402	115	3,042	88,426
1990.....	35,011	31,844	474	-40	5,597	159,396
2000.....	41,743	34,497	520	-95	10,034	284,469
High-cost estimate						
1975.....	\$26,013	\$23,827	\$422	\$360	\$1,157	\$38,052
1980.....	27,784	27,621	469	185	1,407	46,018
1990.....	30,649	35,112	556	40	838	27,601
2000.....	34,415	39,204	609	-15	(³)	(³)

¹ A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

² At interest rates of 3.75 percent for the low-cost estimate and 3.25 percent for the high-cost estimate.

³ Fund exhausted in 1990.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

TABLE G.—Estimated progress of disability insurance trust fund under system as modified by committee bill, low- and high-cost estimates

[In millions]						
Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial inter-change ¹	Interest on fund ²	Balance in fund
Low-cost estimate						
1975.....	\$1,073	\$1,776	\$94	\$2	\$151	\$4,391
1980.....	2,150	1,009	95	-6	200	5,959
1990.....	2,544	2,107	93	-9	401	11,490
2000.....	3,033	2,512	103	-9	765	21,621
High-cost estimate						
1975.....	\$1,880	\$2,033	\$112	\$10	\$1	\$109
1980.....	2,017	2,212	117	4	(³)	(³)
1990.....	2,225	2,460	120	1	(³)	(³)

¹ A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

² At interest rates of 3.75 percent for the low-cost estimate and 3.25 percent for the high-cost estimate.

³ Fund exhausted in 1976.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

On the other hand, under the high-cost estimate the old-age and survivors insurance trust fund builds up to a maximum of about \$46 billion in about 15 years, but decreases thereafter until it is exhausted shortly before the year 2000. Under this estimate, benefit disbursements from the old-age and survivors insurance trust fund are less than contribution income during all years after 1964 and before 1981.

As to the disability insurance trust fund, under the high-cost estimate, in the early years of operation the contribution income is about the same as the benefit outgo. Accordingly, the disability insurance trust fund, as shown by this estimate, will be about \$2 billion during the first few years after 1964 and will then slowly decrease until it is exhausted in 1976.

The foregoing results are consistent and reasonable, since the system on an intermediate-cost-estimate basis is intended to be approximately self-supporting, as indicated previously. 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 and subsequent acts, as set forth in the committee reports therefor, the tax schedule would be adjusted in future years so that none of the developments of the trust funds shown in tables F and G would ever eventuate. Thus, if experience followed the low-cost estimate, and if the benefit provisions were not changed, 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 adopted, there will be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience.

2. Benefit costs in future years relative to taxable payroll

Table H shows the estimated costs of the old-age and survivors insurance benefits and of the disability insurance benefits under the program as it would be changed by the committee bill as a percentage of taxable payroll for various future years, through the year 2050, and also the level-costs of the two programs for the low-, high-, and intermediate-cost estimates (as was previously shown in tables A and C for the intermediate-cost estimate).

TABLE H.—Estimated cost of benefits of old-age, survivors, and disability insurance system as percent of taxable payroll,¹ under system as modified by committee bill

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate ²
Old-age and survivors insurance benefits			
1975.....	7.57	8.22	7.80
1980.....	7.89	8.92	8.39
1990.....	8.15	10.28	9.14
2000.....	7.41	10.21	8.67
2025.....	8.36	13.33	10.41
2050.....	10.39	15.08	12.20
Level-cost ³	7.86	10.33	8.97
Disability insurance benefits			
1975.....	0.59	0.70	0.64
1980.....	.58	.71	.64
1990.....	.54	.72	.62
2000.....	.54	.74	.63
2025.....	.61	.81	.69
2050.....	.66	.85	.73
Level-cost ³59	.76	.66

¹ Taking into account the lower contribution rate for the self-employed, as compared with the combined employer-employee rate.

² Based on the averages of the dollar contributions and dollar costs under the low-cost and high-cost estimates.

³ Level contribution rate, at an interest rate of 3.25 percent for high-cost, 3.5 percent for intermediate-cost, and 3.75 percent for low-cost, for benefits after 1983, taking into account interest on the trust fund on Dec. 31, 1963, future administrative expenses, the railroad retirement financial interchange provisions, and the lower contribution rates payable by the self-employed.

F. SUMMARY OF ACTUARIAL COST ESTIMATES

The old-age, survivors, and disability insurance system, as modified by the committee bill, has an estimated benefit cost that is very closely in balance with contribution income. This also was the case for the 1950 and subsequent amendments at the time they were enacted.

The old-age and survivors insurance system as modified by the committee bill is closer to actuarial balance, according to the intermediate-cost estimate, than was the 1961 act according to the cost estimates made for it at the time of enactment. The system as modified by the committee bill, and the system as it was modified by the previous amendments, has been shown to be not quite self-supporting under the intermediate-cost estimate. Nevertheless, there is close to an exact balance, especially considering that a range of variation is necessarily present in the long-range actuarial cost estimates and, further, that rounded tax rates are used in actual practice. Accordingly, the old-age and survivors insurance program, as it would be changed by the committee bill, is actuarially sound.

The separate disability insurance trust fund, established under the 1956 act, shows a lack of actuarial balance of only 0.01 percent of taxable payroll under the provisions that would be in effect after enactment of the committee bill, because the contribution rate allocated to this fund is slightly less than the cost of the disability benefits, based on the intermediate-cost estimate. Considering the variability of cost estimates for disability benefits, this small actuarial

deficit is not significant. Accordingly, the disability insurance program, as it would be modified by the committee bill, is actuarially sound.

V. SECTION-BY-SECTION ANALYSIS

The first section of the bill provides that the bill may be cited as the "Social Security Amendments of 1964."

SECTION 2. 5-PERCENT INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Section 2 of the bill contains a revised benefit table to effectuate a 5-percent benefit increase, and also provisions for adjusting to the higher benefit rates the maximum benefit amounts for families.

Primary insurance amount

Section 2(a) of the bill amends section 215 of the Social Security Act so as to provide a revised benefit table to effectuate the increases provided by the bill for people who are on the benefit rolls before the second month following the month in which the bill is enacted and to determine the benefit amounts of people who will come on the benefit rolls after the first month following the month in which the bill is enacted. The new primary insurance amounts, shown in column IV of the table, represent a benefit increase of 5 percent over the benefits of present law for average monthly wages up to and including \$400. (The primary insurance amount is the amount payable to a worker who retires at or after age 65 or to a disabled worker, and it is also the amount from which all other benefits are determined.) To determine the benefit amounts provided on average monthly earnings above \$400, the formula underlying the benefit table in present law was extended to cover average monthly earnings up to \$450 and the benefit amounts so derived were increased by \$6.40, the same amount of increase provided by the bill in the benefit based on average monthly earnings of \$400. The formula underlying the new benefit table is thus approximately 61.79 percent of the first \$110 of the average monthly wage, plus 22.47 percent of the next \$290 of average wage, plus 21.4 percent of the next \$50 of average wage (as contrasted with the present formula of 58.85 percent of the first \$110 of average wage plus 21.4 percent of the next \$290).

The primary insurance amounts which are provided by the revised table range from a minimum of \$42 for people whose average monthly wage is \$67 or less to a maximum of \$143.40 for people who will have the average monthly wage of \$450 that will become possible in the future with the \$5,400 annual earnings base which the bill (in sec. (12)) provides. The primary insurance amounts of retired workers who are now on the benefit rolls would be raised from \$40 to \$42 at the minimum and from \$127 to \$133.40 at the maximum.

Under the revised benefit table, the total amount of benefits payable to a family on the basis of a single earnings record will be determined by a new method. The maximum family benefit shown in column V of the benefit table in present law is $1\frac{1}{2}$ times the primary insurance amount or approximately 80 percent of the average monthly wage, whichever is larger, up to an absolute maximum of \$254—twice the maximum primary insurance amount of \$127. The \$254 amount applies over a rather wide range of average monthly earnings levels,

and the maximum family benefit is not earnings-related at average monthly earnings levels above \$317. The formula used to determine the maximum family benefit shown in column V of the new benefit table is the larger of (a) $1\frac{1}{2}$ times the primary insurance amount or (b) approximately 80 percent of the average monthly wage up to \$300, plus 40 percent of the remainder of the average monthly wage. The \$300 point at which the 40-percent part of the formula begins to operate is two-thirds of the maximum average monthly wage of \$450. At the maximum average monthly wage of \$450, the maximum family benefit would be two-thirds of the average monthly wage. (Because this new formula for determining the maximum family benefits would result in lower family benefits at a few earnings levels than under present law—namely, for average wages between \$301 and \$333—the present maximum benefits are retained at these earnings levels.)

Primary insurance amount under 1958 act, as modified

Section 2(b) of the bill amends section 215(c) of the act to provide that a person who became entitled to old-age or disability insurance benefits, or who died, prior to the second month following the month in which the bill is enacted, will have his primary insurance amount, as determined under the provisions of present law and appearing in column II of the revised table, converted to the higher primary insurance amount on the same line in column IV of the new table.

Maximum benefits

Section 2(c)(1) of the bill amends section 203(a) of the act to assure an increase in family benefit for people already on the benefit rolls when the bill becomes effective. In the absence of such a provision some families now on the benefit rolls could receive little or no increase in benefits, since their benefits are already at or near the maximum amount payable to the family as provided in the new benefit table. The bill provides that the maximum family benefit in such cases will be the larger of (1) the maximum amount permitted under column V of the new table or (2) the sum obtained by raising each family member's benefit by 5 percent (and rounding it to the next higher 10 cents if it is not already a multiple of 10 cents).

Section 2(c)(2) of the bill repeals section 203(a)(3) of the act, which provided a special saving clause for the maximum family benefits of people who became disabled before 1959. This clause is no longer needed since individuals whose benefits were determined under this clause are now included under the amendment made by section 2(c)(1).

Effective date

Section 2(d) of the bill provides that the amendments made by section 2 will be effective for monthly benefits after the first month following the month of enactment, and for lump-sum deaths payment where death occurs after that first month.

Transitional conversion from disability insurance benefit to primary insurance amount

Section 2(e) of the bill is a special transitional provision which will apply to an individual who was entitled to a disability insurance benefit for the first month following the month of enactment of the bill and who died or became entitled to old-age insurance benefits in the month following such first month, to make certain that his existing

primary insurance amount is increased by 5 percent. Under the general rule in section 215(a)(4), an individual who was entitled to a disability insurance benefit for the month before he dies or becomes entitled to old-age insurance benefits will have as his primary insurance amount (for retirement or survivor benefits) the amount in column IV of the table that is equal to his disability insurance benefit, if that is the largest amount to which he could become entitled. In the situation outlined above, the individual's disability insurance benefit, since it was derived from a primary insurance amount determined under present law, does not have any direct connection with column IV of the table, which contains the new benefit amounts; and thus the general rule cannot be applied to this individual. Therefore, section 2(e) of the bill provides that this primary insurance amount is the amount in column IV of the table on the same line as that in column II on which appears his present primary insurance amount. (This primary insurance amount in col. II is equal to his disability insurance benefit under present law.)

SECTION 3. PAYMENT OF CHILD'S INSURANCE BENEFITS AFTER ATTAINMENT OF AGE 18 IN CASE OF CHILD ATTENDING SCHOOL

Section 3(a) of the bill amends section 202(d)(1)(B) of the Social Security Act to provide for the payment of monthly benefits to a child of an insured worker where the child is age 18 or over but has not reached the age of 22 if he is a full-time student.

Section 3(b)(1) of the bill amends section 202(d)(1) of the act to provide for the termination of the benefits paid to a child 18 or over and under age 22 on the basis that he was attending school. If the child was not disabled before age 18 his benefits would end in (1) the month before the month in which he attains age 22 or (2) the last month in which he is in full-time school attendance, whichever occurs earlier.

Section 3(b)(2) repeals a sentence that is no longer needed because it has been incorporated in the changes made by section 3(b)(1).

Section 3(b)(3) adds to section 202(d) of the act a new paragraph to permit a student whose benefits are terminated after he attains the age of 18 to become reentitled to child's insurance benefits, on filing a new application, if he becomes a full-time student before age 22. (Such reentitlement to benefits would end with whichever of the following occurred the earliest: (1) the month before the month in which he attains age 22, (2) the last month in which he is in full-time school attendance, or (3) the month before the month he dies, marries, or is adopted (except for adoption by certain close relatives now specified in present law.)

Section 3(b)(3) also adds to section 202(d) a new paragraph (8), which defines "full-time student" and "educational institution." A full-time student is defined as an individual who is in full-time attendance as a student at an educational institution; whether or not the student was in full-time attendance would be determined by the Secretary in the light of the standards and practices of the school involved. Specifically excluded from the definition of full-time student is a person who is paid by his employer while attending school at the request (or pursuant to a requirement) of his employer. This definition also provides for the payment of benefits for any period of 4 calendar months or less in which a person does not attend school if the person

shows to the satisfaction of the Secretary that he intends to continue in full-time school attendance immediately after the end of the period.

An educational institution is defined so as to permit the payment of benefits to students taking vocational or academic courses. The definition includes all public schools, colleges, and universities and all accredited private schools, colleges, or universities. An accredited school would be one approved by a State recognized or nationally recognized accrediting association. In addition, the Secretary of Health, Education, and Welfare, would be authorized to prescribe regulations defining the standards for schools for which no accrediting body exists or which are newly established and which have not been in existence for a long enough period to qualify for approval or accreditation by an accrediting agency.

Section 3(c) of the bill adds a new subsection (s) to section 202 of the act. Paragraph (1) of the new subsection prevents a wife, widow, or former wife divorced from getting benefits if the only child in her care is getting benefits solely because he is a student. Paragraph (2) provides that the provisions of present law which permit a person with a childhood disability to continue to get benefits when he marries another beneficiary, and which permit such a beneficiary to continue to get benefits when he marries a person with a childhood disability, will not apply with respect to children over 18 who are attending school; and paragraph (3) provides that the provisions of present law which permit a person entitled to benefits because of a childhood disability to become entitled to a higher spouse's benefit without meeting the generally applicable dependency requirements will not apply with respect to children over 18 who are attending school.

Paragraphs (2) through (13) of section 3(c) of the bill make conforming changes to incorporate references to the new subsection (s).

Paragraphs (14) and (15) of section 3(c) provide that the provisions of present law which relate to withholding of benefits payable to a person with a childhood disability while an investigation of whether his disability still exists is being made or when he refuses to accept vocational rehabilitation services would not apply with respect to children over 18 who are attending school.

Section 3(d) of the bill provides that the amendments made by subsections (a), (b), and (c) of section 3 will be effective for months after the month in which the bill is enacted or after August 1964, if later, on the basis of applications for benefits filed in or after the month of enactment. Where, however, a child was already on the rolls in the month the bill is enacted, the amendments would apply to benefits for months after the month in which the bill is enacted.

SECTION 4. REDUCED BENEFITS FOR WIDOWS AT AGE 60

Widow's insurance benefits payable beginning at age 60

Section 4(a) of the bill amends section 202(e) of the Social Security Act to provide that a widow may become entitled at age 60 to benefits based on the earnings record of her deceased husband, with the benefits payable to those who claim them before age 62 reduced to take account of the longer period over which they will be paid. Under present law, unreduced benefits amounting to 82½ percent of the deceased husband's primary insurance amount are payable to a widow at or after age 62.

Reduction factors

Section 4(b)(1) of the bill amends section 202(q)(1) of the Social Security Act to provide that widow's insurance benefits to which a woman is entitled for a month before she is 62 will be reduced by five-ninths of 1 percent for each month in the "reduction period" and, after age 62, for each month in the "adjusted reduction period." Thus, the reduction for a widow claiming her benefit at age 60 would be 13½ percent (so that her benefit would be reduced from the 82½ percent of her husband's primary insurance amount that would be payable at age 62 to 71½ percent of such amount). The procedure for the actuarial reduction applied to the widow's benefit is the same in principle as that now applied to old-age, wife's, and husband's benefits. (The benefits payable before age 65 in the case of old-age, wife's, and husband's benefits can be paid beginning at age 62, actuarially reduced for as many as 36 months. Under the amendment, the benefits provided for a widow before age 62 can be paid beginning at age 60, actuarially reduced for as many as 24 months.) In the case of a widow who gets actuarially reduced benefits, the amount of the reduction in benefits will be adjusted at age 62 (as it is adjusted at age 65 in the case of individuals who get old-age, wife's, or husband's benefits before age 65), to take account of any months in which no benefit was payable because of the operation of the retirement test. The rate of reduction for widow's benefits is the same as that applied to old-age benefits payable before age 65 under present law.

Entitlement to benefits on own earnings record

Sections 4(b) (2), (3), and (4) of the bill amend section 202(q)(2) of the act to provide that where a widow is entitled to a disability insurance benefit based on her own earnings when she becomes entitled to a reduced widow's benefit, the reduction in the widow's benefit will apply only to the excess of the widow's benefit over the benefit payable on her own earnings record. Similar provision is made under present law for reduction of wife's or husband benefits where the individual is entitled to a benefit based on his own earnings for the month for which he first becomes entitled to wife's or husband's benefits.

Reduction in subsequent old-age insurance benefit

Section 4(b)(5) of the bill adds a new subparagraph to section 202(q)(2) of the act to provide a method for reducing the old-age insurance benefit of a widow who is entitled to reduced widow's insurance benefits. The old-age insurance benefit (whether the woman begins to get it before or after she reaches age 65) will be reduced to take account of the widow's benefits paid to her before age 62. The amount of the reduction in the old-age insurance benefit will be whichever of the following is larger: (1) the reduction that would have been made in the old-age benefit if no widow's benefit had been payable, or (2) the dollar amount of reduction in the widow's benefit, plus the amount resulting from applying, to the amount by which the unreduced old-age insurance benefit exceeds the unreduced widow's benefit, the reduction factor that would have been applied to the unreduced old-age insurance benefit if she had not been eligible for a reduced widow's benefit.

Reduction where widow has a child in her care

Section 4(b)(6) of the bill adds to section 202(q)(4) of the act a new clause (D) to provide that, regardless of the provisions for reduction in the benefits of widows who claim them before age 62, in no case for a month in which a widow has in her care a child entitled to child's benefits will she get less than the amount of the mother's insurance benefit that is payable, regardless of age, to a widow caring for a child entitled to child's insurance benefits.

Reduction period

Section 4(b)(7) of the bill amends section 202(q)(5) of the act to provide that, in the case of widow's insurance benefits, the "reduction period" will begin with the first month for which the woman is entitled to a widow's benefit and end with the month before the month in which she attains age 62.

Adjusted reduction period

Section 4(b)(8) of the bill amends section 202(q)(6), of the act to provide that, in determining the "adjusted reduction period" in the case of a widow, any months in which her benefit is subject to deduction because of employment or is increased because she has a child in her care will be excluded.

Definitions

Section 4(b)(9) of the bill adds a new subsection (8) to section 202(q) of the act; the new subsection (8) defines "retirement age" as age 65 for old-age, wife's, or husband's benefits and age 62 for widow's benefits.

Bar to entitlement to disability insurance benefits

Section 4(c) of the bill amends section 223(a)(3) of the Social Security Act so that entitlement to reduced widow's benefits is included, along with entitlement to other benefits payable on account of old age, as a factor precluding subsequent entitlement to disability insurance benefits.

Effective date

Section 4(d) of the bill provides that reduced widow's benefits will be payable beginning with the month after the month of enactment of the bill on the basis of applications filed in or after such month of enactment.

SECTION 5. TRANSITIONAL INSURED STATUS

Section 5(a) of the bill adds a new section 226 at the end of title II of the Social Security Act to provide a special insured status for certain individuals who are now in their seventies or over and who are not eligible for benefits under the provisions of present law because they do not have six quarters of coverage (or their husbands did not).

Subsection (a) of section 226 provides that anyone who attains age 72 and does not meet the existing insured status requirements of section 214(a) would nevertheless be insured if he has one quarter of coverage for each year elapsing after 1950 and before the year in which he attained retirement age (65 for men, 62 for women) and if he has not less than three quarters of coverage. These provisions will merge gradually into the fully insured status provisions of the present law, so that men who attained age 65 and women who attained age 62 after 1956 would have to meet the requirements of present law, rather than

the transitional requirements, to qualify for benefits. The following table sets forth the requirements for workers:

MEN		WOMEN	
Age (in 1965)	Quarters of coverage required	Age (in 1965)	Quarters of coverage required
70 or over.....	3.	73 or over.....	3.
75.....	4.	72.....	4.
74.....	5.	71.....	5.
73 or younger.....	6 or more.	70 or younger.....	6 or more.

The benefit payable to a person who meets only the transitional requirement will be \$35. The wife of such a person, if she attains age 72 before 1968, will be eligible at age 72 for a wife's benefit of \$17.50.

Subsection (b) of section 226 provides that a widow who reaches age 72 before 1968 will be eligible for a widow's benefit of \$35 if her husband attained age 65 or died before 1957 and was uninsured solely because he did not have six quarters of coverage. The specific number of quarters of coverage required to confer eligibility on the widow depends both on her age and on her husband's age, as set forth in the following table:

Year of husband's death (or attainment of age 65, if earlier)	Quarters required under present law	Quarters required under proposal for widow attaining age 72 in--		
		1965 or before	1966	1967
1954 or before.....	6.	3.	4.	5.
1955.....	6.	4.	4.	5.
1956.....	6.	5.	5.	5.
1957 or after.....	6 or more.	6 or more.	6 or more.	6 or more.

Subsection (c) of section 226 provides that a widow who attains age 72 before 1968 will be eligible for a widow's benefit of \$35 if her deceased husband had become eligible, prior to his death, for benefits under the special insured status requirements set forth in subsection (a) of section 226, even though the conditions of subsection (b) of section 226 were not met by the deceased husband and the widow.

Section 5(b) of the bill makes the transitional insured status provisions effective for monthly benefits beginning with the second month following the month of enactment of the bill on the basis of applications filed in or after the month in which the bill is enacted.

SECTION 6. COMPUTATION AND RECOMPUTATION OF BENEFITS

Section 6 of the bill provides for automatic recomputation of benefit amounts under title II of the Social Security Act to take account of earnings after entitlement to benefits, and makes other technical changes in the computation of benefits to facilitate such an automatic recomputation.

Average monthly wage

Section 6(a)(1) of the bill amends subparagraph (C) of section 215(b)(2) of the act to define an individual's computation base years (from which the years to be used in the benefit computation are

chosen) as calendar years occurring after 1950 (except that, as provided in section 215(d) of the act, 1936 would be used instead of 1950 for a person whose most favorable benefit computation would be that determined over the period from 1937 on), and prior to (1) the year in which his first month of entitlement (including retroactive entitlement) to an old-age insurance benefit occurs or (2) the year succeeding the year in which he dies, whichever is earlier.

Section 6(a)(2) amends section 215(b)(3) of the act to define the number of an individual's elapsed years (which determine the number of years to be used in the benefit computation) as the number of calendar years in the period (1) after 1950 (this would be 1936 for those people whose most favorable benefit computation is that determined over the period from 1937 on) or, if later, after the year in which he attained the age of 21, and (2) prior to the year in which he died or, if earlier, the year after 1960 in which he attained age 65 if a man or age 62 if a woman. The amended paragraph provides that elapsed years will be counted up to the year in which age 65 (62 for women) is attained, whether or not the person was insured at that time. Under present law, the cutoff point for determining elapsed years is the first day of the year in which the worker is both fully insured and has reached age 65 (62 for women).

Section 6(a)(3) amends paragraphs (4) and (5) of section 215(b) of the act. Paragraph (4) as amended makes the new provisions of section 215(b) applicable only in the case of an individual who dies or becomes entitled to benefits or to a benefit recomputation under section 215(f)(2)(A), as amended by the bill, after December 1964. The requirement that an individual have not less than six quarters of coverage after 1950 in order to have his average monthly wage determined entirely on his earnings after 1950 has been omitted from the amended paragraph. Paragraph (5), as amended, preserves the present method of computing the average monthly wage for people who, after the first month following the month in which the bill is enacted and prior to 1965 (the effective date of automatic recomputation), became entitled to benefits or a recomputation of benefits.

Primary insurance benefit under 1939 act

Section 6(b) of the bill makes a minor conforming change, and updates a reference in section 215(d) of the act, relating to computation of primary insurance benefits under the 1939 Social Security Act.

Certain wages and self-employment income not to be counted

Section (c) of the bill amends section 215(e) of the act by repealing paragraph (3), which provides for a recomputation for self-employed people to include earnings in the year of entitlement that were not included in the original computation. (Some self-employed people operate on a fiscal-year basis that ends after the last day of the month in which they become entitled to benefits.) This provision is no longer needed since all benefits will be automatically recomputed each year under section 215(f) as amended by the bill.

Recomputation of benefits

Section 6(d)(1) of the bill amends section 215(f)(2) of the act by providing for automatic recomputation of benefits for each year (beginning with 1964) during any part of which the person is entitled to old-age insurance benefits. The recomputation will be made without any requirement that an application be filed, and will be

made without regard to whether an individual has earnings of more than \$1,200 in a year after entitlement to benefits or has six quarters of coverage after 1950; all of these conditions must be met under the present law. A recomputation under the amended section 215(f)(2) will be effective, in the case of a living beneficiary, with January of the year following the year in which the earnings were received. In death cases the recomputation will take account of remuneration for employment under the Railroad Retirement Act that is counted as wages for social security purposes as well as of social security covered earnings, and will be effective for survivors' benefits beginning with the month of death.

Section 6(d)(2) repeals paragraphs (3), (4), and (7) of section 215(f) of the act, removing the provisions for a recomputation to include earnings in the year of entitlement to benefits or in the year in which an individual's benefits were recomputed on account of additional earnings; the provisions for a recomputation for the purpose of paying benefits to survivors of an individual who died after 1960 entitled to old-age insurance benefits; and the provision for recomputing at age 65 the benefits of an individual who became entitled to benefits before that age. All of these are replaced by the automatic recomputation provision.

Recomputation of disability insurance benefits

Section 6(e) of the bill amends section 223(a)(2) of the act so that an individual's disability insurance benefit would be recomputed under the automatic recomputation provisions.

Effective dates and saving provisions

Section 6(f)(1) of the bill provides that the repeal of section 215(e)(3) of the act (pertaining to recomputations for self-employed people who use a noncalendar fiscal year) is effective for individuals who become entitled to old-age insurance benefits under section 202(a) of the act after 1964.

Section 6(f)(2) provides that in any case where an individual would, upon filing of an application on January 1, 1965, be entitled to have his benefits recomputed under the provisions of the present law, the individual will be deemed to have filed an application on January 1, 1965. Thus, any individual who would profit from a recomputation under the provisions of present law will have his benefit amount recomputed automatically as though he had filed an application for that recomputation. The new automatic recomputation provisions will take over for the future.

Section 6(f)(3) retains section 215(f)(4) of present law for the purpose of providing, for survivors benefits, a recomputation of the primary insurance amount of an individual who was entitled to an old-age insurance benefit and who died after 1960 and before 1965 without having filed an application for a recomputation that would increase his primary insurance amount. The new recomputation provisions will apply to deaths occurring after 1964.

Section 6(f)(4) retains the provisions of section 215(f)(7) of present law for the purpose of providing an automatic recomputation at age 65 for individuals who take actuarially reduced benefits before that age and who reach age 65 before 1965. This is a special recomputation provided for a man who becomes entitled to an old-age insurance benefit before age 65 and who has earnings after his entitlement and

before he reaches age 65. After 1964, these recomputations will be made under the new automatic recomputation provisions.

Section 6(f)(5) provides that the amendments made by section 6(e) (relating to computations of disability insurance benefits) will apply to individuals who become entitled to disability insurance benefits after 1964.

Section 6(f)(6) retains the provisions in effect prior to the Social Security Amendments of 1960 for figuring the average monthly wage of an individual who was eligible for old-age insurance benefits before 1961 but who became entitled to benefits, or died, after 1960; in some such cases use of the prior provisions would result in a higher primary insurance amount.

SECTION 7. IMPROVEMENT OF ACTUARIAL STATUS OF DISABILITY INSURANCE TRUST FUND

Section 7(a) of the bill amends section 201(b)(1) of the Social Security Act to increase the percentage of taxable wages appropriated to the disability insurance trust fund (presently one-half of 1 percent) to 0.65 percent, effective with respect to wages paid after 1964.

Section 7(b) of the bill amends section 201(b)(2) of the act to increase the percentage of taxable self-employment income appropriated to the disability insurance trust fund (presently three-eighths of 1 percent) to 0.4875 percent, effective with respect to taxable years beginning after 1964.

SECTION 8. GROSS INCOME OF FARMERS

Increasing gross income taken into account for optional method of computing net earnings from farm self-employment; amendments to title II of the Social Security Act

Section 8(a) of the bill amends section 211(a) of the Social Security Act to increase from \$1,800 to \$2,400 the maximum gross farm income that a person may use in the optional method of computing his net earnings from farm self-employment. Under present law, a person with gross income from farm self-employment of \$1,800 or less may, at his option, base his coverage on two-thirds of his gross farm income; with gross income of more than \$1,800 and a net of less than \$1,200, he may report \$1,200; if his net earnings are \$1,200 or more, he must report his actual net earnings. Under the amendments, an individual with gross income from farm self-employment of \$2,400 or less may, at his option, base his coverage on two-thirds of his gross farm income; with a gross income of more than \$2,400 and a net of less than \$1,600, he may report \$1,600; if his net earnings are \$1,600 or more, he must report his actual net earnings.

Same; amendments to the Internal Revenue Code of 1954

Section 8(b) of the bill amends section 1402(a) of the Internal Revenue Code of 1954 to increase from \$1,800 to \$2,400 the maximum gross farm income that a person may use in the optional method of computing his net earnings from farm self-employment. Under present law, a person with gross income from farm self-employment of \$1,800 or less may, at his option, base his coverage on two-thirds of his gross farm income; with a gross income of more than \$1,800 and a net of less than \$1,200 he may report \$1,200; if his net earnings are \$1,200 or more, he must report his actual net earnings. Under the

amendments, an individual with gross income from farm self-employment of \$2,400 or less may, at his option, base his coverage on two-thirds of his gross farm income; with a gross income of more than \$2,400 and a net of less than \$1,600 he may report \$1,600; if his net earnings are \$1,600 or more, he must report his actual net earnings.

Effective date

Section 8(c) of the bill provides that the amendments made by section 8(a) and 8(b) will apply with respect to taxable years beginning after December 31, 1964.

SECTION 9. INCLUSION OF ALASKA AND KENTUCKY AMONG STATES PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS

Section 9 of the bill amends section 218(d)(6)(C) of the Social Security Act by adding Alaska and Kentucky to the list of States which are permitted to divide their retirement systems into two divisions for coverage purposes, one division consisting of those members desiring coverage under the act and the other consisting of those who do not, with all new members being covered on a compulsory basis.

SECTION 10. ADDITIONAL PERIOD FOR ELECTING COVERAGE UNDER DIVIDED RETIREMENT SYSTEM

Section 10 of the bill amends section 218(d)(6)(F) of the Social Security Act to grant an additional opportunity to obtain coverage to State and local employees (in a State permitted to use the divided retirement system procedure) who had not previously chosen coverage under the divided retirement system provisions. The present law allows such employees a further opportunity to elect coverage only if a modification providing for such election is mailed or otherwise delivered to the Secretary before 1963, or if later, 2 years after the date on which coverage was approved for the group that originally elected coverage. Any coverage elected after the original division must begin on the same date as was provided when the group was originally covered. Section 10 extends the time in which such persons could elect to be covered until the end of 1965 (or, if later, the expiration of 2 years after the date on which coverage was approved for the group that originally elected coverage).

SECTION 11. COVERAGE FOR CERTAIN ADDITIONAL HOSPITAL EMPLOYEES IN CALIFORNIA

Section 11 of the bill amends section 102(k) of the Social Security Amendments of 1960 by adding a new paragraph (2) permitting the coverage agreement with the State of California to be modified to apply to certain additional services performed for any hospital affected by any modification (in the California State coverage agreement) executed pursuant to section 102(k). The services which could thus be covered are those performed by individuals who were or are employed by such State (or any political subdivision thereof) after December 31, 1959, in any position described in section 102(k). The State would have until the end of the sixth month after the month of enactment in which to so modify its agreement. Such modification would be effective with respect to services performed on or after

January 1, 1962; it would also be effective with respect to services performed before January 1, 1962, where contributions in the proper amount have been paid prior to the date of enactment of the bill.

SECTION 12. INCREASE OF EARNINGS COUNTED FOR BENEFIT
AND TAX PURPOSES

Section 12 of the bill raises the annual earnings base from \$4,800 to \$5,400 beginning with 1965.

Changes in Title II of the Social Security Act

Definition of wages

Section 12(a)(1) of the bill amends section 209(a) of the Social Security Act (relating to definition of wages) to make the new \$5,400 earnings base applicable to wages after 1964.

Definition of self-employment income

Section 12(a)(2) amends section 211(b)(1) of the act (relating to definition of self-employment income) to make the new \$5,400 earnings base applicable for taxable years ending after 1964.

Quarter of coverage

Section 12(a)(3) amends clauses (ii) and (iii) of section 213(a)(2) of the act (relating to definition of quarter of coverage) to provide that, for calendar years after 1964, an individual will be credited with a quarter of coverage for each quarter of the year if his wages for that year equal \$5,400 (rather than \$4,800 as in present law). An individual will also be credited with a quarter of coverage for each quarter of a taxable year ending after 1964 in which the sum of his wages and self-employment income equals \$5,400 (rather than \$4,800).

Average monthly wage

Section 12(a)(4) amends section 215(e)(1) of the act (relating to the amount of annual earnings that can be counted in computing an individual's average monthly wage) so as to increase from \$4,800 to \$5,400, effective for 1965 and thereafter, the maximum amount of annual earnings that may be counted in the computation of an individual's average monthly wage for purposes of determining benefit amounts.

Definition of self-employment income

Section 12(b)(1) of the bill amends section 1402(b)(1)(C) of the Internal Revenue Code of 1954 (relating to definition of self-employment income for purposes of the Self-Employment Contributions Act of 1954) by increasing the maximum annual limitation on self-employment income subject to the self-employment tax from \$4,800 to \$5,400 for taxable years ending after 1964.

Definition of wages

Section 12(b)(2) amends section 3121(a)(1) of the code (relating to definition of wages for purposes of the Federal Insurance Contribution Act) by increasing the maximum annual limitation on wages subject to social security tax from \$4,800 to \$5,400.

Federal service

Section 12(b)(3) amends section 3122 of the code (relating to Federal service) so as to conform its provisions to the changes made in increasing the earnings base from \$4,800 to \$5,400.

Returns in the case of governmental employees in Guam and American Samoa

Section 12(b)(4) amends section 3125 of the code (relating to governmental employees in Guam and American Samoa) so as to conform its provisions to the \$5,400 earnings base.

Special refunds of employee tax

Sections 12(b)(5) and 12(b)(6) amend section 6413(c) of the code (relating to special refunds of employee tax paid by an employee on aggregate wages in excess of \$4,800 received by him from more than one employer during a calendar year) so as to conform the special refund provisions to the \$5,400 earnings base provided by the bill.

Effective Date

Section 12(c) of the bill provides that the amendments made by sections 12(a)(1) and (a)(3)(A) and by section 12(b) (except par. (1)) are applicable only with respect to remuneration paid after December 1964; the amendments made by sections 12(a)(2), (a)(3)(B), and (b)(1) are applicable only with respect to taxable years ending after 1964; and the amendment made by section 12(a)(4) is applicable only with respect to calendar years after 1964.

SECTION 13. CHANGES IN TAX SCHEDULES

Self-employment tax

Section 13(a) of the bill amends section 1401 of the Internal Revenue Code of 1954 to change the rate of tax on self-employment income. Under present law the rates of self-employment tax are as follows:

	<i>Tax rate (percent)</i>
Taxable years beginning after—	
1962 (and before 1966)	5.4
1965 (and before 1968)	6.2
1967	6.9

The tax rates provided by the bill are as follows:

	<i>Tax rate (percent)</i>
Taxable years beginning after—	
1964 (and before 1966)	5.7
1965 (and before 1968)	6.0
1967 (and before 1971)	6.8
1970	7.2

Taxes on employers and employees

Sections 13(b) and 13(c) of the bill amend section 3101 and section 3111, respectively, of the Internal Revenue Code of 1954 to change the rates of employee tax add employer tax applicable to wages. Under present law the tax rates are as follows:

	<i>Tax rate, employer and employee, each (percent)</i>
Calendar years—	
1963-65, inclusive	3½
1966-67, inclusive	4½
1968 and after	4¾

The tax rates provided by the bill are as follows:

Calendar years—	<i>Tax rate, employer and employee, each (percent)</i>
1965-----	3.8
1966-67, inclusive-----	4.0
1968-70, inclusive-----	4.5
1971 and after-----	4.8

Effective dates

Section 13(d) of the bill provides that the amendment made by section 13(a) will apply with respect to taxable years which begin after December 31, 1964, and that the amendments made by sections 16(b) and 13(c) will apply with respect to remuneration paid after December 31, 1964.

SECTION 14. AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEMS

Section 14(a) of the bill would amend section 1(q) of the Railroad Retirement Act of 1937 to change the references from the Social Security Act as amended in "1961" to the Social Security Act as amended in "1964." Section 3(e) of the Railroad Retirement Act of 1937 provides that annuities under the Railroad Retirement Act for a month on the basis of an individual's creditable service shall be no less than 110 percent of the amount, or the additional amount, which would be payable to all persons for the month if the individual's railroad service had been employment covered by the Social Security Act. The effect of the change that this subsection would make in section 1(q) of the Railroad Retirement Act, on subsection (e) of section 3 of the act (sometimes referred to as the social security minimum guaranty provision) would be to apply to the provisions of such subsection (e) of section 3, the provisions of the Social Security Act as amended by the bill. Thus, the amount of the benefits under the Railroad Retirement Act, calculated under this minimum guarantee provision, would reflect the 5-percent increase in the social security benefits, and the increases that would result from the broadening of the social security wage base from \$4,800 to \$5,400 a year, as provided for in the bill. Also, this subsection would cause the annuities of spouses under the Railroad Retirement Act to be reduced by the amount of their own benefits under the Social Security Act, as increased by this bill instead of by the amount of their benefits determined under the Social Security Act before it was amended by this bill.

Subsection (b) of section 14 of the bill would amend section 5(j) of the Railroad Retirement Act of 1937. The amendment made by this subsection is related to the amendments which subsections (c) and (d) of this section would make. The amendment to section 5(j) of the Railroad Retirement Act, made by this subsection, would permit benefits to be paid to a child during a month in which he attends school but during which he ceases to be a student.

Subsection (e) would amend section 5(l)(1)(ii) of the Railroad Retirement Act of 1937, which defines the qualifying conditions to be met by a child in order to receive benefits as such. The amendment would permit a child who is over 17 years of age but less than 22 to qualify as such for benefits if he is a full-time student.

Subsection (d) would amend section 5(l) of the Railroad Retirement Act of 1937(i) to incorporate therein by reference the definition of a full-time student as provided in section 202(d)(8) of the Social Security Act as amended by the bill, and (ii) to make certain that a child entitled to benefits as such only because of school attendance, would not provide a basis for the payment of a spouse's benefit, or for the payment of a widow's current insurance annuity, to a woman not entitled to such benefits on the basis of age.

Subsection (e) concerns the situation where there is joint crediting of railroad retirement and social security earnings. Benefits to survivors of a railroad employee are payable either under the Railroad Retirement Act or the Social Security Act, but not both, on the basis of his earnings. In general, benefits are payable under the Railroad Retirement Act if the individual has a current connection with the railroad industry at the time of his death. In such a case credits for employment under the Social Security Act are combined with credits for railroad service in determining the eligibility for, and the amount of, the benefit. The compensation for railroad service is creditable up to \$5,400 a year for this purpose. However, under present law, where an individual has less than the maximum of \$5,400 in creditable compensation for a year, his wages from employment, subject to the Social Security Act, can be added only to increase the combined creditable earnings to \$4,800, the present limit on wages for a year under the Social Security Act. This subsection would permit the crediting of wages for a year in such an amount as to cause the combined total earnings to be as much as \$5,400 for the year.

Subsection (f) provides the effective dates for the amendments made by subsections (b) and (c).

SECTION 15. EXTENSION OF PERIOD FOR FILING PROOF OF SUPPORT AND APPLICATIONS FOR LUMP-SUM DEATH PAYMENT

Section 15(a) of the bill amends section 202(p) of the Social Security Act. The amended section 202(p) would provide that in any case where the proof of support required in connection with applications for husband's insurance benefits, widower's insurance benefits, or parent's insurance benefits, or an application for a lump-sum death payment, is not filed within the 2-year period prescribed in the applicable sections of the law and where there was good cause for failure to file such application or proof, the application or proof could be filed at any time after the expiration of the 2-year period and would be deemed to have been filed within that period. Under the present law an extension of only 2 additional years is provided in such cases.

Subsection (b) of the section provides an effective date. The amendment would be effective with respect to applications for lump-sum death payments filed in or after the month of enactment and with respect to monthly benefits based on applications filed in or after the month of enactment.

SECTION 16. INTERRELATIONSHIP BETWEEN VETERANS' BENEFITS AND INCREASED SOCIAL SECURITY BENEFITS

Section 16(a) of the bill amends section 503 of title 38 of the United States Code (which excludes certain types of payments in determining annual income for the purpose of establishing entitlement to, or the

amount of, pensions for non-service-connected disability or death under ch. 15 of title 38) by adding a new subsection (b), providing that in the case of any individual who is entitled to a benefit under section 202 of the Social Security Act or a disability benefit under section 223 of such act on the effective date of the social security benefit increase contained in section 2 of the bill and who is also, in the same month, entitled to a monthly benefit payable under chapter 15 of title 38, the amount of the social security benefit increase received by such individual by reason of the enactment of the bill shall not be counted in determining his annual income under chapter 15 of title 38.

Section 16(b) of the bill provides that the amendments made by this section of the bill shall be applicable in determining income received for months after the first month following the month in which the bill is enacted (the month in which the social security benefit increase contained in the bill becomes effective.)

SECTION 17. AMENDMENT TO DEFINITIONS OF ASSISTANCE UNDER TITLES I AND XVI OF THE SOCIAL SECURITY ACT

Subsection (a) would amend the definitions of "old-age assistance" and "medical assistance for the aged" in title I of the Social Security Act so as to delete the existing limitations on payments, care, or services to individuals who are patients in institutions for tuberculosis or mental diseases, or who have been diagnosed as having tuberculosis or psychosis and as a result are patients in a medical institution.

Subsection (b) would make corresponding changes in title XVI of the Social Security Act with respect to persons 65 or over.

SECTION 18. INCREASED MAXIMUM ON FEDERAL PAYMENTS UNDER PUBLIC ASSISTANCE TITLES OF THE SOCIAL SECURITY ACT

Subsection (a) would increase by \$5 the maximum on Federal payments to any State for old-age assistance (including expenditures for medical care) under title I of the Social Security Act. The present three-step formula provides for Federal participation as follows: (a) Twenty-nine thirty-fifths of the first \$35 of a State's average payment; (b) the Federal percentage of the next \$35 of a State's average payment; and (c) an additional amount for State expenditures for medical care, with a maximum of the Federal medical percentage of the next \$15 of a State's average payment, giving a potential Federal participation in State expenditures up to an \$85 average. The committee amendment has the effect of increasing Federal participation in the second step from an additional \$35 to an additional \$40 of the State's average payment above \$35. This, in turn, raises potential Federal participation in State expenditures up to participation in an average payment of \$90. In addition, the formula is restated, for the second and third steps, so as to give recognition to the State's expenditures for medical care before applying the Federal percentage to the remaining recognizable expenditures. The formula, as restated by the bill, would pay States, in addition to the amount computed under section 3(a)(1)(A) of the Social Security Act (which would remain unchanged by the bill), and in lieu of the amounts now computed under sections 3(a)(1) (B) and (C) of the Social Security Act, the larger of the following:

(i) (I) the Federal percentage (as defined in sec. 1101(a)(8)) of all expenditures for old-age assistance in excess of expenditures counted under clause (A), but not counting so much of the excess as exceeds \$40 times the total number of recipients of old-age assistance; plus

(II) 15 percent of the State's expenditures in the form of medical care, up to a maximum of \$15 times the total number of recipients of old-age assistance; or

(ii) (I) the Federal medical percentage (as defined in sec. 6(c)) of all expenditures in excess of expenditures counted under clause (A), but not counting expenditures that exceed (a) \$50 times the total number of recipients, or (b) if smaller, the total expenditures for medical care plus \$35 times the total number of recipients; plus

(II) the Federal percentage of all expenditures in excess of expenditures counted under clause (A) and the provisions of clause (B)(ii) described in these paragraphs (ii) (I) and (II), but not counting so much of the excess as exceeds \$40 times the total number of recipients.

Subsection (b) would make corresponding changes in title XVI of the Social Security Act.

Subsection (c) would increase the maximum on Federal payments to any State under title X of the Social Security Act by providing for Federal matching of all State aid to the blind expenditures not in excess of \$75, instead of the current \$70, times the number of recipients of aid to the blind.

Subsection (d) would increase the maximum on Federal payments to any State under title XIV of the Social Security Act by providing for Federal matching of all State expenditures for aid to the permanently and totally disabled not in excess of \$75, instead of the current \$70, times the number of recipients of aid to the permanently and totally disabled.

Subsection (e) would provide that the amendments made by section 18 shall be effective for State expenditures made after September 30, 1964.

VI. 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 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

TITLE I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED

* * * * *

Payment to States

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing October 1, 1960—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during

such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

(A) $\frac{2}{3}$ of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$35 multiplied by the total number of recipients of old-age assistance for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received old-age assistance in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as old-age assistance in the form of medical or any other type of remedial care); plus

[(B) the Federal percentage (as defined in section 1101 (a)(8) of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds the product of \$70 multiplied by the total number of such recipients of old-age assistance for such month; plus

[(C) the larger of the following; (i) the Federal medical percentage (as defined in section 6(c)) of the amount by which such expenditures exceed the maximum which may be counted under clause (B), not counting so much of any expenditure with respect to any month as exceeds (I) the product of \$85 multiplied by the total number of such recipients of old-age assistance for such month, or (II) if smaller, the total expended as old-age assistance in the form of medical or any other type of remedial care with respect to such month plus the product of \$70 multiplied by such total number of such recipients, or (ii) 15 per centum 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, not counting so much of any expenditure with respect to any month as exceeds the product of \$15 multiplied by the total number of such recipients of old-age assistance for such month;]

(B) *the larger of the following:*

(i)(I) the Federal percentage (as defined in section 1101(a)(8)) of the amount by which such expenditures exceed the amount which may be counted under clause (A), not counting so much of such excess with respect to any month as exceeds the product of \$40 multiplied by the total number of recipients of old-age assistance for such month, plus (II) 15 per centum 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, not counting so much of any such expenditure with respect to any month as exceeds the product of \$15 multiplied by the total number of recipients of old-age assistance for such month, or

(ii)(I) the Federal medical percentage (as defined in section 6(c)) of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditures with respect to any month as exceeds (a) the product of \$50

multiplied by the total number of such recipients of old-age assistance for such month, or (b) if smaller, the total expended as old-age assistance in the form of medical or any other type of remedial care with respect to such month plus the product of \$35 multiplied by such total number of such recipients, plus (II) the Federal percentage of the amount by which the total of the sums expended during such quarter as old-age assistance under the State plan exceed the amount which may be counted under clause (A) and the preceding provisions of this clause (B)(ii), not counting so much of such excess with respect to any month as exceeds the product of \$40 multiplied by the total number of such recipients of old-age assistance for such month;

(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to—

(A) one-half of the total of the sums expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds \$37.50 multiplied by the total number of recipients of old-age assistance for such month; plus

(B) the larger of the following amounts: (i) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (I) the product of \$45 multiplied by the total number of such recipients of old-age assistance for such month, or (II) if smaller, the total expended as old-age assistance in the form of medical or any other type of remedial care with respect to such month plus the product of \$37.50 multiplied by the total number of such recipients, or (ii) 15 per centum 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, not counting so much of any expenditure with respect to any month as exceeds the product of \$7.50 multiplied by the total number of such recipients of old-age assistance for such month;

(3) in the case of any State, an amount equal to the Federal medical percentage (as defined in section 6(c)) of the total amounts expended during such quarter as medical assistance for the aged under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof); and

(4) in the case of any State whose State plan approved under section 2 meets the requirements of subsection (c)(1), an amount equal to the sum of the following proportions of the total amounts 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—

(A) 75 per centum of so much of such expenditures as are for—

(i) services which are prescribed pursuant to subsection (c)(1) and are provided (in accordance with the next

sentence) to applicants for or recipients of assistance under the plan to help them attain or retain capability for self-care, or

(ii) other services, specified by the Secretary as likely to prevent or reduce dependency, so provided to such applicants or recipients, or

(iii) any of the services prescribed pursuant to subsection (c)(1), and of the services specified as provided in clause (ii), which the Secretary may specify as appropriate for individuals who, within such period or periods as the Secretary may prescribe, have been or are likely to become applicants for or recipients of assistance under the plan, if such services are requested by such individuals and are provided to such individuals in accordance with the next sentence, or

(iv) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

(B) one-half of so much of such expenditures (not included under subparagraph (A)) as are for services provided (in accordance with the next sentence) to applicants for or recipients of assistance under the plan, and to individuals requesting such services who (within such period or periods as the Secretary may prescribe) have been or are likely to become applicants for or recipients of such assistance; plus

(C) one-half of the remainder of such expenditures.

The services referred to in subparagraphs (A) and (B) shall include only—

(D) services provided by the staff of the State agency, or of the local agency administering the State plan in the political subdivision: *Provided*, That no funds authorized under this title shall be available for services defined as vocational rehabilitation services under the Vocational Rehabilitation Act (i) which are available to individuals in need of them under programs for their rehabilitation carried on under a State plan approved under such Act, or (ii) which the State agency or agencies administering or supervising the administration of the State plan approved under such Act are able and willing to provide if reimbursed for the cost thereof pursuant to agreement under subparagraph (E), if provided by such staff, and

(E) subject to limitations prescribed by the Secretary, services which in the judgment of the State agency cannot be as economically or as effectively provided by the staff of such State or local agency and are not otherwise reasonably available to individuals in need of them, and which are provided, pursuant to agreement with the State agency, by the State health authority or the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act or by any other State agency which the Secretary may determine to be appropriate (whether provided by its staff or by contract with public (local) or (nonprofit private agencies);

except that services described in clause (ii) of subparagraph (D) hereof may be provided only pursuant to agreement with such State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services so approved. The portion of the amount expended for administration of the State plan to which subparagraph (A) applies and the portion thereof to which subparagraphs (B) and (C) apply shall be determined in accordance with such methods and procedures as may be permitted by the Secretary; and

(5) in the case of any State whose State plan approved under section 2 does not meet the requirements of subsection (c)(1), an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, including services referred to in paragraph (4) and provided in accordance with the provisions of such paragraph.

* * * * *

Definitions

Sec. 6. (a) [For the purposes of this title, the term "old-age assistance" means money payments to, or (if provided in or after the third month before the month in which the recipient makes application for assistance) ¹⁵ medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are sixty-five years of age or older, but does not include—

[(1) any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases, or

[(2) any such payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof, or

[(3) any such care in behalf of any individual, who is a patient in a medical institution as a result of a diagnosis that he has tuberculosis or psychosis, with respect to any period after the individual has been a patient in such an institution as a result of such diagnosis, for forty-two days.]

For the purposes of this title, the term "old-age assistance" means money payments to, or (if provided in or after the third month before the month in which the recipient makes application for assistance) medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are sixty-five years of age or older, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution).

(b) For purposes of this title, the term "medical assistance for the aged" means payment of part or all of the cost of the following care and services (if provided in or after the third month before the month in which the recipient makes application for assistance) for individuals sixty-five years of age or older who are not recipients

of old-age assistance but whose income and resources are insufficient to meet all of such cost—

- (1) inpatient hospital services;
- (2) skilled nursing-home services;
- (3) physicians' services;
- (4) outpatient hospital or clinic services;
- (5) home health care services;
- (6) private duty nursing services;
- (7) physical therapy and related services;
- (8) dental services;
- (9) laboratory and X-ray services;
- (10) prescribed drugs, eyeglasses, dentures, and prosthetic devices;
- (11) diagnostic, screening, and preventive services; and
- (12) any other medical care or remedial care recognized under State law;

[except that such term does not include any such payments with respect to—

[(A) care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or

[(B) care or services for any individual, who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis, with respect to any period after the individual has been a patient in such an institution, as a result of such diagnosis, for forty-two days.]

except that such term does not include any such payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution).

(c) For the purposes of this title, the term "Federal medical percentage" for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the square of the per capita income of such State bears to the square of the per capita income of the continental United States (including Alaska) and Hawaii; except that (i) the Federal medical percentage shall in no case be less than 50 per centum or more than 80 per centum, and (ii) the Federal medical percentage for Puerto Rico, the Virgin Islands, and Guam shall be 50 per centum. The Federal medical percentage for any State shall be determined and promulgated in accordance with the provisions of subparagraph (B) of section 1101(a)(8) (other than the proviso at the end thereof); except that the Secretary shall, as soon as possible after enactment of the Social Security Amendments of 1960, determine and promulgate the Federal medical percentage for each State—

(1) for the period beginning October 1, 1960, and ending with the close of June 30, 1961, which promulgation shall be based on the same data with respect to per capita income as the data used by the Secretary in promulgating the Federal percentage (under section 1101(a)(8)) for such State for the fiscal year ending June 30, 1961 (which promulgation of the Federal medical percentage shall be conclusive for such period), and

(2) for the period beginning July 1, 1961, and ending with the close of June 30, 1963, which promulgation shall be based on the

same data with respect to per capita income as the data used by the Secretary in promulgating the Federal percentage (under section 1101(a)(8)) for such State for such period (which promulgation for the Federal medical percentage shall be conclusive for such period).

* * * * *

TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND

SECTION 201. (a) * * *

(b) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Disability Insurance Trust Fund". The Federal Disability Insurance Trust Fund shall consist of such amounts as may be appropriated to, or deposited in, such fund as provided in this section. There is hereby appropriated to the Federal Disability Insurance Trust Fund for the fiscal year ending June 30, 1957, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) $\frac{1}{2}$ of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1956, *and before January 1, 1965*, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, *and 0.65 of 1 per centum of such wages paid after December 31, 1964, and so reported*, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports: and

(2) $\frac{3}{8}$ of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, *and before January 1, 1965*, *and 0.4875 of 1 per centum of the amount of such self-employment income so reported for any taxable year beginning after December 31, 1964*, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

Old-Age Insurance Benefits

SEC. 202. (a) * * *

Wife's Insurance Benefits

(b) (1) The wife (as defined in section 216(b)) of an individual entitled to old-age or disability insurance benefits, if such wife—

(A) has filed application for wife's insurance benefits

(B) has attained age of 62 or has in her care (individually or jointly with her husband) at the time of filing such application a child entitled to a child's insurance benefit on the basis of the wages and self-employment income of her husband, and

(C) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits based on a primary insurance amount which is less than one-half of the primary insurance amount of her husband,

shall (*subject to subsection (s)*) be entitled to a wife'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 dies, her husband dies, they are divorced a vinculo matrimonii, no child of her husband is entitled to a child's insurance benefit and she has not attained age 62, she becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of her husband, or her husband is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to one-half of the primary insurance amount of her husband for such month.

Husband's Insurance Benefits

(c)(1) * * *

(2) The requirement in paragraph (1) that the individual entitled to old-age or disability insurance benefits be a currently insured individual, and the provisions of subparagraph (C) of such paragraph, shall (*subject to subsection (s)*) not be applicable in the case of any husband who—

(A) in the month prior to the month of his marriage to such individual was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under subsection (f) or (h); or

(B) in the month prior to the month of his marriage to such individual had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d).

(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to one-half of the primary insurance amount of his wife for such month.

Child's Insurance Benefits

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

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

(B) at the time such application was filed was unmarried and **[either]** (i) had not attained the age of **[eighteen or (ii)]** *eighteen*

(ii) was a full-time student and had not attained the age of twenty-two, or (iii) was under a disability (as defined in section 223(c)) which began before he attained the age of eighteen, and

(C) was dependent upon such individual—

(i) if such individual is living, at the time such application was filed.

(ii) if such individual has died, at the time of such death, or

(iii) if such individual had a period of disability which continued until he became entitled to old-age or disability insurance benefits, or (if he has died) until the month of his death, at the beginning of such period of disability or at the time he became entitled to such benefits,

[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(c)) which began before he attained such age.] shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950 in which such child became so entitled to such insurance benefits and ending with the month preceding whichever of the following first occurs—

(D) the month in which such child dies, marries, or is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual),

(E) in the case of a child who is not under a disability (as defined in section 223(c)) at the time he attains the age of 18 and who during no part of the month in which he attains such age is a full-time student, the month in which such child attains the age of 18,

(F) in the case of a child who is a full-time student during the month in which he attains the age of 18, the first month (beginning after he attains such age) during no part of which he is a full-time student or the month in which he attains the age of 22, whichever occurs earlier, but only if in the third month preceding such earlier month he was not under a disability (as so defined) which began before he attained the age of 18,

(G) in the case of a child who first becomes entitled to benefits under this subsection for the month in which he attains the age of 18 or a subsequent month and who in the month for which he becomes so entitled is not under a disability (as so defined) which began before he attained the age of 18, the first month (after he becomes so entitled) during no part of which he is a full-time student or the month in which he attains the age of 22, whichever occurs earlier,

(H) in the case of a child who after he attains the age of 18 ceases to be under a disability (as so defined) which began before he attained the age of 18, and who either (i) attains the age of 22 before the close of the third month following the month in which he ceases to be under such disability or (ii) was a full-time student during no part of such third month, the third month following the month in which he ceases to be under such disability, or

(I) in the case of a child who after he attains the age of 18 ceases to be under a disability (as so defined) which began before he attained the age of 18, but who has not attained the age of 22 before the close

of the third month following the month in which he ceases to be under such disability and is a full-time student in such third month, the earlier of (i) the first month (after such third month) during no part of which he is a full-time student, or (ii) the month in which he attains the age of 22.

Entitlement of any child to benefits under this subsection shall also end with the month preceding the third month following the month in which he ceases to be under a disability (as so defined) after the month in which he attains age eighteen. Entitlement of any child to benefits under this subsection on the basis of the wages and self-employment income of an individual entitled to disability insurance benefits shall also end with the month before the first month for which such individual is not entitled to such benefits unless such individual is, for such later month, entitled to old-age insurance benefits or unless he dies in such month. In the case of an individual entitled to disability insurance benefits, the provisions of clause (i) of subparagraph (C) of this paragraph shall not apply to a child of such individual unless the (A) is the natural child or stepchild of such individual (including such a child who was legally adopted by such individual) or (B) was legally adopted by such individual before the end of the twenty-four month period beginning with the month after the month in which such individual most recently became entitled to disability insurance benefits, but only if (i) proceedings for such adoption of the child had been instituted by such individual in or before the month in which began the period of disability of such individual which still exists at the time of such adoption or (ii) such adopted child was living with such individual in such month.

(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 primary insurance amount 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.

(3) A child 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 has been adopted by some other individual.

For purposes of this paragraph, a child deemed to be a child of a fully or currently insured individual pursuant to section 216(h)(2) (B) shall, if such individual is the child's father, be deemed to be the legitimate child of such individual.

(4) A child 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 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 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) In the case of a child who has attained the age of eighteen and who marries—

(A) an individual entitled to benefits under subsection (a), (e), (f), (g), or (h) of this section or under section 223 (a), or

(B) another individual who has attained the age of eighteen and is entitled to benefits under this subsection.

such child's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) *but subject to subsection (s)*, not be terminated by reason of such marriage; except that, in the case of such a marriage to a male individual entitled to benefits under section 223(a) or this subsection, the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under section 223 (a) or this subsection unless (i) he ceases to be so entitled by reason of his death, or (ii) in the case of an individual who was entitled to benefits under section 223(a), he is entitled for the month following such last month, to benefits under subsection (a) of this section.

(7) *A child whose entitlement to child's insurance benefits on the basis of the wages and self-employment income of an insured individual terminated with the month preceding the month in which such child attained the age of 18, or with a subsequent month, may again become entitled to such benefits (provided no event specified in paragraph (1)(D) has occurred) beginning with the first month thereafter in which he is a full-time student and has not attained the age of 22 if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs: The first month during no part of which he is a full-time student, the month in which he attains the age of 22, or the first month in which an event specified in paragraph (1)(D) occurs.*

(8) *For the purposes of this subsection—*

(A) *A "full-time student" is an individual who is in full-time attendance as a student at an educational institution, as determined by the Secretary (in accordance with regulations prescribed by him) in the light of the standards and practices of the institutions involved, except that no individual shall be considered a "full-time student" if he is paid by his employer while attending an educational institution at the request, or pursuant to a requirement, of his employer.*

(B) *Except to the extent provided in such regulations, an individual shall be deemed to be a full-time student during any period of non-attendance at an educational institution at which he has been in full-time attendance if (i) such period is 4 calendar months or less and (ii) he shows to the satisfaction of the Secretary that he intends to continue to be in full-time attendance at an educational institution immediately following such period.*

(C) *An "educational institution" is (i) a school or college or university operated or directly supported by the United States, or by any State or local government or political subdivision thereof, or (ii) a school or college or university which has been approved by a State or accredited by a State-recognized or nationally-recognized*

accrediting agency or body, or (iii) a school or college or university for which there is no such agency or body or which has been in operation an insufficient period of time for such approval or accreditation, but which is approved by the Secretary in accordance with regulations prescribed by him.

Widow's Insurance Benefits

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

(A) has not remarried,

(B) has attained age **[62]** 60,

(C)(i) has filed application for "widow" insurance benefit, or was entitled, after attainment of age 62, 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 age 62, and

(D) is not entitled to old-age insurance benefits or is entitled to old-age insurance benefits each of which is less than 82½ percent 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 82½ percent of the primary insurance amount of her deceased husband.

(2) **[Such]** *Except as provided in subsection (g), such* widow's insurance benefit for each month shall be equal to 82½ percent 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 which occurs within one year after such marriage and he did not die a fully insured individual the marriage to the individual referred to in clause (A) shall, for the 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) November 1956.

(4) In the case of a widow who marries—

(A) an individual entitled to benefits under subsection (f) or (h) of this section, or

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d), such widow's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) *but subject to subsection*

(s), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death.

Widower's Insurance Benefits

(f) (1) The widower (as defined in section 216(g)) of an individual who died a fully and currently insured individual, if such widower—

(A) has not remarried,

(B) has attained age 62,

(C) has filed application for widower's insurance benefits or was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which she died.

(D) (i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual at the time of her death or, if such individual had a period of disability which did not end prior to the month in which she died, at the time such period began or at the time of her death, and filed proof of such support within two years after the date of such death, or, if she had such a period of disability, within two years after the month in which she filed application with respect to such period of disability or two years after the date of such death, as the case may be, or (ii) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual, and she was a currently insured individual, at the time she became entitled to old-age or disability insurance benefits or, if such individual had a period of disability which did not end prior to the month in which she became so entitled, at the time such period began or at the time she became entitled to such benefits, and filed proof of such support within two years after the month in which she became entitled to such benefits, or, if she had such a period of disability, within two years after the month in which she filed application with respect to such period of disability or two years after the month in which she became entitled to such benefits, as the case may be, and

(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than 82½ percent of the primary insurance amount of his deceased wife.

shall be entitled to a widower's insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of his deceased wife.

(2) The requirement in paragraph (1) that the deceased fully insured individual also be a currently insured individual, and the

provisions of subparagraph (D) of such paragraph, shall (*subject to subsection (s)*) not be applicable in the case of any individual who—

(A) in the month prior to the month of his marriage to such individual was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under this subsection or subsection (h); or

(B) in the month prior to the month of his marriage to such individual had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d).

(3) Such widower's insurance benefit for each month shall be equal to 82½ percent of the primary insurance amount of his deceased wife.

(4) In the case of a widower who remarries—

(A) an individual entitled to benefits under subsection (e), (g), or (h); or

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d), such widower's entitlement to benefits under this subsection shall notwithstanding the provisions of paragraph (1) *but subject to subsection(s)*, not be terminated by reason of such marriage.

Mother's Insurance Benefits

(g) (1) The widow and every former wife divorced (as defined in section 216(d)) of an individual who died a fully or currently insured individual if such widow or former wife divorced—

(A) has not remarried,

(B) is not entitled to a widow's insurance benefit,

(C) 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 individual,

(D) has filed application for mother's insurance benefits, or was entitled 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,

(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and

(F) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of such death, and the child referred to in subparagraph (E) is her son, daughter, or legally adopted child and the benefits referred to in such subparagraph are payable on the basis of such individual's wages and self-employment income,

shall (*subject to subsection(s)*) be entitled to a mother'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: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual,

she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

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

(3) In the case of any widow or former wife divorced 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, and upon filing application therefor in the month in which he died would not be, entitled to benefits for such month on the basis of his wages and self-employment income.

the marriage to the individual referred to in clause (A) shall, for the purpose 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 or former wife divorced files application for purposes of this paragraph, or (iii) the month following the month in which this paragraph is enacted.

(4) In the case of a widow or former wife divorced who marries—

(A) an individual entitled to benefits under subsection (a), (f), or (h), or under section 223(a), or

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

the entitlement of such widow or former wife divorced to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) *but subject to subsection(s)*, not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under section 223(a) or subsection (d) of this section, the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under section 223(a) or subsection (d) of this section unless (i) he ceases to be so entitled by reason of his death, or (ii) in the case of an individual who was entitled to benefits under section 223(a), he is entitled, for the month following such last month, to benefits under subsection (a) of this section.

PARENT'S INSURANCE BENEFITS

(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual if such parent—

(A) has attained age 62,

(B) (i) was receiving at least one-half of his support from such individual at the time of such individual's death or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of such death, and (ii) filed proof of such support within

two years after the date of such death, or, if such individual had such a period of disability, within two years after the month in which such individual filed application with respect to such period of disability or two years after the date of such death, as the case may be,

(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 82½ percent of the primary insurance amount of such deceased individual if the amount of the parent's insurance benefit for such month is determinable under paragraph (2)(A) (or 75 percent of such primary insurance amount in any other case), 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 82½ percent of the primary insurance amount of such deceased individual if the amount of the parent's insurance benefit for such month is determinable under paragraph (2)(A) (or 75 percent of such primary insurance amount in any other case).

(2) (A) Except as provided in subparagraphs (B) and (C), such parent's insurance benefit for each month shall be equal to 82½ percent of the primary insurance amount of such deceased individual.

(B) For any month for which more than one parent is entitled to parent's insurance benefits on the basis of such deceased individual's wages and self-employment income, such benefit for each such parent for such month shall (except as provided in subparagraph (C)) be equal to 75 percent of the primary insurance amount of such deceased individual.

(C) In any case in which—

(i) any parent is entitled to a parent's insurance benefit for a month on the basis of a deceased individual's wages and self-employment income, and

(ii) another parent of such deceased individual is entitled to a parent's insurance benefit for such month on the basis of such wages and self-employment income, and on the basis of an application filed after such month and after the month in which the application for the parent's benefits referred to in clause (i) was filed,

the amount of the parent's insurance benefit of the parent referred to in clause (i) for the month referred to in such clause shall be determined under subparagraph (A) instead of subparagraph (B) and the amount of the parent's insurance benefit of a parent referred to in clause (ii) for such month shall be equal to 150 percent of the primary insurance amount of the deceased individual minus the amount (before the application of section 203(a) of the benefit for such month of the parent referred to in clause (i).

(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.

(4) In the case of a parent who marries--

(A) An individual entitled to benefits under this subsection or subsection (e), (f), or (g), or

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d).

such parent's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) *but subject to subsection (s)*, not be terminated by reason of such marriage; except that, in the case of such a marriage to a male individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death.

* * * * *

Adjustment of Old-Age, Wife's, [or Husband's] *Husband's, or Widow's* Insurance Benefit Amounts in Accordance With Age of Beneficiary

(q) [(1) If the first month for which an individual is entitled to an old-age, wife's, or husband's insurance benefit is a month before the month in which such individual attains age 65, the amount of such benefit for each month shall, subject to the succeeding paragraphs of this subsection, be reduced by--

[(A) $\frac{5}{9}$ of 1 percent of such amount if such benefit is an old-age insurance benefit, or $\frac{25}{36}$ of 1 percent of such amount if such benefit is a wife's or husband's insurance benefit; multiplied by

[(B) (i) the number of months in the reduction period for such benefit (determined under paragraph (5)), if such benefit is for a month before the month in which such individual attains age 65, or

[(ii) The number of months in the adjusted reduction period for such benefit (determined under paragraph (6)), if such benefit is for the month in which such individual attains age 65 or for any other month thereafter.]

(1) *If the first month for which an individual is entitled to an old-age, wife's, husband's, or widow's insurance benefit is a month before the month in which such individual attains retirement age, the amount of such benefit for each month shall, subject to the succeeding paragraphs of this subsection, be reduced by--*

(A) $\frac{5}{9}$ of 1 percent of such amount if such benefit is an old-age or widow's insurance benefit, or $\frac{25}{36}$ of 1 percent of such amount if such benefit is a wife's or husband's insurance benefit, multiplied by

(B) (i) the number of months in the reduction period for such benefit (determined under paragraph (5)), if such benefit is for a month before the month in which such individual attains retirement age, or

(ii) the number of months in the adjusted reduction period for such benefit (determined under paragraph (6)), if such benefit is for the month in which such individual attains retirement age for any month thereafter.

(2)(A) If the first month for which an individual both is entitled to a [wife's or husband's insurance benefit] *wife's, husband's, or widow's insurance benefit* and has attained [age 62] *age 62 (in the case of a*

wife's or husband's insurance benefit) or age 60 (in the case of a widow's insurance benefit) is a month for which such individual is also entitled to—

(i) an old-age insurance benefit (to which such individual was first entitled for a month before he attains age 65), or

(ii) a disability insurance benefit,

then in lieu of any reduction under paragraph (1) (but subject to the succeeding paragraphs of this subsection) such [wife's or husband's insurance benefit] wife's, husband's, or widow's insurance benefit for each month shall be reduced as provided in subparagraph (B), (C), or (D).

(B) For any month for which such individual is entitled to an old-age insurance benefit, such individual's wife's or husband's insurance benefit shall be reduced by the sum of—

(i) the amount by which such old-age insurance benefit is reduced under paragraph (1), and

(ii) the amount by which such wife's or husband's insurance benefit would be reduced under paragraph (1) if it were equal to the excess of such wife's or husband's insurance benefit (before reduction under this subsection) over such old-age insurance benefit (before reduction under this subsection).

(C) For any month for which such individual is entitled to a disability insurance benefit, such individual's [wife's or husband's] wife's, husband's, or widow's insurance benefit shall be reduced by the amount by which such benefit would be reduced under paragraph (1) if it were equal to the excess of such benefit (before reduction under this subsection) over such disability insurance benefit.

(D) For any month for which such individual is entitled neither to an old-age insurance benefit nor to a disability insurance benefit, such individual's [wife's or husband's] wife's, husband's, or widow's insurance benefit shall be reduced by the amount by which it would be reduced under paragraph (1).

(E) If the first month for which an individual is entitled to an old-age insurance benefit whether such first month occurs before, with, or after the month in which such individual attains the age of 65, is a month for which such individual is also (or would, but for subsection (e)(1), be) entitled to a widow's insurance benefit to which such individual was first entitled for a month before she attained the age of 62, then such old-age insurance benefit shall be reduced by whichever of the following is the larger:

(i) the amount by which (but for this subparagraph) such old-age insurance benefit would have been reduced under paragraph (1), or

(ii) the amount equal to the sum of the amount by which such widow's insurance benefit was reduced for the month in which such individual attained the age of 62 and the amount by which such old-age insurance benefit would be reduced under paragraph (1) if it were equal to the excess of such old-age insurance benefit (before reduction under this subsection) over such widow's insurance benefit (before reduction under this subsection).

(3) If—

(A) an individual is or was entitled to a benefit subject to reduction under this subsection, and

(B) such benefit is increased by reason of an increase in the primary insurance amount of the individual on whose wages and self-employment income such benefit is based,

then the amount of the reduction of such benefit for each month shall be computed separately (under paragraph (1) or (2), whichever applies) for the portion of such benefit which constitutes such benefit before any increase described in subparagraph (B), and separately (under paragraph (1) or (2), whichever applies to the benefit being increased) for each such increase. For purposes of determining the amount of the reduction under paragraph (1) or (2) in any such increase, the reduction period and the adjusted reduction period shall be determined as if such increase were a separate benefit to which such individual was entitled for and after the first month for which such increase is effective.

(4)(A) No wife's insurance benefit shall be reduced under this subsection—

(i) for any month before the first month for which there is in effect a certificate filed by her with the Secretary, in accordance with regulations prescribed by him, in which she elects to receive wife's insurance benefits reduced as provided in this subsection, or

(ii) for any month in which she has in her care (individually or jointly with the person on whose wages and self-employment income her wife's insurance benefit is based) a child of such person entitled to child's insurance benefits.

(B) Any certificate described in subparagraph (A)(i) shall be effective for purposes of this subsection (and for purposes of preventing deductions under section 203(c)(2))—

(i) for the month in which it is filed and for any month thereafter, and

(ii) for months, in the period designated by the woman filing such certificate, of one or more consecutive months (not exceeding 12) immediately preceding the month in which such certificate is filed;

except that such certificate shall not be effective for any month before the month in which she attains age 62, nor shall it be effective for any month to which subparagraph (A)(ii) applies.

(C) If a woman does not have in her care a child described in subparagraph (A)(ii) in the first month for which she is entitled to a wife's insurance benefit, and if such first month is a month before the month in which she attains age 65, she shall be deemed to have filed in such first month the certificate described in subparagraph (A)(i).

(D) No widow's insurance benefit for a month in which she has in her care a child of her deceased husband entitled to child's insurance benefits shall be reduced under this subsection below the amount to which she would have been entitled had she been entitled for such month to mother's insurance benefits on the basis of her deceased husband's wages and self-employment income.

(5) For purposes of this subsection, the "reduction period" for an individual's old-age, [wife's, or husband's] *wifes', husband's, or widow's* insurance benefit is the period—

(A) beginning—

(i) in the case of an old-age [or husband's] *husband's, or widow's* insurance benefit, with the first day of the first month for which such individual is entitled to such benefit,
or

(ii) in the case of a wife's insurance benefit, with the first day of the first month for which a certificate described in paragraph (4)(A)(i) is effective, and

(B) ending with the last day of the month before the month in which such individual attains [age 65] retirement age.

(6) For purposes of this subsection, the "adjusted reduction period" for an individual's old-age, [wife's, or husband's] wife's, husband's, or widow's insurance benefit is the reduction period prescribed by paragraph (5) for such benefit, excluding from such period—

(A) any month in which such benefit was subject to deductions under section 203(b), 203(c)(1), 203(d)(1), or 222(b).

(B) in the case of wife's insurance benefits, any month in which she has in her care (individually or jointly with the person on whose wages and self-employment income such benefit is based) a child of such person entitled to child's insurance benefits, [and]

(C) in the case of wife's or husband's insurance benefits, any month for which such individual was not entitled to such benefits because the spouse on whose wages and self-employment income such benefits were based ceased to be under a [disability.] disability, and

(D) in the case of widow's insurance benefits, any month in which the reduction in the amount of such benefit was determined under paragraph (4)(D).

(7) This subsection shall be applied after reduction under section 203(a) and after application of section 215(g). If the amount of any reduction computed under paragraph (1) or (2) is not a multiple of \$0.10, it shall be reduced to the next lower multiple of \$0.10.

(8) For purposes of this subsection, the term "retirement age" means age 65 with respect to an old-age, wife's, or husband's insurance benefit and age 62 with respect to a widow's insurance benefit.

* * * * *

Child Aged 18 or Over Attending School

(s)(1) For the purposes of subsections (b)(1), (g)(1), (q)(4), and (q)(6) of this section and paragraphs (2), (3), and (4) of section 203(c), a child who is entitled to child's insurance benefits under subsection (d) for any month, and who has attained the age of 18 but is not in such month under a disability (as defined in section 223(c)) which began before he attained such age, shall be deemed not entitled to such benefits for such month, unless he was under such a disability in the third month before such month.

(2) Subsection (f)(4), and so much of subsections (d)(6), (e)(4), (g)(4), and (h)(4) of this section as precedes the semicolon, shall not apply in the case of any child unless such child, at the time of the marriage referred to therein, was under a disability (as defined in section 223(c)) which began before such child attained the age of 18 or had been under such a disability in the third month before the month in which such marriage occurred.

(3) Subsections (c)(2)(B) and (f)(2)(B) of this section, so much of subsections (d)(6), (e)(4), (g)(4), and (h)(4) of this section as follows the semicolon, the last sentence of subsection (c) of section 203, subsection (f)(1)(C) of section 203, and subsections (b)(3)(B), (c)(6)(B), (f)(3)(B), and (g)(6)(B) of section 216 shall not apply in the case of

any child with respect to any month referred to therein unless in such month or the third month prior thereto such child was under a disability (as defined in section 223(c)) which began before such child attained the age of 18.

* * * * *

REDUCTION OF INSURANCE BENEFITS

Maximum Benefits

SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an insured individual is greater than the amount appearing in column V of the table in section 215(a) on the line on which appears in column IV such insured individual's primary insurance amount, such total of benefits shall be reduced to such amount; except that—

(1) 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 shall not be reduced to less than the smaller of: (A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or (B) the last figure in column V of the table appearing in section 215(a), or

[(2) when any of such individuals was entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or section 223 for December 1958, and the primary insurance amount of the insured individual on the basis of whose wages and self-employment income such monthly benefits are payable is determined under the provisions of section 215(a)(2), then such total benefits shall not be reduced to less than the larger of—

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

[(B) the amount determined under this subsection as in effect prior to the enactment of the Social Security Amendments of 1958 or the amount determined under section 102(h) of the Social Security Amendments of 1954, as the case may be, plus the excess of—

[(i) the primary insurance amount of such insured individual in column IV of the table appearing in section 215(a), over

[(ii) his primary insurance amount determined under section 215(c), or]

(2) when 2 or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under sections 202 and 223 for the first month following the month in which the Social Security Amendments of 1964 are enacted on the basis of the wages and self-employment income of such insured individual, such total of benefits shall not be reduced to less than the larger of—

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

(B) the sum of the amounts derived by multiplying the benefit amount (determined under this title as in effect prior to the enactment of the Social Security Amendments of 1964) of each such person for the month specified therein by 105 percent and raising each such increased amount, if it is not a multiple of \$0.10, to the next higher multiple of \$0.10.

[(3) when any of such individuals is entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits based on the wages and self-employment income of an insured individual with respect to whom a period of disability (as defined in section 216(i)) began prior to January 1959 and continued until—

[(A) he became entitled to benefits under section 202 or 223, or

[(B) he died, whichever first occurred, and the primary insurance amount of such insured individual is determined under the provisions of section 215(a) (1) or (3), then such total of benefits shall not be reduced to less than \$99.10 if such primary insurance amount is \$66, to less than \$102.40 if such primary insurance amount is \$67, to less than \$106.50 if such primary insurance amount is \$68, or, if such primary insurance amount is higher than \$68, to less than the smaller of—

[(C) the amount determined under this subsection without regard to this paragraph, or \$206.60, whichever is larger, or

[(D) the amount in column V of such table on the same line on which, in column IV, appears his primary insurance amount, plus the excess of—

[(i) such primary insurance amount, over

[(ii) the smaller amount in column II of the table on the line on which appears such primary insurance amount.

In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, such reduction shall be made after any deductions under this section and after any deductions under section 222(b). Whenever a reduction is made under this subsection, each benefit, except the old-age or disability insurance benefit, shall be proportionately decreased.]

* * * * *

Deductions on Account of Noncovered Work Outside the United States or Failure to Have Child in Care

(c) 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 on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States; or

(2) in which such individual, if a wife under age sixty-five 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 and such wife's insurance

benefit for such month was not reduced under the provisions of section 202(q); or

(3) 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

(4) 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 (2), (3), and (4) of this subsection, a child shall not be considered to be entitled to a child's insurance benefit for any month in which *paragraph (1) of section 202(s) applies* or an event specified in section 222(b) occurs with respect to such child. **[No]** *Subject to paragraph (3) of such section 202(s), 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.*

* * * * *

Months to Which Earnings Are Charged

(f) For purposes of subsection (b)—

(1) The amount of an individual's excess earnings (as defined in paragraph (3)) shall be charged to months as follows: There shall be charged to the first month of such taxable year an amount of his excess earnings equal to the sum of the payments to which he and all other persons are entitled for such month under section 202 on the basis of his wages and self-employment income (or the total of his excess earnings if such excess earnings are less than such sum), and the balance, if any, of such excess earnings shall be charged to each succeeding month in such year to the extent, in the case of each such month, of the sum of the payments to which such individual and all other persons are entitled for such month under section 202 on the basis of his wages and self-employment income, until the total of such excess has been so charged. Where an individual is entitled to benefits under section 202 and other persons are entitled to benefits under section 202 (a), (b), (c), or (d) on the basis of the wages and self-employment income of such individual, the excess earnings of such individual for any taxable year shall be charged in accordance with the provisions of this subsection before the excess earnings of such persons for a taxable year are charged to months in such individual's taxable year. Notwithstanding the preceding provisions of this paragraph *but subject to section 202(s)*, no part of the excess earnings of an individual shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which such individual was age seventy-two or over, (C) in which such individual, if a child entitled to child's insurance benefits, has attained the age of 18, or (D) in which such individual did not engage in self-employment and did not render services for wages (deter-

mined as provided in paragraph (5) of this subsection) of more than \$100.

* * * * *

Definition 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)(1) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$3,600 with respect to employment has been paid to an individual during any calendar year prior to 1955, is paid to such individual during such calendar year;

(2) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$4,200 with respect to employment has been paid to an individual during any calendar year after 1954 and prior to 1959, is paid to such individual during such calendar year;

(3) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$4,800 with respect to employment has been paid to an individual during any calendar year after 1958 and before 1965, is paid to such individual during such calendar year;

(4) *That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$5,400 with respect to employment has been paid to an individual during any calendar year after 1964, is paid to such individual during such calendar year;*

(b) 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 of classes of his employees and their dependents), on account of (1) retirement, or (2) sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

(c) 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;

(d) 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 six calendar months following the last calendar month in which the employee worked for such employer;

(e) Any payment made to, or on behalf of, an employee or his beneficiary (1) from or to a trust exempt from tax under section

165(a) of the Internal Revenue Code of 1939 at the time of such payment or, in the case of a payment after 1954, under sections 401 and 501(a) of the Internal Revenue Code of 1954, 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 (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165(a) (3), (4), (5), and (6) of the Internal Revenue Code of 1939 or, in the case of a payment after 1954, the requirements of section 401(a) (3), (4), (5), and (6) of the Internal Revenue Code of 1954;

(f) The payment by an employer (without deduction from the remuneration of the employee) (1) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code of 1939, or in the case of a payment after 1954 under section 3101 of the Internal Revenue Code of 1954, or (2) of any payment required from an employee under a State unemployment compensation law;

(g) (1) 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;

(2) 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 paragraph, the term "domestic service in a private home of the employer" does not include service described in section 210(f)(5);

(3) 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 paragraph, 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 section 210(f)(5);

(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 unless (A) the cash remuneration paid in such year by the employer to the employee for such labor is \$150 or more, or (B) the employee performs agricultural labor for the employer on twenty days or more during such year for cash remuneration computed on a time basis;

(i) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains age 62 (if a woman) or age 65 (if a man), if he did not work for the employer in the period for which such payment is made. As used in this subsection, the term "sick pay" includes remuneration for service in the employ of a State, a political subdivision (as defined in section 218(b)(2)) of a State, or an instrumentality of two or more States, paid to an employee thereof for a period during which he was absent from work because of sickness, or

(j) Remuneration paid by an employer in any quarter to an employee for service described in section 210(j)(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.

For purposes of this title in the case of domestic service described in subsection (g)(2), 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 title, 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 (g)(2):

For purposes of this title, in the case of an individual performing service, as a member of a uniformed service, to which the provisions of section 210(l)(1) are applicable, the term "wages" shall, subject to the provisions of subsection (a) of this section, include as such individual's remuneration for such service only his basic pay as described in section 102(10) of the Servicemen's and Veterans' Survivor Benefits Act.

For purposes of this title, in the case of an individual performing service, as a volunteer or volunteer leader within the meaning of the Peace Corps Act, to which the provisions of section 210(o) are applicable, (1) the term "wages" shall, subject to the provisions of subsection (a) of this section, include as such individual's remuneration for such service only amounts certified as payable pursuant to section 5(c) or 6(1) of the Peace Corps Act, and (2) any such amount shall be deemed to have been paid to such individual at the time the service with respect to which it is paid, is performed. . .

SELF-EMPLOYMENT

SEC. 211. For the purposes of this title—

* * * * *

Self-Employment Income

(b) The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a non-resident alien individual) during any taxable year beginning after 1950; 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 and prior to 1959, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(C) For any taxable year ending after 1958 and before 1965, (i) \$4,800, minus (ii) the amount of the wages paid to such individual during the taxable year; **[or]** and

(D) For any taxable year ending after 1964, (i) \$5,400, 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.

An individual who is not a citizen of the United States but who is a resident of the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

* * * * *

QUARTER AND QUARTER OF COVERAGE

Definitions

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

(1) The term “quarter”, and the term “calendar quarter”, means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

(2) The term “quarter of coverage” means 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) no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;

(ii) if the wages paid to any individual in any calendar year equal \$3,000 in the case of a calendar year before 1951, or \$3,600 in the case of a calendar year after 1950 and before 1955, or \$4,200 in the case of a calendar year after 1954 and before 1959, or \$4,800 in the case of a calendar year after 1958 and before 1965, or \$5,400 in the case of a calendar year after 1964, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals \$3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or \$4,200 in the case of a taxable year ending after 1954 and before 1959, or \$4,800 in the case of a taxable year ending after 1958 and before 1965, or \$5,400 in the case of a taxable year ending after 1964, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;

(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

(v) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

If, in the case of any individual who has attained age 62 or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216(i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters. If, in the case of an individual who did not die prior to January 1, 1955, and who attained age 62 (if a woman) or age 65 (if a man) or died before July 1, 1957, the requirements for insured status in section 214(a)(3) are not met because of his having too few quarters of coverage but would be met if his quarters of coverage in the first calendar year in which he had any covered employment had been determined on the basis of the period during which wages were earned rather than on the basis of the period during which wages were paid (any such wages paid that are reallocated on an earned basis shall not be used in determining quarters of coverage for subsequent calendar years), then upon application filed by the individual or his survivors and satisfactory proof of his record of wages earned being furnished by such individual or his survivors, the quarters of coverage in such calendar year may be determined on the basis of the periods during which wages were earned.

* * * * *

COMPUTATION OF PRIMARY INSURANCE AMOUNT

SEC. 215. For the purposes of this title—

(a) Subject to the conditions specified in subsections (b), (c), and (d) of this section, the primary insurance amount of an insured individual shall be whichever of the following is the largest:

(1) The amount in column IV on the line on which in column III of the following table appears his average monthly wage (as determined under subsection (b));

(2) The amount in column IV on the line on which in column II of the following table appears his primary insurance amount (as determined under subsection (c));

(3) The amount in column IV on the line on which in column I of the following table appears his primary insurance benefit (as determined under subsection (d)); or

(4) In the case of—

(A) a woman who was entitled to a disability insurance benefit for the month before the month in which she died or became entitled to old-age insurance benefits, or

(B) a man who was entitled to a disability insurance benefit for the month before the month in which he died or attained age 65,
the amount in column IV which is equal to such disability insurance benefit.

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1954 Act)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
	\$13.48		\$37.00		\$67	\$40	\$60.00
\$13.49	14.00	\$37.10	38.00	\$68	69	41	61.50
14.01	14.48	38.10	39.00	70	70	42	63.00
14.49	15.00	39.10	40.00	71	72	43	64.50
15.01	15.60	40.10	41.00	73	74	44	66.00
15.61	16.20	41.10	42.00	75	75	45	67.50
16.21	16.84	42.10	43.00	77	78	46	69.00
16.85	17.60	43.10	44.00	79	80	47	70.50
17.61	18.40	44.10	45.00	81	81	48	72.00
18.41	19.24	45.10	46.00	82	83	49	73.50
19.25	20.00	46.10	47.00	84	85	50	75.00
20.01	20.64	47.10	48.00	86	87	51	76.50
20.65	21.28	48.10	49.00	88	89	52	78.00
21.29	21.88	49.10	50.00	90	90	53	79.50
21.89	22.28	50.10	50.90	91	92	54	81.00
22.29	22.68	51.00	51.80	93	94	55	82.50
22.69	23.08	51.90	52.80	95	96	56	84.00
23.09	23.44	52.90	53.70	97	97	57	85.50
23.45	23.76	53.80	54.60	98	99	58	87.00
23.77	24.20	54.70	55.60	100	101	59	88.50
24.21	24.60	55.70	56.50	102	102	60	90.00
24.61	25.00	56.60	57.40	103	104	61	91.50
25.01	25.48	57.50	58.40	105	106	62	93.00
25.49	25.92	58.50	59.30	107	107	63	94.50
25.93	26.40	59.40	60.20	108	109	64	96.00
26.41	26.94	60.30	61.20	110	113	65	97.50
26.95	27.46	61.30	62.10	114	118	66	99.00
27.47	28.00	62.20	63.00	119	122	67	100.50
28.01	28.68	63.10	64.00	123	127	68	102.00
28.69	29.25	64.10	64.90	128	132	69	105.60
29.26	29.68	65.00	65.80	133	136	70	108.80
29.69	30.36	65.90	66.80	137	141	71	112.80
30.37	30.92	66.90	67.70	142	146	72	116.80
30.93	31.36	67.80	68.60	147	150	73	120.00
31.37	32.00	68.70	69.60	151	155	74	124.00
32.01	32.60	69.70	70.50	156	160	75	128.00
32.61	33.20	70.60	71.40	161	164	76	131.20
33.21	33.88	71.50	72.40	165	169	77	135.20
33.89	34.50	72.50	73.30	170	174	78	139.20
34.51	35.00	73.40	74.20	175	178	79	142.40
35.01	35.80	74.30	75.20	179	183	80	146.40
35.81	36.40	75.30	76.10	184	188	81	150.40
36.41	37.08	76.20	77.10	189	193	82	154.40
37.09	37.60	77.20	78.00	194	197	83	157.60
37.61	38.20	78.10	78.90	198	202	84	161.60
38.21	39.12	79.00	79.90	203	207	85	165.60
39.13	39.68	80.00	80.80	208	211	86	168.80
39.69	40.33	80.90	81.70	212	216	87	172.80
40.34	41.12	81.80	82.70	217	221	88	176.80
41.13	41.76	82.80	83.60	222	225	89	180.00
41.77	42.44	83.70	84.50	226	230	90	184.00
42.45	43.20	84.60	85.50	231	235	91	188.00
43.21	43.76	85.60	86.40	236	239	92	191.20

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

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1954 Act)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
\$43.77	\$44.44	\$86.60	\$87.30	\$240	\$244	\$93	\$195.20
44.45	44.88	87.40	88.30	245	249	94	199.20
44.89	45.60	88.40	89.20	250	253	95	202.40
		89.30	90.10	254	258	96	206.40
		90.20	91.10	259	263	97	210.40
		91.20	92.00	264	267	98	213.00
		92.10	92.90	268	272	99	217.60
		93.00	93.90	273	277	100	221.60
		94.00	94.80	278	281	101	224.80
		94.90	95.80	282	286	102	228.80
		95.90	96.70	287	291	103	232.80
		96.80	97.60	292	295	104	236.00
		97.70	98.60	296	300	105	240.00
		98.70	99.50	301	305	106	244.00
		99.60	100.40	306	309	107	247.20
		100.60	101.40	310	314	108	251.20
		101.60	102.30	315	319	109	254.00
		102.40	103.20	320	323	110	254.00
		103.30	104.20	324	328	111	254.00
		104.30	105.10	329	333	112	254.00
		105.20	106.00	334	337	113	254.00
		106.10	107.00	338	342	114	254.00
		107.10	107.90	343	347	115	254.00
		108.00	108.50	348	351	116	254.00
				352	356	117	254.00
				357	361	118	254.00
				362	365	119	254.00
				366	370	120	254.00
				371	375	121	254.00
				376	379	122	254.00
				380	384	123	254.00
				385	389	124	254.00
				390	393	125	254.00
				394	398	126	254.00
				399	400	127	254.00

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I (Primary insurance benefit under 1959 Act, as modified)		II (Primary insurance amount under 1958 Act, as modified)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
-----	\$13.48	\$40	-----	\$67	\$42.00	\$63.00
\$13.49	14.00	41	\$68	69	43.10	64.70
14.01	14.48	42	70	70	44.10	66.20
14.49	15.00	43	71	71	45.20	67.80
15.01	15.60	44	73	74	46.20	69.30
15.61	16.20	45	75	76	47.30	71.00
16.21	16.84	46	77	78	48.30	72.50
16.85	17.60	47	79	80	49.40	74.10
17.61	18.40	48	81	81	50.40	75.60
18.41	19.24	49	83	83	51.60	77.30
19.25	20.00	50	84	85	52.60	78.80
20.01	20.84	51	86	87	53.60	80.40
20.85	21.68	52	88	89	54.60	81.90
21.69	21.88	53	90	90	55.70	83.60
21.89	22.88	54	91	92	56.70	85.10
22.89	22.68	55	93	94	57.80	86.70
22.69	23.08	56	95	96	58.80	88.20
23.09	23.44	57	97	97	59.90	89.90
23.45	23.76	58	98	99	60.90	91.40
23.77	24.00	59	100	101	62.00	93.00
24.21	24.60	60	102	102	63.00	94.50
24.61	25.00	61	103	104	64.10	96.20
25.01	25.48	62	105	105	65.10	97.70
25.49	25.88	63	107	107	66.20	99.30
25.89	26.40	64	108	109	67.20	100.80
26.41	26.94	65	110	113	68.30	102.50
26.95	27.48	66	114	118	69.30	104.00
27.47	28.00	67	119	122	70.40	105.60
28.01	28.68	68	123	127	71.40	107.10
28.69	29.25	69	123	132	72.50	108.80
29.26	29.68	70	133	136	73.60	110.30
29.69	30.36	71	137	141	74.60	112.80
30.37	30.88	72	142	143	75.60	114.80
30.89	31.36	73	147	150	76.70	120.00
31.37	32.00	74	151	155	77.70	124.00
32.01	32.60	75	156	160	78.80	128.00
32.61	33.20	76	161	164	79.80	131.20
33.21	33.88	77	165	169	80.90	135.20
33.89	34.60	78	170	174	81.90	139.20
34.61	35.00	79	175	178	83.00	142.40
35.01	35.80	80	179	183	84.00	146.40
35.81	36.40	81	184	188	85.10	150.40
36.41	37.08	82	189	193	86.10	154.40
37.09	37.60	83	194	197	87.20	157.60
37.61	38.20	84	198	202	88.20	161.60
38.21	39.12	85	203	207	89.30	165.60
39.13	39.68	86	208	211	90.30	168.80
39.69	40.33	87	212	216	91.40	172.80
40.34	41.12	88	217	221	92.40	176.80
41.13	41.76	89	222	225	93.60	180.00
41.77	42.44	90	228	230	94.60	184.00
42.45	43.20	91	231	235	95.60	188.00
43.21	43.76	92	236	239	96.60	191.20
43.77	44.44	93	240	244	97.70	195.20

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

I <i>(Primary insurance benefit under 1959 Act, as modified)</i>		II <i>(Primary insurance amount under 1958 Act, as modified)</i>	III <i>(Average monthly wage)</i>		IV <i>(Primary insurance amount)</i>	V <i>(Maximum family benefits)</i>
<i>If an individual's primary insurance benefit (as determined under subsec. (d)) is—</i>		<i>Or his primary insurance amount (as determined under subsec. (c)) is—</i>	<i>Or his average monthly wage (as determined under subsec. (b)) is—</i>		<i>The amount referred to in the preceding paragraphs of this subsection shall be—</i>	<i>And the maximum amount of benefits payable (as provided in sec. 803(a)) on the basis of his wages and self-employment income shall be—</i>
<i>At least—</i>	<i>But not more than—</i>		<i>At least—</i>	<i>But not more than—</i>		
\$44.45	\$44.88	\$94	\$245	\$249	\$98.70	\$199.80
44.89	45.60	95	250	253	99.80	202.40
		96	254	258	100.80	206.40
		97	259	263	101.90	210.40
		98	264	267	102.90	213.60
		99	268	272	104.00	217.60
		100	273	277	105.00	221.60
		101	278	281	106.10	224.80
		102	282	286	107.10	228.80
		103	287	291	108.20	232.80
		104	292	295	109.20	236.00
		105	296	300	110.30	240.00
		106	301	305	111.30	244.00
		107	306	309	112.40	247.80
		108	310	314	113.40	251.80
		109	315	319	114.50	254.00
		110	320	323	115.50	254.00
		111	324	328	116.60	254.00
		112	329	333	117.60	254.00
		113	334	337	118.70	254.80
		114	338	342	119.70	256.80
		115	343	347	120.80	258.80
		116	348	351	121.80	260.40
		117	352	356	122.90	262.40
		118	357	361	123.90	264.40
		119	362	365	125.00	266.00
		120	366	370	126.00	268.00
		121	371	375	127.10	270.00
		122	376	379	128.10	271.60
		123	380	384	129.20	273.60
		124	385	389	130.20	275.60
		125	390	393	131.30	277.80
		126	394	398	132.30	279.80
		127	399	403	133.40	281.80
		128	404	407	134.40	283.80
		129	408	412	135.40	284.80
		130	413	417	136.40	286.80
		131	418	421	137.40	288.40
		132	422	426	138.40	290.40
		133	427	431	139.40	292.40
		134	432	436	140.40	294.40
		135	437	440	141.40	296.00
		136	441	445	142.40	298.00
		137	442	450	143.40	300.00

Average Monthly Wage

(b)(1) For the purposes of column III of the table appearing in subsection (a) of this section, an individual's "average monthly wage" shall be the quotient obtained by dividing—

(A) the total of his wages paid in and self-employment income credited to his "benefit computation years" (determined under paragraph (2)), by

(B) the number of months in such years.

(2)(A) The number of an individual's "benefit computation years" shall be equal to the number of elapsed years (determined under paragraph (3) of this subsection), reduced by five; except that the number of an individual's benefit computation years shall in no case be less than two.

(B) An individual's "benefit computation years" shall be those computation base years, equal in number to the number determined under subparagraph (A), for which the total of his wages and self-employment income is the largest.

[(C) For the purposes of subparagraph (B), "computation base years" include only calendar years occurring—

[(i) After December 31, 1950, and

[(ii) prior to the year in which the individual became entitled to old-age insurance benefits or died, whichever first occurred; except that the year in which the individual became entitled to old-age insurance benefits or died, as the case may be, shall be included as a computation base year if the Secretary determines, on the basis of evidence available to him at the time of the computation of the primary insurance amount for such individual, that the inclusion of such year would result in a higher primary insurance amount. Any calendar year all of which is included in a period of disability shall not be included as a computation base year.]

(C) For purposes of subparagraph (B), "computation base years" include only calendar years in the period after 1950 and prior to the earlier of the following years—

(i) the year in which occurred (whether by reason of section 202(j)(1) or otherwise) the first month for which the individual was entitled to old-age insurance benefits, or

(ii) the year succeeding the year in which he died.

Any calendar year all of which is included in a period of disability shall not be included as a computation base year.

(3) For purposes of paragraph (2), the number of an individual's elapsed years is the number of calendar years after 1950 (or, if later, the year in which he attained age 21) and before—

[(A) in the case of a woman, the year in which she died or (if earlier) the first year after 1960 in which she both was fully insured and had attained age 62,

[(B) in the case of a man who has died, the year in which he died or (if earlier) the first year after 1960 in which he both was fully insured and had attained age 65, or

[(C) in the case of a man who has not died, the first year after 1960 in which he attained (or would attain) age 65 or (if later) the first year in which he was fully insured.]

(A) in the case of a woman, the year in which she died or, if it occurred earlier but after 1960, the year in which she attained age 62,

(B) in the case of a man who has died, the year in which he died or, if it occurred earlier but after 1960, the year in which he attained age 65, or

(C) in the case of a man who has not died, the year occurring after 1960 in which he attained (or would attain) age 65.

For purposes of the preceding sentence, any calendar year any part of which was included in a period of disability shall not be included in such number of calendar years.

[(4) The provisions of this subsection shall be applicable only in the case of an individual with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and—

[(A) who becomes entitled to benefits after December 1960 under section 202(a) or section 223; or

[(B) who dies after December 1960 without being entitled to benefits under section 202(a) or section 223; or

[(C) who files an application for a recomputation under subsection (f)(2)(A) after December 1960 and is (or would, but for the provisions of subsection (f)(6), be) entitled to have his primary insurance amount recomputed under subsection (f)(2)(A); or

[(D) who dies after December 1960 and whose survivors are (or would, but for the provisions of subsection (f)(6), be) entitled to a recomputation of his primary insurance amount under subsection (f)(4).

[(5) In the case of any individual—

[(A) to whom the provisions of this subsection are not made applicable by paragraph (4), but

[(B)(i) prior to 1961, met the requirements of this paragraph (including subparagraph (E) thereof) as in effect prior to the enactment of the Social Security Amendments of 1960, or (ii) after 1960, meets the conditions of subparagraph (E) of this paragraph as in effect prior to such enactment,

then the provisions of this subsection as in effect prior to such enactment shall apply to such individual for the purposes of column III of the table appearing in subsection (a) of this section.]

(4) *The provisions of this subsection shall be applicable only in the case of an individual—*

(A) *who becomes entitled after December 1964 to benefits under section 202(a) or section 223; or*

(B) *who dies after December 1964 without being entitled to benefits under section 202(a) or section 223; or*

(C) *whose primary insurance amount is required to be recomputed under subsection (f)(2), as amended by the Social Security Amendments of 1964.*

(5) *In the case of an individual—*

(A) *to whom the provisions of this subsection are not made applicable by paragraph (4), but who, after the first month following the month in which the Social Security Amendments of 1964 are enacted and prior to 1965, met the requirements of this paragraph or paragraph (4), as in effect prior to the enactment of the Social Security Amendments of 1964, or*

(B) *who becomes entitled after 1964 to a recomputation under section 102(f)(2)(B) of the Social Security Amendments of 1954, the provisions of this subsection, as in effect prior to such enactment, shall apply to such individual for the purposes of column III of the table appearing in subsection (a) of this section.*

【Primary Insurance Amount Under 1954 Act

【(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed as provided in, and subject to the limitations specified in, (A) this section as in effect prior to the enactment of the Social Security Amendments of 1958, and (B) the applicable provisions of the Social Security Amendments of 1954.

【(2) The provisions of this subsection shall be applicable only in the case of an individual—

【(A) who became entitled to benefits under section 202(a) or section 223 or died prior to January 1959, and

【(B) to whom the provisions of neither paragraph (4) nor paragraph (5) of subsection (b) are applicable.】

Primary Insurance Amount Under 1958 Act, as Modified

(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed as provided in, and subject to the limitations specified in, (A) this section as in effect prior to the enactment of the Social Security Amendments of 1964, and (B) the applicable provisions of the Social Security Amendments of 1960.

(2) The provisions of this subsection shall be applicable only in the case of an individual—

(A) who became entitled to benefits under section 202(a) or section 223 prior to the second month following the month in which the Social Security Amendments of 1964 are enacted or who died prior to such second month, and

(B) to whom neither paragraph (4) nor paragraph (5) of subsection (b) is applicable.

Primary Insurance Benefit Under 1939 Act

(d)(1) For the purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as provided in this title as in effect prior to the enactment of the Social Security Act Amendments of 1950, except that—

(A) In the computation of such benefit, such individual's average monthly wage shall (in lieu of being determined under section 209(f) of this title as in effect prior to the enactment of such amendments) be determined as provided in subsection (b) of this section (but without regard to paragraphs (4) and (5) thereof), except that for the purposes of paragraphs **【(2)(C)(i) and (3)(A)(i)】** **(2)(C) and (3)** of subsection (b), **【December 31, 1936,】** 1936 shall be used instead of **【December 31, 1950】** 1950.

(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.

(C) The 1 per centum addition provided for in section 209(e)(2) of this Act as in effect prior to the enactment of the Social Security Act Amendments of 1950 shall be applicable only with respect to calendar years prior to 1951, except that any wages paid in any

year prior to such year all of which was included in a period of disability shall not be counted.

(D) The provisions of subsection (e) shall be applicable to such computation.

(2) The provisions of this subsection shall be applicable only in the case of an individual—

(A) with respect to whom at least one of the quarters elapsing prior to 1951 is a quarter of coverage;

(B) who meets the requirements of any of the subparagraphs of paragraph (4) of subsection (b) of this section; and

(C) who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951.

(3) The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of **[1960]** 1964 shall be applicable in the case of an individual who meets the requirements of subsection (b)(5) (as in effect after such enactment) **[but without regard to whether such individual has six quarters of coverage after 1950.]**

Certain Wages and Self-Employment Income Not to be Counted

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

(1) in computing an individual's average monthly wage there shall not be counted the excess over \$3,600 in the case of any calendar year after 1950 and before 1955, the excess over \$4,200 in the case of any calendar year after 1954 and before 1959, **[and the excess over \$4,800 in the case of any calendar year after 1958]**, *the excess over \$4,800 in the case of any calendar year after 1958 and before 1965, and the excess over \$5,400 in the case of any calendar year after 1964* of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and

(2) if an individual's average monthly wage computed under subsection (b) or for the purposes of subsection (d) is not a multiple of \$1, it shall be reduced to the next lower multiple of **[\$1; and] \$1.**

[(3) if an individual has self-employment income in a taxable year which begins prior to the calendar year in which he becomes entitled to old-age insurance benefits and ends after the last day of the month preceding the month in which he becomes so entitled, his self-employment income in such taxable year shall not be counted in determining his benefit computation years, except as provided in subsection (f)(3)(C).]

Recomputation of Benefits

(f) (1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who died prior to July 27, 1954, as provided in section 217(b).

[(2) (A) Upon application filed after 1960 by an individual entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount if—

[(i) he has not less than six quarters of coverage in the period after 1950 and prior to the quarter in which such application is filed,

[(ii) he has wages and self-employment income of more than \$1,200 in a calendar year which occurs after 1953 (not taking into account any year prior to the calendar year in which the last previous recomputation, if any, of his primary insurance amount was effective) and after the year in which he became (without the application of section 202(j)(1) entitled to old-age insurance benefits or filed an application for recomputation (to which he is entitled) under section 102(e)(5)(B) or 102(f)(2)(B) of the Social Security Amendments of 1954, whichever of such events is the latest, and

[(iii) he filed such application after such calendar year referred to in clause (ii) in which he had such wages and self-employment income.

Such recomputation shall be effective for and after the twelfth month before the month in which he filed such application for recomputation but in no event earlier than the month following such calendar year referred to in clause (ii). For the purposes of this subparagraph an individual's self-employment income shall be allocated to calendar quarters in accordance with section 212.

[(B) A recomputation pursuant to subparagraph (A) shall be made—

[(i) only as provided in subsection (a)(1), if the provisions of subsection (b), as amended by the Social Security Amendments of 1960, were applicable to the last previous computation of the individual's primary insurance amount, or

[(ii) as provided in subsection (a) (1) and (3), in all other cases.

Such recomputation shall be made as though the individual became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, except that if clause (i) of this subparagraph is applicable to such recomputation, the computation base years referred to in subsection (b)(2) shall include only calendar years occurring prior to the year in which he filed his application for such recomputation.]

(2) *With respect to each year—*

(A) *which begins after December 31, 1963, and*

(B) *for any part of which an individual is entitled to old-age insurance benefits,*

the Secretary shall, at such time or times and within such period as he may by regulations prescribe, recompute the primary insurance amount of such individual. Such recomputation shall be made—

(C) *as provided in subsection (a) (1) and (3) if such year is either the year in which he became entitled to such old-age insurance benefits or the year preceding such year, or*

(D) *as provided in subsection (a)(1) in any other case;*

and in all cases such recomputation shall be made as though the year with respect to which such recomputation is made is the last year of the period specified in paragraph (2)(C) of subsection (b). A recomputation under this paragraph with respect to any year shall be effective—

(E) *in the case of an individual who did not die in such year, for monthly benefits beginning with benefits for January of the following year; or*

(F) *in the case of an individual who died in such year (including any individual whose increase in his primary insurance amount is attributable to compensation which, upon his death, is treated as remuneration for employment under section 205(o)), for monthly benefits beginning with benefits for the month in which he died.*

[(3) (A) Upon application by an individual—

[(i) who became entitled to old-age insurance benefits under section 202(a) after December 1960, or

[(ii) whose primary insurance amount was recomputed as provided in paragraph (2)(B)(ii) of this subsection on the basis of an application filed after December 1960,

the Secretary shall recompute his primary insurance amount if such application is filed after the calendar year in which he became entitled to old-age insurance benefits or in which he filed application for the recomputation of his primary insurance amount under clause (ii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made as provided in subsection (a) (1) and (3) of this section, except that such individual's computation base years referred to in subsection (b)(2) shall include the calendar year referred to in the preceding sentence. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

[(B) In the case of an individual who dies after December 1960 and—

[(i) who, at the time of death was not entitled to old-age insurance benefits under section 202(a), or

[(ii) who became entitled to such old-age insurance benefits after December 1960, or

[(iii) whose primary insurance amount was recomputed under paragraph (2) of this subsection on the basis of an application filed after December 1960, or

[(iv) whose primary insurance amount was recomputed under paragraph (4) of this subsection,

the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of such individual's wages and self-employment income. Such recomputation shall be made as provided in subsection (a) (1) and (3) of this section, except that such individual's computation base years referred to in subsection (b)(2) shall include the calendar year in which he died in the case of an individual who was not entitled to old-age insurance benefits at the time of death or whose primary insurance amount was recomputed under paragraph (4) of this subsection, or in all other cases, the calendar year in which he filed his application for the last previous computation of his primary insurance amount. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

[(C) In the case of an individual who becomes entitled to old-age insurance benefits in a calendar year after 1960, if such individual has self-employment income in a taxable year which begins prior to such

calendar year and ends after the last day of the month preceding the month in which he became so entitled, the Secretary shall recompute such individual's primary insurance amount after the close of such taxable year and shall take into account in determining the individual's benefit computation years only such self-employment income in such taxable year as is credited, pursuant to section 212, to the year preceding the year in which he became so entitled. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

[(4) Upon the death after 1960 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if—

[(A) the decedent would have been entitled to a recomputation under paragraph (2)(A) if he had filed application therefor in the month in which he died; or

[(B) the decedent during his lifetime was paid compensation which was treated under section 205(o) as remuneration for employment.

If the recomputation is permitted by subparagraph (A) the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2)(A) in the month in which he died. If the recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were considered in the last previous computation of his primary insurance amount and the compensation (described in section 205(o)) paid to him in the years in which such wages were paid or to which such self-employment income was credited. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.]

[(5)] (3) In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year which began in 1952 (and without the application of section 202(j)(1)), or who died in 1952 or in a taxable year which began in 1952 but did not become entitled to such benefits prior to 1952, and who had self-employment income for a taxable year which ended within or with 1952 or which began in 1952, then upon application filed by such individual after the close of such taxable year and prior to January 1961 or (if he died without filing such application and such death occurred prior to January 1961) by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Secretary shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsection (b)(4)(A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by such individual, for and after the first month in which he became entitled to old-age insurance benefits, and (B) in the case of an application filed by any other person, for and after the month in which such person who filed

such application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph pursuant to an application filed after such individual's death shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Secretary prior to the effective date of the recomputation.

[(6)] (4) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

[(7)(A)] In the case of a man who attains age 65 and who became entitled to old-age insurance benefits before the month in which he attains such age, his primary insurance amount shall be recomputed as provided in subsection (a) as though he became entitled to old-age insurance benefits in the month in which he attained age 65, except that his computation base years referred to in subsection (b)(2) shall include the year in which he attained age 65. Such recomputation shall be effective for and after the month in which he attained age 65.

(B) In the case of a man who became entitled to old-age insurance benefits and died before the month in which he attained age 65, the Secretary shall, if any person is entitled to monthly insurance benefits or a lump-sum death payment on the basis of the wages and self-employment income of the decedent, recompute his primary insurance amount as provided in subsection (a) as though he became entitled to old-age insurance benefits in the month in which he died; except that (i) his computation base years referred to in subsection (b)(2) shall include the year in which he died, and (ii) his elapsed years referred to in subsection (b)(3) shall not include the year in which he died or any year thereafter. In the case of monthly insurance benefits, such recomputation of a man's primary insurance amount shall be effective for and after the month in which he died.]

* * * * *

OTHER DEFINITIONS

SEC. 216. For the purposes of this title—
[(a) Repealed.]

Wife

(b) The term "wife" means the wife of an individual, but only if she (1) is the mother of his son or daughter, (2) was married to him for a period of not less than one year immediately preceding the day on which her application is filed, or (3) in the month prior to the month of her marriage to him (A) was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under subsection (e) or (h) of section 202, or (B) had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section (*subject, however, to section 202(s)*).

Widow

(c) The term "widow" (except when used in section 202(i) means the surviving wife of an individual, but only if (1) she is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was

under the age of eighteen, (3) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (4) she was married to him at the time both of them legally adopted a child under the age of eighteen, (5) she was married to him for a period of not less than one year immediately prior to the day on which he died, or (6) in the month prior to the month of her marriage to him (A) she was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under subsection (e) or (h) of section 202, or (B) she had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section (*subject, however, to section 202(s)*).

Former Wife Divorced

(d) The term "former wife divorced" means a woman divorced from an individual, but only if (1) she is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (4) she was married to him at the time both of them legally adopted a child under the age of eighteen.

Child

(e) The term "child" means (1) the child or legally adopted child of an individual, and (2) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which application for child's insurance benefits is filed or (if the insured individual is deceased) the day on which such individual died. For purposes of clause (1), a person shall be deemed, as of the date of death of an individual, to be the legally adopted child of such individual if such person was at the time of such individual's death living in such individual's household and was legally adopted by such individual's surviving spouse after such individual's death but before the end of two years after the day on which such individual died or the date of enactment of this Act; except that this sentence shall not apply if at the time of such individual's death such person was receiving regular contributions toward his support from someone other than such individual or his spouse, or from any public or private welfare organization which furnishes services or assistance for children. For purposes of clause (2), a person who is not the stepchild of an individual shall be deemed the stepchild of such individual if such individual was not the mother or adopting mother or the father or adopting father of such person and such individual and the mother or adopting mother, or the father or adopting father, as the case may be, of such person went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of subsection (h)(1)(B), would have been a valid marriage.

Husband

(f) The term "husband" means the husband of an individual, but only if (1) he is the father of her son or daughter, (2) he was married

to her for a period of not less than one year immediately preceding the day on which his application is filed, or (3) in the month prior to the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under subsection (f) or (h) of section 202, or (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section (*subject, however, to section 202(s)*).

Widower

(g) The term "widower" (except when used in section 202(i)) means the surviving husband of an individual, but only if (1) he is the father of her son or daughter, (2) he legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (3) she legally adopted his son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (4) he was married to her at the time both of them legally adopted a child under the age of eighteen, (5) he was married to her for a period of not less than one year immediately prior to the day on which she died, or (6) in the month before the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under subsection (f) or (h) of section 202, or (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section (*subject, however, to section 202(s)*).

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

SEC. 218. (a)(1) * * *

Positions Covered by Retirement Systems

(d)(1) * * *

* * * * *

(b)(A) 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. Where a retirement system covering positions of employees of a State and positions of employees of one or more political subdivisions of a State, or covering positions of employees of two or more political subdivisions of the State, is not divided into separate retirement systems pursuant to the preceding sentence or pursuant to subparagraph (C), then the State may, for purposes of subsection (f) only, deem the system

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.

(B) 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 subparagraph, the term "institutions of higher learning" includes junior colleges and teachers colleges. If a retirement system covers positions of employees of a hospital which is an integral part of a political subdivision, then, for purposes of the preceding paragraphs there shall, if the State so desires, be deemed to be a separate retirement system for the employees of such hospital.

(C) For the purposes of this subsection, any retirement system established by the State of *Alaska*, California, Connecticut, Florida, Georgia, *Kentucky*, Massachusetts, Minnesota, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, Wisconsin, or Hawaii, or any political subdivision of any such State, which, on, before, or after the date of enactment of this subparagraph, 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 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. If, in the case of a separate retirement system which is deemed to exist by reason of subparagraph (A) and which has been divided into two divisions or parts pursuant to the first sentence of this subparagraph, individuals become members of such system by reason of action taken by a political subdivision after coverage under an agreement under this section has been extended to the division or part thereof composed of positions of individuals who desire such coverage, the positions of such individuals who become members of such retirement system by reason of the action so taken shall be included in the division or part of such system composed of positions of members who do not desire such coverage if (i) such individuals, on the day before becoming such members, were in the division or part of another separate retirement system (deemed to exist by reason of subparagraph (A)) composed of positions of members of such system who do not desire coverage under an agreement under this section and (ii) all of the positions in the separate retirement system of which such individuals so become members and all of the positions in the separate retirement system referred to in clause (i) would have been covered by a single retirement system if the State had not taken action to provide for separate retirement systems under this paragraph.

(D) The position of any individual which is covered by any retirement system to which subparagraph (C) is applicable shall, if such individual is ineligible to become a member of such system on August 1, 1956, 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.

(E) An individual who is in a position covered by a retirement system to which subparagraph (C) is applicable and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection (other than paragraph (8)), be regarded as a member of such system; except that, in the case of any retirement system a division or part of which is covered under the agreement (either in the original agreement or by a modification thereof), which coverage is agreed to prior to 1960, the preceding provisions of this subparagraph shall apply only if the State so requests and any such individual referred to in such preceding provisions shall, if the State so requests, be treated, after division of the retirement system pursuant to such subparagraph (C), the same as individuals in positions referred to in subparagraph (F).

(F) In the case of any retirement system divided pursuant to subparagraph (C), the position of any member of the division or part composed of positions of members who do not desire coverage may be transferred to the separate retirement system composed of positions of members who desire such coverage if it is so provided in a modification of such agreement which is mailed, or delivered by other means, to the Secretary prior to [1963] 1966 or, if later, the expiration of two years after the date on which such agreement, or the modification thereof making the agreement applicable to such separate retirement system, as the case may be, is agreed to, but only if, prior to such modification or such later modification, as the case may be, the individual occupying such position files with the State a written request for such transfer. Notwithstanding subsection (f)(1), any such modification or later modification, providing for the transfer of additional positions within a retirement system previously divided pursuant to subparagraph (C) to the separate retirement system composed of positions of members who desire coverage, shall be effective with respect to services performed after the same effective date as that which was specified in the case of such previous division.

(G) For the purposes of this subsection, in the case of any retirement system of the State of Florida, Georgia, Minnesota, North Dakota, Pennsylvania, Washington, or Hawaii which covers positions of employees of such State who are compensated in whole or in part from grants made to such State under title III, there shall be deemed to be, if such State so desires, a separate retirement system with respect to any of the following:

- (i) the positions of such employees;
- (ii) the positions of all employees of such State covered by such retirement system who are employed in the department of such State in which the employees referred to in clause (i) are employed; or
- (iii) employees of such State covered by such retirement system who are employed in such department of such State in positions other than those referred to in clause (i).

(7) The certification by the governor (or an official of the State designated by him for the purpose) required under paragraph (3) shall be deemed to have been made, in the case of a division or part (created under subparagraph (C) of paragraph (6) or the corre-

sponding provision of prior law) consisting of the positions of members of a retirement system who desire coverage under the agreement under this section, if the governor (or the official so designated) certifies to the Secretary of Health, Education, and Welfare that—

(A) an opportunity to vote by written ballot on the question of whether they wish to be covered under an agreement under this section was given to all individuals who were members of such system at the time the vote was held;

(B) not less than ninety days' notice of such vote was given to all individuals who were members of such system on the date the notice was issued;

(C) the vote was conducted under the supervision of the governor or an agency or individual designated by him; and

(D) such system was divided into two parts or divisions in accordance with the provisions of subparagraphs (C) and (D) of paragraph (6) or the corresponding provision of prior law.

For purposes of this paragraph, an individual in a position to which the State agreement already applied or in a position excluded by or pursuant to paragraph (5) shall not be considered a member of the retirement system.

(8)(A) Notwithstanding paragraph (1), if under the provisions of this subsection an agreement is, after December 31, 1958, made applicable to service performed in positions covered by a retirement system, service performed by an individual in a position covered by such a system may not be excluded from the agreement because such position is also covered under another retirement system.

(B) Subparagraph (A) shall not apply to service performed by an individual in a position covered under a retirement system if such individual, on the day the agreement is made applicable to service performed in positions covered by such retirement system, is not a member of such system and is a member of another system.

(C) If an agreement is made applicable, prior to 1959, to service in positions covered by any retirement system, the preceding provisions of this paragraph shall be applicable in the case of such system if the agreement is modified to so provide.

(D) Except in the case of agreements with the States named in subsection (p) and agreements with interstate instrumentalities, nothing in this paragraph shall authorize the application of an agreement to service in any policeman's or fireman's position.

* * * * *

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)(1) 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 sections 202 and 223 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 or if an individual entitled to disability 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 tenets or teachings of such church or sect, and who, solely because of his adherence to the teachings or tenets 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 first sentence of this subsection, be deemed to have done so with good cause.

(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or from any mother's insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or such mother's insurance benefit or benefits under section 202 for any month in which such child or person entitled to mother's insurance benefits is married to an individual who is entitled to disability insurance benefits and in which such individual refuses to accept rehabilitation services and a deduction, on account of such refusal, is imposed under paragraph (1). If both this paragraph and paragraph (3) are applicable to a child's insurance benefit for any month, only an amount equal to such benefit shall be deducted.

(3) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to disability insurance benefits, to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month in which the individual, on the basis of whose wages and self-employment income such benefit was payable, refuses to accept rehabilitation services and deductions, on account of such refusal, are imposed under paragraph (1).

(4) The provisions of paragraph (1) shall not apply to any child entitled to benefits under section 202(d), if he has attained the age of 18 but has not attained the age of 22, for any month during which he is a full-time student (as defined and determined under section 202(d)).

* * * * *

DISABILITY INSURANCE BENEFIT PAYMENTS

Disability Insurance Benefits

SEC. 223. (a)(1) Every individual who---

(A) is insured for disability insurance benefits (as determined under subsection (c)(1)),

(B) has not attained the age of sixty-five,
 (C) has filed application for disability insurance benefits, and
 (D) is under a disability (as defined in subsection (c)(2), at the time such application is filed,
 shall be entitled to a disability insurance benefit (i) for each month beginning with the first month after his waiting period (as defined in subsection (c)(3)) in which he becomes so entitled to such insurance benefits, or (ii) for each month beginning with the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was entitled to disability insurance benefits which terminated, or had a period of disability (as defined in section 261(i)) which ceased, within the sixty-month period preceding the first month in which he is under such disability, and ending with the month preceding whichever of the following months is the earliest: the month in which he dies, the month in which he attains age 65, the first month for which he is entitled to old-age insurance benefits, or the third month following the month in which his disability ceases.

(2) Such individual's disability insurance benefit for any month shall be equal to his primary insurance amount for such month determined under section 215 as though he had attained age 62 (if a woman) or age 65 (if a man) in—

(A) the first month of his waiting period, or

(B) in any case in which clause (ii) of paragraph (1) of this subsection is applicable, the first month for which he becomes entitled to such disability insurance benefits, and as though he had become entitled to old-age insurance benefits in the month in which he filed his application for disability insurance benefits *and was entitled to an old-age insurance benefit for each month for which (pursuant to subsection (b)) he was entitled to a disability insurance benefit.* For the purposes of the preceding sentence, in the case of a woman who **both** was fully insured and had **attained** age 62 in or before the first month referred to in subparagraph (A) or (B) of such sentence, as the case may be, the elapsed years referred to in section 215(b)(3) shall not include the **first** year in which she **both** was fully insured and had **attained** age 62, or any year thereafter.

[(3) If, for any month before the month in which an individual attains age 65, such individual is entitled to—

[(A) a widow's, widower's, or parent's insurance benefit, or

[(B) an old-age, wife's, or husband's insurance benefit which is reduced under subsection (q) of section 202,
 such individual may not, for any month after the first month for which such individual is so entitled, become entitled to disability insurance benefits; and a period of disability may not begin with respect to such individual in any month after such first month.]

(3) If, for any month before the month in which an individual attains age 65, such individual is entitled to an old-age, husband's, widow's, widower's, or parent's insurance benefit, or to a wife's insurance benefit which is reduced under section 202(q), such individual may not, for any month after the first month for which such individual is so entitled, become entitled to disability insurance benefits; and a period of disability may not begin with respect to such individual in any month after such first month.

Filing of Application

(b) No application for disability insurance benefits shall be accepted as a valid application for purposes of this section (1) if it is filed more than nine months before the first month for which the applicant becomes entitled to such benefits, or (2) in any case in which clause (ii) of paragraph (1) of subsection (a) is applicable, if it is filed more than six months before the first month for which the applicant becomes entitled to such benefits; and any application filed within such nine months' period or six months' period, as the case may be, shall be deemed to have been filed in such first month. An individual who would have been entitled to a disability insurance benefit for any month after June 1957 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he is continuously under a disability after such month and until he files application therefor, and he files such application prior to the end of the twelfth month immediately succeeding such month.

Definitions

(c) For purposes of this section—

(1) An individual shall be insured for disability insurance benefits in any month if—

(A) he would have been a fully insured individual (as defined in section 214) had he attained age 62 (if a woman) or age 65 (if a man) and filed application for benefits under section 202(a) on the first day of such month, and

(B) he had not less than twenty quarters of coverage during the forty-quarter period ending with the quarter in which such first day occurred, not counting as part of such forty-quarter period 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.

(2) 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.

(3) The term "waiting period" means, in the case of any application for disability insurance benefits, the earliest period of six consecutive calendar months—

(A) throughout which the individual who files such application has been under a disability which continues until such application is filed, and

(B)(i) which begins not earlier than with the first day of the eighteenth month before the month in which such application is filed if such individual is insured for disability insurance benefits in such eighteenth month, or (ii) if he is not so insured in such month, which begins not earlier than with the first day of the first month after such eighteenth month in which he is so insured.

Notwithstanding the preceding provisions of this paragraph, no waiting period may begin for any individual before January 1, 1957.

SUSPENSION OF BENEFITS BASED ON DISABILITY

SEC. 225. If the Secretary, on the basis of information obtained by or submitted to him, believes that an individual entitled to benefits under section 223, or 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 223 or 202(d) 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 section 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(c)(2). Whenever the benefits of an individual entitled to a disability insurance benefit are suspended for any month, the benefits of any individual entitled thereto under subsection (b), (c), or (d) of section 202, on the basis of the wages and self-employment income of such individual, shall be suspended for such month. *The first sentence of this section shall not apply to any child entitled to benefits under section 202(d), if he has attained the age of 18 but has not attained the age of 22, for any month during which he is a full-time student (as defined and determined under section 202(d)).*

TRANSITIONAL INSURED STATUS

SEC. 226. (a) *In the case of any individual who attains the age of 72 but who does not meet the requirements of section 214(a), the 6 quarters of coverage referred to in so much of paragraph (1) of section 214(a) as follows clause (C) shall, instead, be 3 quarters of coverage for purposes of determining entitlement of such individual to benefits under subsection (a) of section 202, and of his wife to benefits under subsection (b) of such section, but, in the case of such wife, only if she attains the age of 72 before 1968 and only with respect to wife's insurance benefits under such subsection (b) for and after the month in which she attains such age. For each month before the month in which any such individual meets the requirements of section 214(a), the amount of his old-age insurance benefit shall, notwithstanding the provisions of section 202(a), be \$35 and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b) be \$17.50*

(b) *In the case of any individual who has died, who does not meet the requirements of section 214(a), and whose widow attains age 72 before 1968, the 6 quarters of coverage referred to in paragraph (3) of section 214(a) and in so much of paragraph (1) thereof as follows clause (C) shall, for purposes of determining her entitlement to widow's insurance benefits under section 202(e), instead be—*

- (1) *3 quarters of coverage if such widow attains the age of 72 in or before 1965,*
- (2) *4 quarters of coverage if such widow attains the age of 72 in 1966, or*
- (3) *5 quarters of coverage if such widow attains the age of 72 in 1967.*

The amount of her widow's insurance benefit for each month shall, notwithstanding the provisions of section 202(e) (and section 202(m)), be \$35.

(c) In the case of any individual who becomes, or upon filing application therefor would become, entitled to benefits under section 202(a) by reason of the application of subsection (a) of this section, who dies, and whose widow attains the age of 72 before 1968, such deceased individual shall be deemed to meet the requirements of subsection (b) of this section for purposes of determining entitlement of such widow to widow's insurance benefits under section 202(b).

* * * * *

TITLE X—GRANTS TO STATES FOR AID TO THE BLIND

* * * * *

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, 1958—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount 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 (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

(A) $\frac{2}{36}$ of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$35 multiplied by the total number of recipients of aid to the blind for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received aid to the blind in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as aid to the blind in the form of medical or any other type of remedial care); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds the product of **[\$70]** \$75 multiplied by the total number of such recipients of aid to the blind for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds \$37.50 multiplied by the total number of recipients of aid to the blind for such month; and

(3) in the case of any State whose State plan approved under section 1002 meets the requirements of subsection (c)(1) an amount equal to the sum of the following proportions of the total amounts 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—

(A) 75 per centum of so much of such expenditures as are for—

(i) services which are prescribed pursuant to subsection (c)(1) and are provided (in accordance with the next sentence) to applicants for or recipients of aid to the blind to help them attain or retain capability for self-support or self-care, or

(ii) other services, specified by the Secretary as likely to prevent or reduce dependency, so provided to such applicants or recipients, or

(iii) any of the services prescribed pursuant to subsection (c)(1), and of the services specified as provided in clause (ii), which the Secretary may specify as appropriate for individuals who, within such period or periods as the Secretary may prescribe, have been or are likely to become applicants for or recipients of aid to the blind, if such services are requested by such individuals and are provided to such individuals in accordance with the next sentence, or

(iv) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

(B) one-half of so much of such expenditures (not included under subparagraph (A)) as are for services provided (in accordance with the next sentence) to applicants for or recipients of aid to the blind, and to individuals requesting such services who (within such period or periods as the Secretary may prescribe) have been or are likely to become applicants for or recipients of such aid; plus

(C) one-half of the remainder of such expenditures. The services referred to in subparagraphs (A) and (B) shall include only—

(D) services provided by the staff of the State agency, or of the local agency administering the State plan in the political subdivision; *Provided*, That no funds authorized under this title shall be available for services defined as vocational rehabilitation services under the Vocational Rehabilitation Act (i) which are available to individuals in need of them under programs for their rehabilitation carried on under a State plan approved under such Act, or (ii) which the State agency or agencies administering or supervising the administration of the State plan approved under such Act are able and willing to provide if reimbursed for the cost thereof pursuant to agreement under subparagraph (E), if provided by such staff, and

(E) subject to limitations prescribed by the Secretary, services which in the judgment of the State agency cannot be as economically or as effectively provided by the staff of such State or local agency and are not otherwise reasonably available to individuals in need of them, and which are provided, pursuant to agreement with the State agency, by the State health authority or the State agency or agencies administer-

ing or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act or by any other State agency which the Secretary may determine to be appropriate (whether provided by its staff or by contract with public (local) or nonprofit private agencies);

except that services described in clause (ii) of subparagraph (D) hereof may be provided only pursuant to agreement with such State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services so approved. The portion of the amount expended for administration of the State plan to which subparagraph (A) applies and the portion thereof to which subparagraphs (B) and (C) apply shall be determined in accordance with such methods and procedures as may be permitted by the Secretary; and

(4) in the case of any State whose State plan approved under section 1002 does not meet the requirements of subsection (c)(1), an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, including services referred to in paragraph (3) and provided in accordance with the provisions of such paragraph.

* * * * *

TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

* * * * *

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, 1958—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount 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 (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

(A) $\frac{2}{3}$ of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$35 multiplied by the total number of recipients of aid to the permanently and totally disabled for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received aid to the permanently and totally disabled in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as aid to the permanently and totally disabled in the form of medical or any other type of remedial care); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure

with respect to any month as exceeds the product of **[\$70]** \$75 multiplied by the total number of such recipients of aid to the permanently and totally disabled for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, and Guam, 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 (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds \$37.50 multiplied by the total number of recipients of aid to the permanently and totally disabled for such month; and

(3) in the case of any State whose State plan approved under section 1402 meets the requirements of subsection (c)(1), an amount equal to the sum of the following proportions of the total amounts 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—

(A) 75 per centum of so much of such expenditures as are for—

(i) services which are prescribed pursuant to subsection (c)(1) and are provided (in accordance with the next sentence) to applicants for or recipients of aid to the permanently and totally disabled to help them attain or retain capability for self-support or self-care, or

(ii) other services, specified by the Secretary as likely to prevent or reduce dependency, so provided to such applicants or recipients, or

(iii) any of the services prescribed pursuant to subsection (c)(1), and of the services specified as provided in clause (ii), which the Secretary may specify as appropriate for individuals who, within such period or periods as the Secretary may prescribe, have been or are likely to become applicants for or recipients of aid to the permanently and totally disabled, if such services are requested by such individuals and are provided to such individuals in accordance with the next sentence, or

(iv) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

(B) one-half of so much of such expenditures (not included under subparagraph (A)) as are for services provided (in accordance with the next sentence) to applicants for or recipients of aid to the permanently and totally disabled, and to individuals requesting such services who (within such period or periods as the Secretary may prescribe) have been or are likely to become applicants for or recipients of such aid; plus

(C) one-half of the remainder of such expenditures.

The services referred to in subparagraphs (A) and (B) shall include only—

(D) services provided by the staff of the State agency, or of the local agency administering the State plan in the political subdivision: *Provided*, That no funds authorized under

this title shall be available for services defined as vocational rehabilitation services under the Vocational Rehabilitation Act (i) which are available to individuals in need of them under programs for their rehabilitation carried on under a State plan approved under such Act, or (ii) which the State agency or agencies administering or supervising the administration of the State plan approved under such Act are able and willing to provide if reimbursed for the cost thereof pursuant to agreement under subparagraph (E), if provided by such staff, and

(E) subject to limitations prescribed by the Secretary, services which in the judgment of the State agency cannot be as economically or as effectively provided by the staff of such State or local agency and are not otherwise reasonably available to individuals in need of them, and which are provided, pursuant to agreement with the State agency, by the State health authority or the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act or by any other State agency which the Secretary may determine to be appropriate (whether provided by its staff or by contract with public (local) or nonprofit private agencies);

except that services described in clause (ii) of subparagraph (D) hereof may be provided only pursuant to agreement with such State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services so approved. The portion of the amount expended for administration of the State plan to which subparagraph (A) applies and the portion thereof to which subparagraphs (B) and (C) apply shall be determined in accordance with such methods and procedures as may be permitted by the Secretary; and

(4) in the case of any State whose State plan approved under section 1402 does not meet the requirements of subsection (c)(1), an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, including services referred to in paragraph (3) and provided in accordance with the provisions of such paragraph.

* * * * *

TITLE XVI—GRANTS TO STATES FOR AID TO THE AGED, BLIND, OR DISABLED, OR FOR SUCH AID AND MEDICAL ASSISTANCE FOR THE AGED

* * * * *

PAYMENTS TO STATES

SEC. 1603. (a) From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing October 1, 1962—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following

proportions of the total amounts expended during such quarter as aid to the aged, blind, or disabled under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

(A) $\frac{2}{5}\%$ of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$35 multiplied by the total number of recipients of such aid for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received such aid in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as aid to the aged, blind, or disabled in the form of medical or any other type of remedial care); plus

[(B) the Federal percentage (as defined in section 1101 (a)(8)) of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds the product of \$70 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such month; plus

[(C) the larger of the following: (i) the Federal medical percentage (as defined in section 6(c)) of the amount by which such expenditures exceed the maximum which may be counted under clause (B), not counting so much of any expenditure with respect to any month as exceeds (I) the product of \$85 multiplied by the total number of such recipients of aid to the aged, blind, or disabled for such month, or (II) if smaller, the total expended as aid to the aged, blind, or disabled in the form of medical or any other type of remedial care with respect to such month plus the product of \$70 multiplied by such total number of such recipients, or (ii) 15 per centum of the total of the sums expended during such quarter as aid to the aged, blind, or disabled under the State plan in the form of medical or any other type of remedial care, not counting so much of any expenditure with respect to any month as exceeds the product of \$15 multiplied by the total number of such recipients of aid to the aged, blind, or disabled for such month;]

(B) *the larger of the following:*

(i) *(I) the Federal percentage (as defined in section 1101(a)(8)) of the amount by which such expenditures exceed the amount which may be counted under clause (A), not counting so much of such excess with respect to any month as exceeds the product of \$40 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such months, plus (II) 15 per centum of the total of the sums expended during such quarter as aid to the aged, blind, or disabled under the State plan in the form of medical or any other type of remedial care, not counting so much of any such expenditure with respect to any month as exceeds the product of \$15 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such month, or*

(ii) (I) the Federal medical percentage (as defined in section 6(c)) of the amount by which such expenditures exceed

the maximum which may be counted under clause (A), not counting so much of any expenditures with respect to any month as exceeds (a) the product of \$50 multiplied by the total number of such recipients of aid to the aged, blind, or disabled for such month, or (b) if smaller, the total expended as aid to the aged, blind, or disabled in the form of medical or any other type of remedial care with respect to such month plus the product of \$35 multiplied by such total number of such recipients, plus (II) the Federal percentage of the amount by which the total sums expended during such quarter as aid to the aged, blind, or disabled under the State plan exceed the amount which may be counted under clause (A) and the preceding provisions of this clause (B) (i), not counting so much of such excess with respect to any month as exceeds the product of \$40 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such month;

(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to—

(A) one-half of the total of the sums expended during such quarter as aid to the aged, blind, or disabled under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds \$37.50 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such month; plus

(B) the larger of the following amounts: (i) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (I) the product of \$45 multiplied by the total number of such recipients of aid to the aged, blind, or disabled for such month, or (II) if smaller, the total expended as aid to the aged, blind, or disabled in the form of medical or any other type of remedial care with respect to such month plus the product of \$37.50 multiplied by the total number of such recipients, or (ii) 15 per centum of the total of the sums expended during such quarter as aid to the aged, blind, or disabled under the State plan in the form of medical or any other type of remedial care, not counting so much of any expenditure with respect to any month as exceeds the product of \$7.50 multiplied by the total number of such recipients of aid to the aged, blind, or disabled for such month;

(3) in the case of any State, an amount equal to the Federal medical percentage (as defined in section 6(c)) of the total amounts expended during such quarter as medical assistance for the aged under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof); and

(4) in the case of any State whose State plan approved under section 1602 meets the requirements of subsection (c)(1), an amount equal to the sum of the following proportions of the total amounts 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—

(A) 75 per centum of so much of such expenditures as are for—

(i) services which are prescribed pursuant to subsection (c)(1) and are provided (in accordance with the next sentence) to applicants for or recipients of aid or assistance under the plan to help them attain or retain capability for self-support or self-care, or

(ii) other services, specified by the Secretary as likely to prevent or reduce dependency, so provided to such applicants or recipients, or

(iii) any of the services prescribed pursuant to subsection (c)(1), and of the services specified as provided in clause (ii), which the Secretary may specify as appropriate for individuals who, within such period or periods as the Secretary may prescribe, have been or are likely to become applicants for or recipients of aid or assistance under the plan, if such services are requested by such individuals and are provided to such individuals in accordance with the next sentence, or

(iv) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

(B) one-half of so much of such expenditures (not included under subparagraph (A)) as are for services provided (in accordance with the next sentence) to applicants for or recipients of aid or assistance under the plan, and to individuals requesting such services who (within such period or periods as the Secretary may prescribe) have been or are likely to become applicants for or recipients of such aid or assistance; plus

(C) one-half of the remainder of such expenditures.

The services referred to in subparagraphs (A) and (B) shall include only—

(D) services provided by the staff of the State agency, or of the local agency administering the State plan in the political subdivision: *Provided*, That no funds authorized under this title shall be available for services defined as vocational rehabilitation services under the Vocational Rehabilitation Act (i) which are available to individuals in need of them under programs for their rehabilitation carried on under a State plan approved under such Act, or (ii) which the State agency or agencies administering or supervising the administration of the State plan approved under such Act are able and willing to provide if reimbursed for the cost thereof pursuant to agreement under subparagraph (E), if provided by such staff, and

(E) subject to limitations prescribed by the Secretary, services which in the judgment of the State agency cannot be as economically or as effectively provided by the staff of such State or local agency and are not otherwise reasonably

available to individuals in need of them, and which are provided, pursuant to agreement with the State agency, by the State health authority or the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act or by any other State agency which the Secretary may determine to be appropriate (whether provided by its staff or by contract with public (local) or nonprofit private agencies);

except that services described in clause (ii) of subparagraph (D) hereof may be provided only pursuant to agreement with such State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services so approved. The portion of the amount expended for administration of the State plan to which subparagraph (A) applies and the portion thereof to which subparagraphs (B) and (C) apply shall be determined in accordance with such methods and procedures as may be permitted by the Secretary; and

(5) in the case of any State whose State plan approved under section 1602 does not meet the requirements of subsection (c)(1), an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, including services referred to in paragraph (4) and provided in accordance with the provisions of such paragraph.

* * * * *

DEFINITIONS

SEC. 1605. [(a) For the purposes of this title, the term "aid to the aged, blind, or disabled" means money payments to, or (if provided in or after the third month before the month in which the recipient makes application for aid) medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are 65 years of age or older, are blind, or are 18 years of age or over and permanently and totally disabled, but does not include—

[(1) any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases, or

[(2) any such payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof, or

[(3) any such care in behalf of any individual, who is a patient in a medical institution as a result of a diagnosis that he has tuberculosis or psychosis, with respect to any period after the individual has been a patient in such an institution, as a result of such diagnosis, for forty-two days.]

(a) *For the purposes of this title, the term "aid to the aged, blind, or disabled" means money payments to, or (if provided in or after the third month before the month in which the recipient makes application for aid) medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are 65 years of age or*

older, are blind, or are 18 years of age or over and permanently and totally disabled, but such term does not include—

(1) in the case of any individual, any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution); or

(2) in the case of any individual who has not attained 65 years of age—

(A) any such payments to or care in behalf of any individual who is a patient in an institution for tuberculosis or mental diseases, or

(B) any such payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof, or

(C) any such care in behalf of any individual, who is a patient in a medical institution as a result of a diagnosis that he has tuberculosis or psychosis, with respect to any period after the individual has been a patient in such an institution, as a result of such diagnosis, for forty-two days.

(b) For purposes of this title, the term "medical assistance for the aged" means payment of part or all of the cost of the following care and services (if provided in or after the third month before the month in which the recipient makes application for assistance) for individuals who are sixty-five years of age or older and who are not recipients of aid to the aged, blind, or disabled but whose income and resources are insufficient to meet all of such cost—

- (1) inpatient hospital services;
- (2) skilled nursing-home services;
- (3) physicians' services;
- (4) outpatient hospital or clinic services;
- (5) home health care services;
- (6) private duty nursing services;
- (7) physical therapy and related services;
- (8) dental services;
- (9) laboratory and X-ray services;
- (10) prescribed drugs, eyeglasses, dentures, and prosthetic devices;
- (11) diagnostic, screening, and preventive services; and
- (12) any other medical care or remedial care recognized under State law;

Except that such term does not include any such payments with respect to—

[(A) care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or

[(B) care or services for any individual, who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis, with respect to any period after the individual has been a patient in such an institution, as a result of such diagnosis, for forty-two days.]

except that such term does not include any such payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution).

INTERNAL REVENUE CODE OF 1954

Subtitle A—Income Taxes

* * * * *

CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

SEC. 1401. RATE OF TAX

【In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

【(1) in the case of any taxable year beginning after December 31, 1961, and before January 1, 1963, the tax shall be equal to 4.7 percent of the amount of the self-employment income for such taxable year;

【(2) in the case of any taxable year beginning after December 31, 1962, and before January 1, 1966, the tax shall be equal to 5.4 percent of the amount of the self-employment income for such taxable year;

【(3) in the case of any taxable year beginning after December 31, 1965, and before January 1, 1968, the tax shall be equal to 6.2 percent of the amount of the self-employment income for such taxable year; and

【(4) in the case of any taxable year beginning after December 31, 1967, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year.】

In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

(1) in the case of any taxable year beginning after December 31, 1964, and before January 1, 1966, the tax shall be equal to 5.7 percent of the amount of the self-employment income for such taxable year;

(2) in the case of any taxable year beginning after December 31, 1965, and before January 1, 1968, the tax shall be equal to 6 percent of the amount of the self-employment income for such taxable year;

(3) in the case of any taxable year beginning after December 31, 1967, and before January 1, 1971, the tax shall be equal to 6.8 percent of the amount of the self-employment income for such taxable year; and

(4) in the case of any taxable year beginning after December 31, 1970, the tax shall be equal to 7.2 percent of the amount of the self-employment income for such taxable year.

(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 and before 1959, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(C) for any taxable year ending after 1958 and before 1965, (i) \$4,800, minus (ii) the amount of the wages paid to such individual during the taxable year [; or]; and

(D) for any taxable year ending after 1964, (i) \$5,400, 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(1) (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 Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa shall not, for purposes of this chapter be considered to be a nonresident alien individual.

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Subtitle C—Employment Taxes

CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

SUBCHAPTER A—TAX ON EMPLOYEES

SEC. 3101. RATE OF TAX.

[In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b))—

[(1) with respect to wages received during the calendar year 1962, the rate shall be 3½ percent;

[(2) with respect to wages received during the calendar years 1963 to 1965, both inclusive, the rate shall be 3½ percent;

[(3) with respect to wages received during the calendar years 1966 to 1967, both inclusive, the rate shall be 4½ percent; and

[(4) with respect to wages received after December 31, 1967, the rate shall be 4½ percent.]

In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages received during the calendar year 1965, the rate shall be 3.8 percent;

(2) with respect to wages received during the calendar years 1966 and 1967, the rate shall be 4 percent;

(3) with respect to wages received during the calendar years 1968, 1969, and 1970, the rate shall be 4.5 percent; and

(4) with respect to wages received after December 31, 1970, the rate shall be 4.8 percent.

* * * * *

SUBCHAPTER B—TAX ON EMPLOYERS

SEC. 3111. RATE OF TAX.

【In addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121 (a)) paid by him with respect to employment (as defined in section 3121 (b))—

【(1) with respect to wages paid during the calendar year 1962, the rate shall be 3½ percent;

【(2) with respect to wages paid during the calendar years 1963 to 1965, both inclusive, the rate shall be 3⅝ percent;

【(3) with respect to wages paid during the calendar years 1966 to 1967, both inclusive, the rate shall be 4⅛ percent; and

【(4) with respect to wages paid after December 31, 1967, the rate shall be 4⅞ percent.】

In addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages paid during the calendar year 1965, the rate shall be 3.8 percent;

(2) with respect to wages paid during the calendar years 1966 and 1967, the rate shall be 4 percent;

(3) with respect to wages paid during the calendar years 1968, 1969, and 1970, the rate shall be 4.5 percent; and

(4) with respect to wages paid after December 31, 1970, the rate shall be 4.8 percent.

* * * * *

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 ~~【\$4,800】~~ \$5,400 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 ~~【\$4,800】~~ \$5,400 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 following 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 unless (i) the cash remuneration paid in such year by the employer to the employee for such labor is \$150 or more, or (ii) the employee performs agricultural labor for the employer on 20 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—

(A) in the case of a man, he attains the age of 65, or

(B) in the case of a woman, she attains the age of 62,

if such employee 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.

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SEC. 3122. FEDERAL SERVICE.

In the case of the taxes imposed by this chapter with respect to service performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, including service, performed as a member of a uniformed service, to which the provisions of section 3121(m)(1) are applicable, and including service, performed as a volunteer or volunteer leader, within the meaning of the Peace Corps Act, to which the provisions of section 3121(p) are applicable, the determination whether an individual has performed service which constitutes employment as defined in section 3121(b), the determination of the amount of remuneration for such service which constitutes wages as defined in section 3121(a), and the return and payment of the taxes imposed by this chapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to such service without regard to the ~~[\$4,800]~~ \$5,400 limitation in section 3121(a)(1), and he shall not be required to obtain a refund of the tax paid under section 3111 on that part of the remuneration not included in wages by reason of section 3121(a)(1). Payments of the tax imposed under section 3111 with respect to service, performed by an individual as a member of a uniformed service, to which the provisions of section 3121(m)(1) are applicable, shall be made from appropriations available for the pay of members of such uniformed service. The provisions of this section shall be applicable in the case of 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; and for purposes of this section the Secretary of Defense shall be deemed to be the head of such instrumentality. The provisions of this section shall be applicable also in the case of 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, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of this section the Secretary shall be deemed to be the head of such instrumentality.

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SEC. 3125. RETURNS IN THE CASE OF GOVERNMENTAL EMPLOYEES IN GUAM AND AMERICAN SAMOA.

(a) GUAM.—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of Guam or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ, may be made by the Governor of Guam or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the **[\$4,800]** \$5,400 limitation in section 3121(a)(1).

(b) AMERICAN SAMOA.—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of American Samoa or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ, may be made by the Governor of American Samoa or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the **[\$4,800]** \$5,400 limitation in section 3121(a)(1).

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CHAPTER 65—ABATEMENTS, CREDITS AND REFUNDS

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SEC. 6413. SPECIAL RULES APPLICABLE TO CERTAIN EMPLOYMENT TAXES.

(a) **ADJUSTMENT OF TAX].—**

(1) **GENERAL RULE.**—If more than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 is paid with

respect to any payment of remuneration, proper adjustments, with respect to both the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as the Secretary or his delegate may by regulations prescribe.

(2) UNITED STATES AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received from the United States or a wholly-owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.

(3) GUAM OR AMERICAN SAMOA AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from the Government of Guam, the Government of American Samoa, a political subdivision of either, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, the Governor of Guam, the Governor of American Samoa, and each agent designated by either who makes a return pursuant to section 3125 shall be deemed a separate employer.

(b) OVERPAYMENTS OF CERTAIN EMPLOYMENT TAXES.—If more than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 is paid or deducted with respect to any payment of remuneration and the overpayment cannot be adjusted under subsection (a) of this section, the amount of the overpayment shall be refunded in such manner and at such times (subject to the statute of limitations properly applicable thereto) as the Secretary or his delegate may by regulations prescribe.

(c) SPECIAL REFUNDS.—

(1) IN GENERAL.—If by reason of any employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed \$3,600, the employee shall be entitled (subject to the provisions of section 31(b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 1400 of the Internal Revenue Code of 1939 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer (A) during any calendar year after the calendar year 1954 and prior to the calendar year 1959, the wages received by him during such year exceed \$4,200, or (B) during any calendar year after the calendar year 1958 and prior to calendar year 1965, the wages received by him during such year exceed \$4,800, or (C) during any calendar year after the calendar year 1964, the wages received by him during such year exceed \$5,400, the employee shall be entitled (subject to the provisions of section 31(b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 3101 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$4,200 of such wages received in such calendar year after 1954 and before 1959, or which exceeds the tax with respect to the first \$4,800 of such wages received in such calendar year after 1958 and before 1965,

or which exceeds the tax with respect to the first \$5,400 of such wages received in such calendar year after 1964.

(2) **APPLICABILITY IN CASE OF FEDERAL AND STATE EMPLOYEES, EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS, AND GOVERNMENTAL EMPLOYEES IN GUAM AND AMERICAN SAMOA.**—

(A) **FEDERAL EMPLOYEES.**—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for purposes of this subsection, be deemed a separate employer, and the term “wages” includes for purposes of this subsection the amount, not to exceed \$3,600 for the calendar year 1951, 1952, 1953, or 1954, \$4,200 for the calendar year 1955, 1956, 1957, or 1958, [or \$4,800 for any calendar year after 1958] *\$4,800 for the calendar year 1959, 1960, 1961, 1962, 1963, or 1964, or \$5,400 for any calendar year after 1964,* determined by each such head or agent as constituting wages paid to an employee.

(B) **STATE EMPLOYEES.**—For purposes of this subsection, in the case of remuneration received during any calendar year, the term “wages” includes such remuneration for services covered by an agreement made pursuant to section 218 of the Social Security Act as would be wages if such services constituted employment; the term “employer” includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term “tax” or “tax imposed by section 3101” includes, in the case of services covered by an agreement made pursuant to section 218 of the Social Security Act, an amount equivalent to the tax which would be imposed by section 3101, if such services constituted employment as defined in section 3121; and the provisions of this subsection shall apply whether or not any amount deducted from the employee’s remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary.

(C) **EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.**—For purposes of paragraph (1) of this subsection, the term “wages” includes such remuneration for services covered by an agreement made pursuant to section 3121(l) as would be wages if such services constituted employment; the term “employer” includes any domestic corporation which has entered into an agreement pursuant to section 3121(l); the term “tax” or “tax imposed by section 3101,” includes, in the case of services covered by an agreement entered into pursuant to section 3121(l), an amount equivalent to the tax which would be imposed by section 3101, if such services constituted employment as defined in section 3121; and the provisions of paragraph (1) of this subsection shall apply whether or not any amount deducted from the employee’s remuneration as a result of the agreement entered into pursuant to section 3121(l) has been paid to the Secretary or his delegate.

(D) **GOVERNMENTAL EMPLOYEES IN GUAM.**—In the case of remuneration received from the Government of Guam or any

political subdivision thereof or from any instrumentality of any one or more of the foregoing which is wholly owned thereby, during any calendar year, the Governor of Guam and each agent designated by him who makes a return pursuant to section 3125(a) shall, for purposes of this subsection, be deemed a separate employer.

(E) GOVERNMENTAL EMPLOYEES IN AMERICAN SAMOA.—In the case of remuneration received from the Government of American Samoa or any political subdivision thereof or from any instrumentality of any one or more of the foregoing which is wholly owned thereby, during any calendar year, the Governor of American Samoa and each agent designated by him who makes a return pursuant to section 3125(b) shall, for purposes of this subsection, be deemed a separate employer.

(d) REFUND OR CREDIT OF FEDERAL UNEMPLOYMENT TAX.—Any credit allowable under section 3302, to the extent not previously allowed, shall be considered an overpayment, but no interest shall be allowed, or paid with respect to such overpayment.

TITLE 38, UNITED STATES CODE

Veterans' Benefits

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CHAPTER 15—PENSION FOR NON-SERVICE-CONNECTED DISABILITY OR DEATH OR FOR SERVICE

* * * * *

SUBCHAPTER I.—GENERAL

* * * * *

SEC. 503. DETERMINATIONS WITH RESPECT TO ANNUAL INCOME.

(a) In determining annual income under this chapter, all payments of any kind or from any source (including salary, retirement or annuity payments, or similar income, which has been waived, irrespective of whether the waiver was made pursuant to statute, contract, or otherwise) shall be included except—

- (1) payments of the six-months' death gratuity;
- (2) donations from public or private relief or welfare organizations;
- (3) payments under this chapter, and chapters 11 and 13 (except section 412(a)) of this title;
- (4) payments under policies of United States Government life insurance or National Service Life Insurance, and payments of servicemen's indemnity;
- (5) lump sum death payments under subchapter II of chapter 7 of title 42;
- (6) payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs equal to his contributions thereto;

(7) amounts equal to amounts paid by a widow or child of a deceased veteran for—

(A) his just debts,

(B) the expenses of his last illness, and

(C) the expenses of his burial to the extent such expenses are not reimbursed under chapter 23 of this title;

(8) proceeds of fire insurance policies.

(b) *Notwithstanding the provisions of subsection (a), in the case of any individual—*

(1) *who for the first month after the month in which the Social Security Amendments of 1964 is enacted, is entitled to a monthly insurance benefit under section 202 or 223 of the Social Security Act,*

(2) *who, for such month, is entitled to a monthly benefit payable under the provisions of this chapter, and*

(3) *whose insurance benefit referred to in clause (1) for any subsequent month is increased by reason of the enactment of the Social Security Amendments of 1964,*

there shall not be counted, in determining the annual income of such individual under this chapter, so much of the insurance benefit referred to in clause (1) for any subsequent month as is equal to the amount by which such insurance benefit is increased by reason of the enactment of the Social Security Amendments of 1964.

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

Part I

* * * * *

DEFINITIONS

SECTION 1. For the purposes of this Act—

* * * * *

(q) The terms "Social Security Act" and "Social Security Act, as amended" shall mean the Social Security Act as amended in [1958] 1964.

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. (a) **WIDOW'S AND WIDOWER'S INSURANCE ANNUITY.**—A widow or widower of a completely insured employee, who will have attained the age of sixty, shall be entitled during the remainder of her or his life or, if she or he remarries, then until remarriage to an annuity for each month equal to such employee's basic amount: *Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount.

(b) **WIDOW'S CURRENT INSURANCE ANNUITY.**—A widow of a completely or partially insured employee, who is not entitled to an annuity under subsection (a) and who at the time of filing an application for an annuity under this subsection will have in her care a child of such employee entitled to receive an annuity under subsection (c) shall be entitled to an annuity for each month equal to the employee's basic

amount. Such annuity shall cease upon her death, upon her remarriage, when she becomes entitled to an annuity under subsection (a), or when no child of the deceased employee is entitled to receive an annuity under subsection (c), whichever occurs first: *Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's current insurance annuity, the widow's current insurance annuity shall be increased to such greater amount.

(c) CHILD'S INSURANCE ANNUITY.—Every child of an employee who will have died completely or partially insured shall be entitled, for so long as such child lives and meets the qualifications set forth in paragraph (1) of subsection (1), to an annuity for each month equal to two-thirds of the employee's basic amount.

(d) PARENT'S INSURANCE ANNUITY.—Each parent, sixty years of age or over, of a completely insured employee, who will have died leaving no widow, no widower, and no child, shall be entitled, for life, or, if such parent remarries after the employee's death, then until such remarriage, to an annuity for each month equal to two-thirds of the employee's basic amount.

(e) When there is more than one employee with respect to whose death a parent or child is entitled to an annuity for a month, such annuity shall be two-thirds of whichever employee's basic amount is greatest.

(f) LUMP-SUM PAYMENT.—(1) Upon the death, after the month in which this Act is enacted, of a completely or partially insured employee who will have died leaving no widow, widower, child, or parent who would on proper application therefor be entitled to receive an annuity under this section for the month in which such death occurred, a lump sum of ten times the employee's basic amount shall be paid to the person, if any, who is determined by the Board to be the widow or widower of the deceased employee and to have been living with such employee at the time of such employee's death and who will not have died before receiving payment of such lump sum. If there be no such widow or widower, such lump sum shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such deceased employee. If a lump sum would be payable to a widow or widower under this paragraph except for the fact that a survivor will have been entitled to receive an annuity for the month in which the employee will have died, but within one year after the employee's death there will not have accrued to survivors of the employee, by reason of his death annuities which, after all deductions pursuant to paragraph (1) of subsection (i) will have been made, are equal to such lump sum, a payment equal to the amount by which such lump sum exceeds such annuities so accrued after such deductions shall then nevertheless be made under this paragraph to the person (or, if more than one, in equal shares to the persons) first named in the following order of preference: the widow, widower, child, or parent of the employee then entitled to a survivor annuity under this section. No payment shall be made to any person under this paragraph, unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of the deceased employee, except that if the deceased employee is a person to whom

section 2 of the Act of March 7, 1942 (56 Stat. 143, 144), is applicable such two years shall run from the date on which the deceased employee, pursuant to said Act, is determined to be dead, and for all other purposes of this section such employee, so long as it does not appear that he is in fact alive, shall be deemed to have died on the date determined pursuant to said Act to be the date or presumptive date of death.

(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 retirement age (as defined in section 216(a) of the Social Security Act) at a future date, will be payable under title II 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 following person (or, if more than one, in equal shares to the persons) whose relationship to the deceased employee will have been determined by the Board and who will not have died before receiving payment of the lump sum provided for in this paragraph:

(i) the widow or widower of the deceased employee who was living with such employee at the time of such employee's death; or

(ii) if there be no such widow or widower, to any child or children of such employee; or

(iii) if there be no such widow, widower, or child, to any grandchild or grandchildren of such employee; or

(iv) if there be no such widow, widower, child, or grandchild, to any parent or parents of such employee; or

(v) if there be no such widow, widower, child, grandchild, or parent, to any brother or sister of such employee; or

(vi) if there be no such widow, widower, child, grandchild, parent, brother, or sister, to the estate of such employee, 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, plus 7 per centum of his or her compensation paid after December 31, 1946, and before January 1, 1959, plus 7½ per centum of his or her compensation paid after December 31, 1958, and before January 1, 1962, plus 8 per centum of his or her compensation paid after December 31, 1961 (exclusive of compensation in excess of \$300 for any month before July 1, 1954, and in excess of \$350 for any month after June 30, 1954, and before the calendar month next following the month in which this Act was amended in 1959, and in excess of \$400 for any month after the month in which this Act was so amended and before the calendar month next following the month in which this Act was amended in 1963, and in excess of \$450 for any month after the month in which this Act was so amended), 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 title II 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 re-

irement age (as defined in section 216(a) of the Social Security Act) be entitled to further benefits under title II 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 title II 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 title II 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 title II 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 title II 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).

(g) CORRELATION OF PAYMENTS.—(1) An individual, entitled on applying therefor to receive for a month before January 1, 1947, an insurance benefit under the Social Security Act on the basis of an employee's wages, which benefit is greater in amount than would be an annuity for such individual under this section with respect to the death of such employee, shall not be entitled to such annuity. An individual, entitled on applying therefor to any annuity or lump sum under this section with respect to the death of an employee, shall not be entitled to a lump-sum death payment or, for a month beginning on or after January 1, 1947, to any insurance benefits under the Social Security Act on the basis of the wages of the same employee.

(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity.

(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the annuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph.

(h) MAXIMUM AND MINIMUM ANNUITY TOTALS.—Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than \$36.30 and exceeds either (a) \$193.60, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall,

after any deductions under subsection (i), be reduced to such lesser amount or to \$36.30, whichever is greater. Whenever such total of annuities is less than \$16.95, such total shall, prior to any deductions under subsection (i), be increased to \$16.95.

(i) DEDUCTIONS FROM ANNUITIES.—(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

(i) will have rendered compensated service within or without the United States to an employer;

(ii) will have been under the age of seventy-two and for which month he is charged with any excess earnings under section 203(f) of the Social Security Act or, having engaged in any activity outside the United States, would be charged under such section 203(f) with any excess earnings derived from such activity if it had been an activity within the United States; and for purposes of this subdivision the Board shall have the authority to make such determinations and such suspensions of payment of benefits in the manner and to the extent that the Secretary of Health, Education, and Welfare would be authorized to do so under section 203(h)(3) of the Social Security Act if the individuals to whom this subdivision applies were entitled to benefits under section 202 of such Act; or

(iii) if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);

(2) The total of deductions for all events described in paragraph (1) occurring in the same month shall be limited to the amount of such individual's annuity or annuities for that month. Such individual (or anyone in receipt of an annuity in his behalf) shall report to the Board the occurrence of any event described in paragraph (1).

(3) Deductions shall also be made from any payments under this section with respect to the death of an employee until such deductions total—

(i) any death benefit, paid with respect to the death of such employee, under sections 5 of the Retirement Acts (other than a survivor annuity pursuant to an election); and

(ii) any lump sum paid, with respect to the death of such employee, under title II of the Social Security Act.

(4) The deductions provided in this subsection shall be made in such amounts and at such time or times as the Board shall determine. Decreases or increases in the total of annuities payable for a month with respect to the death of an employee shall be equally apportioned among all annuities in such total. An annuity under this section which is not in excess of \$5 may, in the discretion of the Board, be paid in a lump sum equal to its commuted value as the Board shall determine.

(j) WHEN ANNUITIES BEGIN AND END.—No individual shall be entitled to receive an annuity under this section for any month before January 1, 1947. An application for any payment under this section shall be made and filed in such manner and form as the Board prescribes. An annuity under this section for an individual otherwise entitled thereto shall begin with the month in which eligibility therefor was otherwise acquired, but not earlier than the first day of the

twelfth month before the month in which the application was filed. No application for an annuity under this section filed prior to three months before the first month for which the applicant becomes otherwise entitled to receive such annuity shall be accepted. No annuity shall be payable for the month in which the recipient thereof ceases to be qualified therefor *except that this sentence shall not operate to prevent the payment of an annuity to an individual for a month solely because during such month he ceases to be a "full-time student."*

(k) PROVISIONS FOR CREDITING RAILROAD INDUSTRY SERVICE UNDER THE SOCIAL SECURITY ACT IN CERTAIN CASES.—(1) For the purpose of determining (i) insurance benefits under title II of the Social Security Act to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service which would begin to accrue on or after January 1, 1947, and with respect to lump-sum death payments under such title payable in relation to a death of such an employee occurring on or after such date, and for the purposes of sections 203 and 216(i)(3) of that Act, section 15 of the Railroad Retirement Act of 1935, section 210(a)(10)[(9)] of the Social Security Act, and section 17 of this Act shall not operate to exclude from "employment", under title II of the Social Security Act, service which would otherwise be included in such "employment" but for such sections. For such purpose, compensation paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in services as an employee. In the application of the Social Security Act pursuant to this paragraph to service as an employee, all services as defined in section 1(c) of this Act shall be deemed to have been performed within the United States.

(2) (A) The Board and the Secretary of Health, Education, and Welfare shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.

(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Secretary of Health, Education, and Welfare shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the Railroad Retirement Account (hereafter termed "Retirement Account") to the Federal Old-Age and Survivors Insurance Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C)(i).

(C) (i) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Secretary of Health, Education, and Welfare shall determine the amount, if any, which if added to or subtracted from the Federal Old-Age and Survivors Insurance Trust Fund would place such Fund in the same position in

which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subdivision of this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the Federal Old-Age and Survivors Insurance Trust Fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the Federal Old-Age and Survivors Insurance Trust Fund, the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Federal Old-Age and Survivors Insurance Trust Fund; if such amount is to be subtracted from the Federal Old-Age and Survivors Insurance Trust Fund, the Secretary of Health, Education, and Welfare shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Federal Old-Age and Survivors Insurance Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification. In the event the Secretary of Health, Education, and Welfare is required under the provisions of this subdivision of this subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the Retirement Account from the Federal Old-Age and Survivors Insurance Trust Fund, the Secretary of Health, Education, and Welfare, in lieu of such certification, may offset the amount determined under the first sentence of this subdivision of this subparagraph against the amount determined under subparagraph (A) as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

(ii) At the close of the fiscal year ending June 30, 1958, and each fiscal year thereafter, the Board and the Secretary of Health, Education, and Welfare shall determine the amount, if any, which, if added to or subtracted from the Federal Disability Insurance Trust Fund would place such Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the Federal Disability Insurance Trust Fund the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Federal Disability Insurance Trust Fund; if such amount is to be subtracted from the Federal Disability Insurance Trust Fund the Secretary of Health, Education, and Welfare shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Federal Disability Insurance Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification.

(D) For the purposes of subparagraphs (B) and (C) for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, 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 shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

(E) The Secretary of the Treasury is authorized and directed to transfer to the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund from the Retirement Account or to the Retirement Account from the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Secretary of Health, Education, and Welfare pursuant to the provisions of subparagraphs (B) and (C) of this subsection, and certified by the Board or the Secretary of Health, Education, and Welfare for transfer from the Retirement Account or from the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund.

(3) The Board and the Secretary of Health, Education, and Welfare shall, upon request, supply each other with certified reports of records of compensation or wages and periods of service of determinations under section 3(e) of this Act, or section 216(i) of the Social Security Act, of periods of disability within the meaning of such section 216(i), and of other records in their possession or which they may secure, pertinent to the administration of this section, section 3(e) of this Act, or title II of the Social Security Act as affected by paragraph (1). Such certified reports shall be conclusive in adjudication as to the matters covered therein (except in the case of a determination of disability under section 216(i) of the Social Security Act): *Provided*, That if the Board or the Secretary of Health, Education, and Welfare receives evidence inconsistent with a certified report and the application involved is still in course of adjudication or otherwise open for such evidence, such recertification of such report shall be made as, in the judgment of the Board or the Secretary of Health, Education, and Welfare, whichever made the original certification, the evidence warrants. Such recertification and any subsequent recertification shall be treated in the same manner and be subject to the same conditions as an original certification.

(1) DEFINITIONS.—For the purposes of the section the term “employee” includes an individual who will have been an “employee”, and—

(1) The qualifications for “widow”, “widower”, “child”, and “parent” shall be, except for the purposes of subsection (f), those set forth in section 216 (c), (e), and (g), and section 202(h)(3) of the Social Security Act, respectively; and in addition—

(i) a “widow” or “widower” shall have been living with the employee at the time of the employee’s death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began;

(ii) a "child" shall have been dependent upon its parent employee at the time of his death; shall not be adopted after such death by other than a step parent, grand parent, aunt, or uncle; shall be unmarried; and shall be less than eighteen years of age, *or shall be a full-time student and less than twenty-two years of age*, or shall have a permanent physical or mental condition which is such that he is unable to engage in any regular employment: *Provided*, That such disability began before the child attains age eighteen; and

(iii) "a parent" shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.

A "widow" or "widower" shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act, as in effect prior to 1957, are fulfilled. A "child" shall be deemed to have been dependent upon a parent if the conditions set forth in section 202(d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection (f) of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216(h)(1) of the Social Security Act, as in effect prior to 1957, shall be applied. Such satisfactory proof shall be made from time to time, as prescribed by the Board, of the disability provided in clause (ii) of this paragraph and of the continuance, in accordance with regulations prescribed by the Board, of such disability. If the individual fails to comply with the requirements prescribed by the Board as to the proof of the continuance of the disability his right to an annuity shall, except for good cause shown to the Board, cease. Where a woman has qualified for an annuity under this section as a widow, and marries another employee who dies within one year after the marriage, she shall not be disqualified for an annuity under this section as the widow of the second employee by reason of not having been married to the employee for one year. *The term "full-time student" shall for the purposes of this section have the same meaning ascribed to it by section 202(d)(8) of the Social Security Act, and the references to the Secretary therein shall be deemed to be references to the Board. For the purposes of subsection (e) of section 2, and subsection (b) of this section, a child who has attained the age of 18 years and who is not under a disability which began before the child attained age 18, shall be deemed not entitled to benefits under subsection (c) of this section;*

(2) The term "retirement annuity" shall mean an annuity under section 2 awarded before or after its amendment but not including an annuity to a survivor pursuant to an election of a joint and survivor annuity; and the term "pension" shall mean a pension under section 6;

(3) The term "quarter of coverage" shall mean a compensation quarter of coverage or a wage quarter of coverage, and the term "quarters of coverage" shall mean compensation quarters of coverage, or wage quarters of coverage, or both: *Provided*, That there shall be for a single employee no more than four quarters of coverage for a single calendar year;

(4) The term "compensation quarter of coverage" shall mean any quarter of coverage computed with respect to compensation paid to an employee after 1936 in accordance with the following table:

Months of service in a calendar year	Total compensation paid in the calendar year				
	Less than \$50	\$50 but less than \$100	\$100 but less than \$150	\$150 but less than \$200	\$200 or more
1-3.....	0	1	1	1	1
4-6.....	0	1	2	2	2
7-9.....	0	1	2	3	3
10-12.....	0	1	2	3	4

If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made.

(5) The term "wage quarter of coverage" shall mean any quarter of coverage determined in accordance with the provisions of title II of the Social Security Act;

(6) The term "wages" shall mean wages as defined in section 209 of the Social Security Act. In addition, the term shall include (i) "self-employment income" as defined in section 211(b) of the Social Security Act, and (ii) wages deemed to have been paid under section 217 (a) or (e) of the Social Security Act on account of military service which is not creditable under section 4 of this Act. Wages, as defined in this paragraph, shall be credited for the purposes of this section in the manner and to the extent credited for corresponding purposes of title II of the Social Security Act.

(7) An employee will have been "completely insured" if it appears to the satisfaction of the Board that at the time of his death, whether before or after the enactment of this section, he will have completed ten years of service and will have had the qualifications set forth in any one of the following paragraphs:

(i) a current connection with the railroad industry; and a number of quarters of coverage, not less than six, and at least equal to one-half of the number of quarters, elapsing in the period after 1936, or after the quarter in which he will have attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he will have attained the age of sixty-five years or died, whichever will first have occurred (excluding from the elapsed quarters any quarter which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him); and if the number of such elapsed quarters is an odd number such number shall be reduced by one; or

(ii) a current connection with the railroad industry; and either will have had forty or more quarters of coverage or would be fully insured under title II of the Social Security Act if his service as an employee after December 31, 1936, were included in the term "employment" as defined in that Act; or

(iii) a pension will have been payable to him; or a retirement annuity based on service of not less than ten years (as computed

in awarding the annuity) will have begun to accrue to him before 1948;

(8) An employee will have been "partially insured" at the time of his death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed ten years of service and (i) will have had a current connection with the railroad industry; and (ii) either will have had six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs, or would be currently insured under title II of the Social Security Act if his service as an employee after December 31, 1936, were included in the term "employment" as defined in that Act.

(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the employee's closing date eliminating any excess over \$300 for any calendar month before July 1, 1954, any excess over \$350 for any calendar month after June 30, 1954, and before the calendar month next following the month in which this Act was amended in 1959, any excess over \$400 for any calendar month after the month in which this Act was so amended and before the calendar month next following the month in which this Act was amended in 1963 and any excess over \$450 for any calendar month after the month in which this Act was so amended, and (ii) if such compensation for any calendar year before 1955 is less than \$3,600 or for any calendar year after 1954 and before 1959 is less than \$4,200, or for any calendar year [after 1958 is less than \$4,800], *after 1958 and before 1965 is less than \$4,800, or for any calendar year after 1964 is less than \$5,400* and the average monthly remuneration computed on compensation alone is less than \$450 and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and \$3,600 for years before 1955, \$4,200 for years after 1954 and before 1959, [and \$4,800 for years after 1958] *\$4,800 for years after 1958 and before 1965, and \$5,400 for years after 1964*, by (B) three times the number of quarters elapsing after 1936 and before the employee's closing date: *Provided*, That for the period prior to and including the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided, further*, That there shall be excluded from the divisor any calendar quarter which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him. An employee's "closing date" shall mean (A) the first day of the first calendar year in which such employee both had attained age 65 and was completely insured; or (B) the first day of the calendar year in which such employee died; or (C) the first day of the calendar year following the year in which such employee died, whichever would produce the highest "average monthly remuneration" as defined in the preceding sentence. If the amount of the "average monthly remuneration" as computed under this paragraph is not a multiple of \$1, it shall be rounded to the next lower multiple of \$1.

With respect to an employee who will have been awarded a retirement annuity, the term "compensation" shall, for the purposes of this paragraph, mean the compensation on which such annuity will have been based;

(10) The term "basic amount" shall mean—

(i) for an employee who will have been partially insured, or completely insured solely by virtue of paragraph (7)(i) or (7)(ii) or both: the sum of (A) 49 per centum of his average monthly remuneration, up to and including \$75; plus (B) 12 per centum of such average monthly remuneration exceeding \$75 and up to and including \$450, plus (C) 1 per centum of the sum of (A) plus (B) multiplied by the number of years after 1936 in each of which the compensation, wages, or both, paid to him will have been equal to \$200 or more; if the basic amount, thus computed, is less than \$16.95 it shall be increased to \$16.95;

(ii) for an employee who will have been completely insured solely by virtue of paragraph (7)(iii): the sum of 49 per centum of his monthly compensation if an annuity will have been payable to him, or, if a pension will have been payable to him, 49 per centum of the average monthly earnings on which such pension was computed, up to and including \$75, plus 12 per centum of such compensation or earnings exceeding \$75 and up to and including \$300. If the average monthly earnings on which a pension payable to him was computed are not ascertainable from the records in the possession of the Board, the amount computed under this subdivision shall be \$40.33, except that if the pension payable to him was less than \$30.25, such amount shall be four-thirds of the amount of the pension or \$16.13, whichever is greater. The term "monthly compensation" shall, for the purposes of this subdivision, mean the monthly compensation used in computing the annuity;

(iii) for an employee who will have been completely insured under paragraph (7)(iii) and either (7)(i) or (7)(ii): the higher of the two amounts computed in accordance with subdivisions (i) and (ii).

VII. SUPPLEMENTAL VIEWS ON HEALTH INSURANCE FOR THE AGED

The committee-approved bill makes no provision for a program of insurance for hospital and related care for the aged and thus fails completely to meet the most desperate and urgent need of our older people. Until such protection is added to the cash benefits of our present social security program, economic security, and peace of mind will continue to lie beyond the grasp of many millions of older Americans.

Years of systematic study, intensive analyses and debate have been devoted to the problem of financing health costs in old age. The problem has been reviewed by the States in preparation for the White House Conference on Aging in 1961 and by the White House Conference itself and in testimony presented before the Senate Finance Committee, the Senate Special Committee on Aging, and before the House Committee on Ways and Means. The conclusions are inescapable. Most older people, whose incomes normally have been sharply reduced, just cannot pay for the greatly increased health costs that normally come with old age. The basic solution of this dilemma is a plan which allows people to pay during their working years when they have the money toward protection after 65.

This principle of social insurance underlies the three-decade-old social security program. The principle has broad acceptance by the American people because it has proved its value and efficiency. This same principle should be applied to the provision of hospital and nursing insurance in old age. Only social security offers a broad, equitable, and time-tested system for prepaying during the working years for protection during the later years. A social security hospital insurance program would assure that virtually all older Americans would have substantial and meaningful protection against the loss of independence and dignity and the overriding fear of dependency caused by the high and unpredictable costs of hospital and nursing care in old age.

It is not enough to provide programs that come to the rescue after the elderly have exhausted their resources and savings, and, perhaps, those of their families. We must adopt a way of preventing destitution and dependency.

That the need for hospital care increases as the ability to pay for that care out of current income decreases is a fact which hardly needs further substantiation. These are the cold facts which underlie the need for action: Nine out of ten older people are hospitalized at least once after reaching age 65; most are hospitalized two or more times. People over 65 use three times as much hospital care, on the average, as people under 65. Aged couples and single persons have less than half the income of younger adults in similar family situations. One-half the aged couples have less than \$2,800 in annual income and little in the way of assets other than equity in their homes. The average

aged person living alone now has an income of not much over \$1,200 a year.

Clearly, few older people can meet large health costs out of current income. And this is true for most older people even if the costs are averaged over the group and protection is offered to the aged through insurance.

PRIVATE INSURANCE

A private insurance plan that is adequate to meet the high health costs that accompany old age demands premiums beyond the financial capacity of most older people. This is a simple fact of economic life. A number of insurance carriers have tried hard and imaginatively to meet the problem, but it is basically insoluble. The private insurance approach is confronted by a high-risk population. High premiums are the consequence, and the burden of these high premiums must be carried by people with reduced incomes. The best that private insurance has been able to do to solve this dilemma is to give the aged the unhappy choice between low-cost policies with inadequate protection and relatively adequate policies which most older people cannot afford.

Only a little over half of the elderly have any kind of health insurance protection despite intensive efforts during recent years to supply the needed protection. The number of older people without any protection today is nearly as large as it was 5 years ago; over 8 million aged persons have no health insurance at all. An additional 3 million aged persons have commercial health insurance policies that pay \$10 a day or less toward hospital daily room charges which now average more than \$20. These policies were inadequate to begin with; rising hospital charges compound their inadequacy. The guarantee that a policy is renewable is not too meaningful if the policy does not meet current hospital charges and if the premiums are constantly being increased. Probably less than a million—5 to 6 percent of the aged—have health insurance protection covering as much as 40 percent of today's average medical costs. Such protection, when available, costs over \$400 a year for a couple, and in some cases as much as \$550 a year, one-fifth of the average aged couple's income.

Private insurance by itself cannot meet the needs of the overwhelming majority of older people for a program providing adequate protection at acceptable costs. With a social security hospital insurance program in effect, private insurance would have a vital and major role to play. Relieved of the impossible strain of somehow having to pay for the most expensive insurance—hospital coverage—many older people would be in a position to purchase private insurance protection against other health costs. Many, for example, would be able to purchase major medical-expense policies now available, which could serve to complement the basic social security protection.

MEDICAL ASSISTANCE FOR THE AGED

Most of the aged would be able to take care of themselves through a combination of private insurance and a hospital insurance program financed through social security. With the establishment of such a program the States would be relieved of about 40 percent of their present expenditures for medical care of older people. Thus, without

any increase in what they spend now, the States would be able to do a much better job for the fewer people needing public assistance.

Indeed, a much better job of medical assistance to the needy aged should be done. In the 4 years it has been in operation, the Kerr-Mills program of medical assistance for the aged (MAA) has demonstrated its pitiful inadequacy. The medical assistance available in most States is inadequate, and the care provided is frequently of poor quality. Even as relief to the destitute, the medical assistance for the aged programs have been far less effective than was hoped. Few States have been both willing and able to finance reasonably adequate health care for even the very poor, let alone those who are somewhat better off—the so-called medically indigent, for whom the MAA program was designed. Eighty percent of the people who have been partially helped by MAA are persons who could meet the means tests of the regular old-age assistance program. These people are not only medically indigent, they are indigent for any and all purposes by any decent standard.

At least 10 States will not have any kind of an MAA program operating even by the end of the year; many of the other States have programs providing for far less than even the most essential needs. Some, for example, pay for only a few days of hospitalization or only for the treatment of conditions which endanger life or sight.

Relying on the Federal-State assistance programs is very unlikely to produce reasonably adequate medical care throughout the country for even the destitute aged. This matching approach, in depending completely on State initiative to attract Federal dollars, all but guarantees that most of the care and the more adequate care will be given in the States that are financially the best off. In May 1964 (the last month for which figures are available), 74 percent of Federal MAA expenditures were made in five States with 32 percent of the aged population—California, Massachusetts, Michigan, New York, and Pennsylvania. Geography, not justice, dictates whether the older person can be eligible for help and the adequacy of that help under the Kerr-Mills MAA program.

The welfare approach has serious inherent drawbacks that go beyond the question of financing. Welfare is satisfactory only as a last resort, to be turned to when all else fails. As the Senate Finance Committee said in its report on the Social Security Amendments of 1950, in urging improvements in the cash benefit program:

We consider the assistance method to have serious disadvantages as a long-run approach to the Nation's social security program. We believe that improvement of the American social security system should be in the direction of preventing dependency before it occurs, and of providing more effective income protection, free from the humiliation of a test of need. Accordingly, your committee recommends action designed to immediately bolster and extend the system of old-age and survivors insurance * * * (May 17, 1950).

Assistance helps people only after they have used up most of their financial resources, and sometimes only after their children have demonstrated that they cannot help further. Once an aged person has exhausted his resources to the point where he can qualify for

assistance, it is practically impossible for him to replenish them and again become self-reliant.

Assistance is a burden on the general taxpayer and frequently unsatisfactory to the recipient. We propose that assistance be kept where the Congress has long recognized that it belongs; namely, as a last resort supplementation.

THE SOCIAL SECURITY APPROACH

Unlike public assistance, social security hospital and nursing insurance would prevent indigency by helping older people meet their health costs before they have been reduced to indigency. The hospital and nursing insurance would be financed through a system which older people had earlier helped to support by their specific, earmarked social security contributions. Unlike public assistance, there would be no humiliating needs test; the hospital benefits would be paid as an earned right—the way that preserves individual dignity and privacy.

Unlike public assistance, which disqualifies those who have significant savings, social security, because it has no means test, promotes individual saving and private protection. Under public assistance, improvements in the cash payments of private pension plans, for example, would make older people ineligible for help with their medical bills. In contrast, social security is in partnership with some 34,000 private plans which build on the social security protection; improvement in such plans would have no effect on health care through social security.

A factor contributing to the high cost of health insurance for older people is that many of them cannot obtain private coverage through a group. On the average, individually purchased commercial health insurance policies return only 50 to 60 cents in benefits for every dollar of premiums that is collected from subscribers. The social security plan would provide retired people health benefit protection on an efficient group basis—returning 96 to 97 cents in benefits out of every dollar of contribution. Furthermore, under social security as under group insurance available to the young, there would be no waiting periods, no exclusion of preexisting conditions, no higher premiums for poorer health risks, nor other devices that deprive those older people of protection who need it most. And employer contributions, which are not generally available to the aged who buy private insurance, would, as in many employee group plans, help finance the program under social security.

FINANCING THE PROPOSAL

Social security hospital and nursing insurance protection for the aged would be completely self-financed on an actuarially sound basis. America's workers are eager to pay their share toward the cost of this needed program. It is well within our financial means.

Some representatives of employers have argued against a program of social security hospital and nursing insurance on the grounds that it would increase labor costs. But, the fact is that the social insurance tax burden on employers—including unemployment insurance—would not be more, even with hospital and nursing protection for the aged added, than was contemplated when the Social Security Act was

passed in 1935. The social insurance tax rates proposed by the present amendments, it is true, would be higher than were provided for in 1935. The tax base of the program, however, has become so much smaller as a proportion of total payrolls in covered employment that the burden on employers would be about the same even with health insurance in 1971 when the maximum tax rate scheduled would be reached. If one were to take into account the fact that employers typically now can charge a much larger proportion of their social security taxes against their corporation income taxes—the maximum rate is now 48 percent as against 16 percent in 1935—the net burden on employers in 1971 after the addition of hospital and nursing insurance protection will be much less than was expected at the very beginning of the program. The burden would actually be less than half of what was expected for those paying at the maximum corporate tax rate.

We believe that employers, who have a major stake in our social and economic system, have much to gain from this major advance in protection for their employees and that they have little cause for complaint from the standpoint of a social security tax burden. It just is not true, as some have said, that over the years the Congress has been continually increasing employer responsibility for social security financing. The truth is quite the opposite.

The social security approach by reason of being a percentage tax on payrolls has a great advantage over private insurance plans using set dollar premiums. The dollar premiums obviously have to be raised as hospital costs rise. Under social security the gain from the rise in payrolls can, on the average, be expected, in the foreseeable future, to at least offset the rise in hospital prices. Actually the current estimates are even more conservative on this point and allow for hospital price increases in excess of wages for some time to come and then assume that, on the average, into the future hospital prices will rise as fast as the general wage level. If they rise, on the average, and over the long run at a somewhat lower rate, as all other prices do, then, other things being equal, the costs as a percent of payroll will be lower than estimated.

CONCLUSION

The older people of this country should not have to wait longer for hospital and nursing insurance protection through social security. This urgently needed program must be enacted now. No reasonable amount of cash benefits can make the social security program really adequate unless our older people can also have insurance protection against the crushing burden of hospital costs. Without such protection during the last 12 or 15 years of their life expectancy, older people will be without real economic security. The savings and retirement income they will have built up during their working years to provide an independent life in old age will be in jeopardy.

The wealthy now receive substantial assistance with their own medical bills by the generous allowances for income tax deductions for medical expenses. The very poor receive some help. But the great majority, those who are neither very rich nor extremely poor, have been left out. These are the people who have been self-supporting all their lives and want to continue to be—who do not want welfare even if it were adequate.

What is needed is a system under which all workers can, during their productive years, pay contributions toward protection against the high health costs that can be expected to beset them in later years. Social security, and only social security, offers a ready-built, thoroughly tested mechanism that would make this desirable arrangement available to practically everybody. Under this arrangement, it will be practicable for aged persons to supplement their basic hospital and nursing insurance protection with private insurance coverage for other medical expenses. And, under this arrangement, it will be practicable for the States to do far more than they can at present to finance adequate backstop programs for meeting medical costs through public assistance.

The need for a social security-based health insurance program for the aged has been stated and restated over the years. The undersigned, with the exception of Senator Ribicoff who was not then a member of the committee, expressed this view in 1960 in a similar minority statement.

The need for an effective health insurance program for the aged has grown more urgent over the years as the cost of health services has continued to rise more rapidly than any other item or service Americans purchase. If the social security system which was established in 1935 is not expanded to employ this kind of protection for the aged, large numbers of the aged will be left vulnerable to the threat of dependence and poverty. Those who believe in strengthening social security—and the majority of the committee must, since the bill has been favorably reported—and maintaining it as an effective deterrent to dependence and poverty should support a meaningful health insurance program.

CLINTON P. ANDERSON.
PAUL H. DOUGLAS.
ALBERT GORE.
EUGENE J. MCCARTHY.
VANCE HARTKE.
ABRAHAM RIBICOFF.

VIII. INDIVIDUAL VIEWS OF SENATOR PAUL H. DOUGLAS

I am in complete agreement with the supplemental views signed by a number of Senators including myself on the urgent need for a health insurance program financed under the social security system. It is also my belief that the King-Anderson plan, which Senator Gore and other Senators, in the absence due to illness of the principal Senate sponsor, proposed as an amendment to H.R. 11865, is the best solution to the urgent problems of health care now faced by over 18 million Americans over age 65 and soon to be faced by millions more. Action on the King-Anderson bill has been delayed for far too long. The Senate should adopt it or a close modification of it in this session.

The King-Anderson health insurance program for the aged will provide the basic health care needs for our elderly citizens. Hospital care is the most expensive health care need faced by our older people. The present King-Anderson plan would allow an aged person to choose from three hospital care options: (1) 45 days without any deductible; (2) 90 days with a \$10 deductible per day for a maximum of 9 days; or (3) 180 days with a deductible equal to 2½ times the average cost of a day of hospitalization. Thus the King-Anderson plan will meet most of the very burdensome expenses of hospital care.

The King-Anderson plan will meet the equally urgent and more general need for nursing home care and home health care. Up to 180 days of nursing home care and up to 240 days of home health care visits would be available through King-Anderson. These two types of benefits will prevent our hospitals from becoming overcrowded and from becoming warehouses for the senile aged. In many cases, a short hospital stay must be followed by a longer stay in a skilled nursing home and additional home visits by a practical nurse. King-Anderson most adequately meets these essential needs of our elderly citizens.

It is equally clear that the Kerr-Mills act, or medical assistance to the aged, simply does not meet these basic needs. Nationally, Kerr-Mills benefits an appallingly small segment of the aged population.

Out of 18 million persons over 65 in the Nation, only 181,056 people were being aided monthly as of May 1964. Many who receive payments in one month continue to receive aid over several months, and therefore the total number of different persons receiving this aid on a yearly basis is approximately only 300,000.

The most serious defect in Kerr-Mills is that applicants are forced to pass a means test to qualify for assistance. An aged person must completely reveal to the government agency his assets and his sources and amount of income. He must prove that he is without adequate resources of his own according to an arbitrary cutoff point under which even a dollar may mean the difference between qualifying and not qualifying for benefits. In many States the resources of the aged person's family are also open to investigation. These provisions are degrading to the individual. They severely limit the number of peo-

ple to be helped. Many poor but proud people withdraw their requests for aid rather than have their privacy and that of their relatives invaded to such an unnecessary degree. This is no substitute for a health insurance program such as King-Anderson which is financed under the social security system, and as a result of which an older person will receive health care benefits as a matter of right and not as a charity.

King-Anderson is a conservative program. Only the most vital services are included. King-Anderson is not intended to be the entire solution to all medical needs of all Americans over age 65. Rather, this plan is a part of a three-pronged approach. First, the Kerr-Mills program would be able to supply assistance to the indigent at increased efficiency and with greater amounts channeled to those who are in the greatest need for services not provided by King-Anderson. Second, King-Anderson would enable the great bulk of aged persons to enjoy the security of a prepaid health insurance program for their essential health care needs. Finally, King-Anderson would provide a floor of coverage upon which many of our elderly would be able to build. Private insurance programs for those services not provided in King-Anderson could be made available at low cost.

The King-Anderson plan is economical and conservative. Its prompt enactment will provide our elderly citizens with the health care protection and dignity which they deserve. It is my hope that the Senate will take the lead, and pass this program or a close modification of it.

PAUL H. DOUGLAS.

