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(excerpts only)

[PUBLIC LAW 734—81ST CONGRESS]

[CHAPTER 809—2D SESSION]

[H. R. 6000]

AN ACT

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Act Amendments of 1950".

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

OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SEC. 101. (a) Section 202 of the Social Security Act is amended to read as follows:

"OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

"Old-Age Insurance Benefits

"SEC. 202. (a) Every individual who—

"(1) is a fully insured individual (as defined in section 214 (a)),

“(2) has attained retirement age (as defined in section 216 (a)), and

“(3) has filed application for old-age insurance benefits, shall be entitled to an old-age insurance benefit for each month, beginning with the first month after August 1950 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.

“Wife's Insurance Benefits

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

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

“(B) has attained retirement age 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,

“(C) was living with such individual at the time such application was filed, and

“(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of her husband,

shall 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 retirement age, or she becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of her husband.

“(2) Such wife's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of her husband for such month.

“Husband's Insurance Benefits

“(c) (1) The husband (as defined in section 216 (f)) of a currently insured individual (as defined in section 214 (b)) entitled to old-age insurance benefits, if such husband—

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

“(B) has attained retirement age,

“(C) was living with such individual at the time such application was filed,

“(D) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled, and

“(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of his wife,

shall be entitled to a husband'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 month in which any of the following occurs: he dies, his wife dies, they are divorced a vinculo matrimonii, or he becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of his wife.

“(2) Such husband’s insurance benefit for each month shall be equal to one-half of the old-age insurance benefit 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 insurance benefits, or of an individual who died a fully or currently insured individual after 1939, if such child—

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

“(B) at the time such application was filed was unmarried and had not attained the age of eighteen, and

“(C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual’s death, shall be entitled to a child’s insurance benefit for each month, beginning with the first month after August 1950 in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), or attains the age of eighteen.

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

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

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

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

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

“(4) A child 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.

“Widow’s Insurance Benefits

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

“(A) has not remarried,

“(B) has attained retirement age,

“(C) has filed application for widow’s insurance benefits or was entitled, after attainment of retirement age, 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,

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

“(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband, shall be entitled to a widow’s insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

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

“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 after August 1950, if such widower—

“(A) has not remarried,

“(B) has attained retirement age,

“(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) was living with such individual at the time of her death,

“(E) (i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time of her death and filed proof of such support within two years of such date of death, or (ii) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator,

from such individual, and she was a currently insured individual, at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled, and

“(F) 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 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 three-fourths of the primary insurance amount of his deceased wife.

“(2) Such widower’s insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of his deceased wife.

“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 after 1939, 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,

“(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) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) 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, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual’s wages and self-employment income,

shall 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-fourths of the primary insurance amount of such deceased individual.

"Parent's Insurance Benefits

"(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after 1939, if such individual did not leave a widow who meets the conditions in subsection (e) (1) (D) and (E), a widower who meets the conditions in subsection (f) (1) (D), (E), and (F), or an unmarried child under the age of eighteen deemed dependent on such individual under subsection (d) (3), (4), or (5), and if such parent—

"(A) has attained retirement age,

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

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

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

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

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

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

"Lump-Sum Death Payments

"(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount 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 insured individual. No payment shall be made to any person under this subsection 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 such insured individual.

"Application for Monthly Insurance Benefits

"(j) (1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), (f), (g), or (h) for any month after August 1950 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the sixth month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Administrator has certified for payment for such prior month.

"(2) No application for any benefit under this section for any month after August 1950 which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within such three months' period shall be deemed to have been filed in such first month.

"Simultaneous Entitlement to Benefits

"(k) (1) A child, entitled to child's insurance benefits on the basis of the wages and self-employment income of an insured individual, who would be entitled, on filing application, to child's insurance benefits on the basis of the wages and self-employment income of some other insured individual, shall be deemed entitled, subject to the provisions of paragraph (2) hereof, to child's insurance benefits on the basis of the wages and self-employment income of such other individual if an application for child's insurance benefits on the basis of the wages and self-employment income of such other individual has been filed by any other child who would, on filing application, be entitled to child's insurance benefits on the basis of the wages and self-employment income of both such insured individuals.

"(2) (A) Any child who under the preceding provisions of this section is entitled for any month to more than one child's insurance benefit shall, notwithstanding such provisions, be entitled to only one of such child's insurance benefits for such month, such benefit to be the one based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount.

"(B) Any individual who under the preceding provisions of this section is entitled for any month to more than one monthly insurance benefit (other than an old-age insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this subparagraph (B)) would otherwise be entitled for such month.

"(3) If an individual is entitled to an old-age insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month shall be reduced (after any reduction under section 203 (a)) by an amount equal to such old-age insurance benefit.

"Entitlement to Survivor Benefits Under Railroad Retirement Act

"(1) If any person would be entitled, upon filing application therefor to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act)

no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month thereafter, shall be paid under this section to any person on the basis of the wages and self-employment income of such employee."

(b) (1) Except as provided in paragraph (3), the amendment made by subsection (a) of this section shall take effect September 1, 1950.

(2) Section 205 (m) of the Social Security Act is repealed effective with respect to monthly benefits under section 202 of the Social Security Act, as amended by this Act, for months after August 1950.

(3) Section 202 (j) (2) of the Social Security Act, as amended by this Act, shall take effect on the date of enactment of this Act.

(c) (1) Any individual entitled to primary insurance benefits or widow's current insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for September 1950 shall be deemed to be entitled to old-age insurance benefits or mother's insurance benefits (as the case may be) under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in such month.

(2) Any individual entitled to any other monthly insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for September 1950 shall be deemed to be entitled to such benefits under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in such month.

(3) Any individual who files application after August 1950 for monthly benefits under any subsection of section 202 of the Social Security Act who would, but for the enactment of this Act, be entitled to benefits under such subsection (as in effect prior to such enactment) for any month prior to September 1950 shall be deemed entitled to such benefits for such month prior to September 1950 to the same extent and in the same amounts as though this Act had not been enacted.

(d) Lump-sum death payments shall be made in the case of individuals who died prior to September 1950 as though this Act had not been enacted; except that in the case of any individual who died outside the forty-eight States and the District of Columbia after December 6, 1941, and prior to August 10, 1946, the last sentence of section 202 (g) of the Social Security Act as in effect prior to the enactment of this Act shall not be applicable if application for a lump-sum death payment is filed prior to September 1952.

MAXIMUM BENEFITS

SEC. 102. (a) So much of section 203 of the Social Security Act as precedes subsection (d) is amended to read as follows:

"REDUCTION OF INSURANCE BENEFITS

"Maximum Benefits

"SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual

exceeds \$150, or is more than \$40 and exceeds 80 per centum of his average monthly wage (as determined under subsection (b) or (c) of section 215, whichever is applicable), such total of benefits shall, after any deductions under this section, be reduced to \$150 or to 80 per centum of his average monthly wage, whichever is the lesser, but in no case to less than \$40, except that when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall, after any deductions under this section, be reduced to \$150 or to 80 per centum of the sum of the average monthly wages of all such insured individuals, whichever is the lesser, but in no case to less than \$40. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased."

(b) The amendment made by subsection (a) of this section shall be applicable with respect to benefits for months after August 1950.

DEDUCTIONS FROM BENEFITS

SEC. 103. (a) Subsections (d), (e), (f), (g), and (h) of section 203 of the Social Security Act are amended to read as follows:

"Deductions on Account of Work or Failure To Have Child in Care

"(b) Deductions, in such amounts and at such time or times as the Administrator 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-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than \$50; or

"(2) in which such individual is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than \$50; or

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

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

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

"Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

"(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit 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—

“(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than \$50; or

“(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than \$50.

“Occurrence of More Than One Event

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

“Months to Which Net Earnings From Self-Employment Are Charged

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

“(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of \$50 times the number of months in such year, no month in such year shall be charged with more than \$50 of net earnings from self-employment.

“(2) If an individual's net earnings from self-employment for his taxable year are more than the product of \$50 times the number of months in such year, each month of such year shall be charged with \$50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first \$50 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of \$50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.

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

“(B) For the purposes of clause (D) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in

computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

“Penalty for Failure to Report Certain Events

“(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event described in subsection (b) (2) or (c) (2)), shall report such occurrence to the Administrator prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month’s benefit even though the failure to report is with respect to more than one month.

“Report to Administrator of Net Earnings From Self-Employment

“(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of \$50 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

“(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings—

“(A) such individual shall suffer one additional deduction in an amount equal to his benefit or benefits for the last month in such taxable year for which he was entitled to a benefit under section 202; and

“(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report

required by paragraph (1) and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.

"Circumstances Under Which Deductions Not Required

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

"Deductions With Respect to Certain Lump Sum Payments

"(i) Deductions shall also be made from any old-age insurance benefit to which an individual is entitled, or from any other insurance benefit payable on the basis of such individual's wages and self-employment income, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"Attainment of Age Seventy-five

"(j) For the purposes of this section, an individual shall be considered as seventy-five years of age during the entire month in which he attains such age."

(b) The amendments made by this section shall take effect September 1, 1950, except that the provisions of subsections (d), (e), and (f) of section 203 of the Social Security Act as in effect prior to the enactment of this Act shall be applicable for months prior to September 1950.

DEFINITIONS

SEC. 104. (a) Title II of the Social Security Act is amended by striking out section 209 and inserting in lieu thereof the following:

"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) That part of the 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, 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 or 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 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 (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 such code;

"(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, 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 the quarter for such service is less than \$50 or the employee is not regularly employed by the employer in such quarter of payment. For the purposes of this paragraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or (B) the employee was regularly employed (as determined under clause (A)) by the employer in the performance of such service during the preceding calendar quarter. 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);

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

“(i) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains retirement age (as defined in section 216 (a)), if he did not work for the employer in the period for which such payment is made; or

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

“DEFINITION OF EMPLOYMENT

“SEC. 210. For the purposes of this title—

“Employment

“(a) The term ‘employment’ means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American

aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1950, such term shall not include—

“(1) (A) Agricultural labor (as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is \$50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

“(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

“(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term ‘qualifying quarter’ means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter.

“(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

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

“(3) Service not in the course of the employer’s trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the

course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. 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 subsection (f) (5);

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

"(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of law which specifically refers to such section in granting such exemption;

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

"(B) Service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

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

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

"(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

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

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

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

"(ii) in the legislative branch;

“(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

“(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

“(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

“(vi) by any individual as an employee receiving nominal compensation of \$12 or less per annum;

“(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

“(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

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

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

“(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

“(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

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

“(8) Service (other than service included under an agreement under section 218 and other than service which, under subsection (1), constitutes covered transportation service) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

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

“(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, but this subparagraph shall not apply to service performed during the

period for which a certificate, filed pursuant to section 1426 (1) of the Internal Revenue Code, is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section 1426 (1), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

“(10) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

“(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than \$50;

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

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

“(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

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

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

“(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

“(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

“(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping

news, not including delivery or distribution to any point for subsequent delivery or distribution ;

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

“(17) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669).

“Included and Excluded Service

“(b) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment ; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term ‘pay period’ means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (10) of subsection (a).

“American Vessel

“(c) The term ‘American vessel’ means any vessel documented or numbered under the laws of the United States ; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

“American Aircraft

“(d) The term ‘American aircraft’ means an aircraft registered under the laws of the United States.

“American Employer

“(e) The term ‘American employer’ means an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees

are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

“Agricultural Labor

“(f) The term ‘agricultural labor’ includes all service performed—

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

“(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

“(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

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

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

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

The provisions of subparagraphs (A) and (B) of paragraph (4) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

“Farm

“(g) The term ‘farm’ includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

“State

“(h) The term ‘State’ includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

“United States

“(i) The term ‘United States’ when used in a geographical sense means the States, Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

“Citizen of Puerto Rico

“(j) An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 219.

“Employee

“(k) The term ‘employee’ means—

“(1) any officer of a corporation; or

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

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

“(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

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

“(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

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

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term ‘employee’ under the provisions of this paragraph if such indi-

vidual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

“Covered Transportation Service

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

“(2) Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

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

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

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

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

“(D) prior to such acquisition rendered service in employment in connection with the operation of such part of the transportation system acquired by the State or political subdivision,

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

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

“(4) For the purposes of this subsection—

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

“(B) A transportation system or a part thereof shall be considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or part thereof acquired constituted employment under this title, and some of such employees became employees of the State or political subdivision in connection with and at the time of such acquisition.

“(C) The term ‘political subdivision’ includes an instrumentality of (i) a State, (ii) one or more political subdivisions of a State, or (iii) a State and one or more of its political subdivisions.

“SELF-EMPLOYMENT

“SEC. 211. For the purposes of this title—

“Net Earnings From Self-Employment

“(a) The term ‘net earnings from self-employment’ means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183 of such code, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

“(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

“(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;

“(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a) of the Internal Revenue Code) are received in the course of a trade or business as a dealer in stocks or securities;

“(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

“(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;

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

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

“(7) In the case of any taxable year beginning on or after the effective date specified in section 219, (A) the term ‘possession of the United States’ as used in section 251 of the Internal Revenue Code shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252 of such code.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year.

“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) \$3,600, minus (B) 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.

In the case of any taxable year beginning prior to the effective date specified in section 219, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 219) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

“Trade or Business

“(c) The term ‘trade or business’, when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23 of the Internal Revenue Code, except that such term shall not include—

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

“(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (16) (B) performed by an individual who has attained the age of eighteen);

“(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

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

“(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.

“Partnership and Partner

“(d) The term ‘partnership’ and the term ‘partner’ shall have the same meaning as when used in supplement F of chapter 1 of the Internal Revenue Code.

“Taxable Year

“(e) The term ‘taxable year’ shall have the same meaning as when used in chapter 1 of the Internal Revenue Code; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of chapter 1 of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such chapter 1.

“CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR QUARTERS

“SEC. 212. For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year shall be credited to calendar quarters as follows:

“(a) In the case of a taxable year which is a calendar year the self-employment income of such taxable year shall be credited equally to each quarter of such calendar year.

“(b) In the case of any other taxable year the self-employment income shall be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

“QUARTER AND QUARTER OF COVERAGE

“Definitions

“SEC. 213. (a) For the purposes 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) (A) The term ‘quarter of coverage’ means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid \$50 or more in wages. In the case of any individual who has been paid, in a calendar year prior to 1951, \$3,000 or more in wages each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

“(B) The term ‘quarter of coverage’ means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid \$50 or more in wages 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;

“(ii) if the wages paid to any individual in a calendar year equal or exceed \$3,600, 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 taxable year equals \$3,600, each quarter any part of which falls in such year shall be a quarter of coverage; and

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

“Crediting of Wages Paid in 1937

“(b) With respect to wages paid to an individual in the six-month periods commencing either January 1, 1937, or July 1, 1937; (A) if wages of not less than \$100 were paid in any such period, one-half of the total amount thereof shall be deemed to have been paid in each of the calendar quarters in such period; and (B) if wages of less than \$100 were paid in any such period, the total amount thereof shall be deemed to have been paid in the latter quarter of such period, except that if in any such period, the individual attained age sixty-five, all of the wages paid in such period shall be deemed to have been paid before such age was attained.

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

"SEC. 214. For the purposes of this title—

"Fully Insured Individual

"(a) (1) In the case of any individual who died prior to September 1, 1950, the term 'fully insured individual' means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.

"(2) In the case of any individual who did not die prior to September 1, 1950, the term 'fully insured individual' means any individual who had not less than—

"(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

"(B) forty quarters of coverage.

"(3) When the number of elapsed quarters specified in paragraph (1) or (2) (A) is an odd number, for purposes of such paragraph such number shall be reduced by one.

"Currently Insured Individual

"(b) The term 'currently insured individual' means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, or (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section.

"COMPUTATION OF PRIMARY INSURANCE AMOUNT

"SEC. 215. For the purposes of this title—

"Primary Insurance Amount

"(a) (1) The primary insurance amount of an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be 50 per centum of the first \$100 of his average monthly wage plus 15 per centum of the next \$200 of such wage; except that if his average monthly wage is less than \$50, his primary insurance amount shall be the amount appearing in column II of the following table on the line on which in column I appears his average monthly wage.

I	II
Average Monthly Wage	Primary Insurance Amount
\$30 or less	\$20
\$31	\$21
\$32	\$22
\$33	\$23
\$34	\$24
\$35 to \$49	\$25

“(2) The primary insurance amount of an individual who attained age twenty-two prior to 1951 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be whichever of the following is the larger—

“(A) the amount computed as provided in paragraph (1) of this subsection; or

“(B) the amount determined under subsection (c).

“(3) The primary insurance amount of any other individual shall be the amount determined under subsection (c).

“Average Monthly Wage

“(b) (1) An individual’s ‘average monthly wage’ shall be the quotient obtained by dividing the total of—

“(A) his wages after his starting date (determined under paragraph (2)) and prior to his wage closing date (determined under paragraph (3)), and

“(B) his self-employment income after such starting date and prior to his self-employment income closing date (determined under paragraph (3))

by the number of months elapsing after such starting date and prior to his divisor closing date (determined under paragraph (3)) excluding from such elapsed months any month in any quarter prior to the quarter in which he attained the age of twenty-two which was not a quarter of coverage, except that when the number of such elapsed months thus computed is less than eighteen, it shall be increased to eighteen.

“(2) An individual’s ‘starting date’ shall be December 31, 1950, or, if later, the day preceding the quarter in which he attained the age of twenty-two, whichever results in the higher average monthly wage.

“(3) (A) Except to the extent provided in paragraph (D), an individual’s ‘wage closing date’ shall be the first day of the second quarter preceding the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred.

“(B) Except to the extent provided in paragraph (D), an individual’s ‘self-employment income closing date’ shall be the day following the quarter in which ends his last taxable year (i) which ended before the month in which he died or became entitled to old-age insurance benefits, whichever first occurred, and (ii) during which he derived self-employment income.

“(C) Except to the extent provided in paragraph (D), an individual’s ‘divisor closing date’ shall be the later of his wage closing date and his self-employment income closing date.

“(D) In the case of an individual who died or became entitled to old-age insurance benefits after the first quarter in which he both was fully insured and had attained retirement age, the determination of

his closing dates shall be made as though he became entitled to old-age insurance benefits in such first quarter, but only if it would result in a higher average monthly wage for such individual.

“(4) Notwithstanding the preceding provisions of this subsection, in computing an individual’s average monthly wage, there shall not be taken into account any self-employment income of such individual for taxable years ending in or after the month in which he died or became entitled to old-age insurance benefits, whichever first occurred.

“Determinations Made by Use of the Conversion Table

“(c) (1) The amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for an individual shall be the amount appearing in column II of the following table on the line on which in column I appears his primary insurance benefit (determined as provided in subsection (d)); and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing on such line in column III.

I If the primary insurance benefit (as determined under subsection (d)) is:	II The primary insurance amount shall be:	III And the average monthly wage for purpose of computing maximum benefits shall be:
\$10-----	\$20. 00	\$40. 00
\$11-----	22. 00	44. 00
\$12-----	24. 00	48. 00
\$13-----	26. 00	52. 00
\$14-----	28. 00	56. 00
\$15-----	30. 00	60. 00
\$16-----	31. 70	63. 40
\$17-----	33. 20	66. 40
\$18-----	34. 50	69. 00
\$19-----	35. 70	71. 40
\$20-----	37. 00	74. 00
\$21-----	38. 50	77. 00
\$22-----	40. 20	80. 40
\$23-----	42. 20	84. 40
\$24-----	44. 50	89. 00
\$25-----	46. 50	93. 00
\$26-----	48. 30	96. 60
\$27-----	50. 00	100. 00
\$28-----	51. 50	110. 00
\$29-----	52. 80	118. 60
\$30-----	54. 00	126. 60
\$31-----	55. 10	134. 00
\$32-----	56. 20	141. 30
\$33-----	57. 20	148. 00
\$34-----	58. 20	154. 60
\$35-----	59. 20	161. 30
\$36-----	60. 20	168. 00
\$37-----	61. 20	174. 60
\$38-----	62. 20	181. 30
\$39-----	63. 10	187. 30
\$40-----	64. 00	195. 00
\$41-----	64. 90	210. 00
\$42-----	65. 80	220. 00
\$43-----	66. 70	230. 00
\$44-----	67. 60	240. 00
\$45-----	68. 50	250. 00
\$46-----	68. 50	250. 00

"(2) In case the primary insurance benefit of an individual (determined as provided in subsection (d)) falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for such individual, and his average monthly wage for purposes of section 203 (a), shall be determined in accordance with regulations of the Administrator designed to obtain results consistent with those obtained for individuals whose primary insurance benefits are shown in column I of the table.

"(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Administrator is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

"Primary Insurance Benefit for Purposes of Conversion Table

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

"(1) In the case of any individual who was entitled to a primary insurance benefit for August 1950, his primary insurance benefit shall, except as provided in paragraph (2), be the primary insurance benefit to which he was so entitled.

"(2) In the case of any individual to whom paragraph (1) is applicable and who is a World War II veteran or in August 1950 rendered services for wages of \$15 or more, his primary insurance benefit shall be whichever of the following is larger: (A) the primary insurance benefit to which he was entitled for August 1950, or (B) his primary insurance benefit for August 1950 recomputed, under section 209 (q) of the Social Security Act as in effect prior to the enactment of this section, in the same manner as if such individual had filed application for and was entitled to a recomputation for August 1950, except that in making such recomputation section 217 (a) shall be applicable if such individual is a World War II veteran.

"(3) In the case of any individual who died prior to September 1950, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that section 217 (a) shall be applicable, in lieu of section 210 of this Act as in effect prior to the enactment of this section, but only if it results in a larger primary insurance benefit.

"(4) In the case of any other individual, his primary insurance benefit shall be computed as provided in this title as in effect prior to the enactment of this section, 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 such title as in effect prior to the enactment of this section) be determined as provided in subsection (b) of this section, except that his starting date shall be December 31, 1936.

"(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 this section shall be applicable only with respect to calendar years prior to 1951.

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

“Certain Wages and Self-Employment Income Not To Be Counted

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

“(1) in computing an individual’s average monthly wage there shall not be counted, in the case of any calendar year after 1950, the excess over \$3,600 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) (4) is not a multiple of \$1, it shall be reduced to the next lower multiple of \$1.

“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) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recompute his primary insurance amount if application therefor is filed after the twelfth month for which deductions under paragraph (1) or (2) of section 203 (b) have been imposed (within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to September 1950 or prior to the earliest month for which the last previous computation of his primary insurance amount was effective, and if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed such application are quarters of coverage. A recomputation under this paragraph shall be made only as provided in subsection (a) (1) and shall take into account only such wages and self-employment income as would be taken into account under subsection (b) if the month in which application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the month in which such application for recomputation is filed.

“(3) (A) Upon application by an individual entitled to old-age insurance benefits, filed at least six months after the month in which he became so entitled, the Administrator shall recompute his primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

“(B) Upon application by a person entitled to monthly benefits on the basis of the wages and self-employment income of an individual who died after August 1950, the Administrator shall recompute such individual’s primary insurance amount if such application is filed at least six months after the month in which such individual died or

became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be effective for and after the month in which such person who filed the application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph 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 Administrator prior to the effective date of the recomputation.

“(4) Upon the death after August 1950 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 Administrator shall recompute the decedent’s primary insurance amount, but (except as provided in paragraph (3) (B)) only if—

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

“(B) the decedent during his lifetime was paid compensation which is 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) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the divisor closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the divisor closing date applicable to such computation. 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) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

“Rounding of Benefits

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

“OTHER DEFINITIONS

“SEC. 216. For the purposes of this title—

“Retirement Age

“(a) The term ‘retirement age’ means age sixty-five.

“Wife

“(b) The term ‘wife’ means the wife of an individual, but only if she (1) is the mother of his son or daughter, or (2) was married to him for a period of not less than three years immediately preceding the day on which her application is filed.

“Widow

“(c) The term ‘widow’ (except when used in section 202 (i)) means the surviving wife of an individual, but only if she (1) is the mother of his son or daughter, (2) 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) was married to him at the time both of them legally adopted a child under the age of eighteen, or (4) was married to him for a period of not less than one year immediately prior to the day on which he died.

“Former Wife Divorced

“(d) The term ‘former wife divorced’ means a woman divorced from an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (3) 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 of an individual, and (2) in the case of a living individual, a stepchild or adopted child who has been such stepchild or adopted child for not less than three years immediately preceding the day on which application for child’s benefits is filed, and (3) in the case of a deceased individual, (A) an adopted child, or (B) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. In determining whether an adopted child has met the length of time requirement in clause (2), time spent in the relationship of stepchild shall be counted as time spent in the relationship of adopted child.

“Husband

“(f) The term ‘husband’ means the husband of an individual, but only if he (1) is the father of her son or daughter, or (2) was married to her for a period of not less than three years immediately preceding the day on which his application is filed.

“Widower

“(g) The term ‘widower’ (except when used in section 202 (i)) means the surviving husband of an individual, but only if he (1) is the father of her son or daughter, (2) 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) was married to her at the time both of them legally adopted a child under the age of eighteen, or (4) was married to her for a period of not less than one year immediately prior to the day on which she died.

"Determination of Family Status

"(h) (1) In determining whether an applicant is the wife, husband, widow, widower, child, or parent of a fully insured or currently insured individual for purposes of this title, the Administrator shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, husband, widow, widower, child, or parent shall be deemed such.

"(2) A wife shall be deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and a widow shall be deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support.

"(3) A husband shall be deemed to be living with his wife if they are both members of the same household, or he is receiving regular contributions from her toward his support, or she has been ordered by any court to contribute to his support; and a widower shall be deemed to have been living with his wife at the time of her death if they were both members of the same household on the date of her death, or he was receiving regular contributions from her toward his support on such date, or she had been ordered by any court to contribute to his support."

(b) The amendment made by subsection (a) shall take effect January 1, 1951, except that sections 214, 215, and 216 of the Social Security Act shall be applicable (1) in the case of monthly benefits for months after August 1950, and (2) in the case of lump-sum death payments with respect to deaths after August 1950.

WORLD WAR II VETERANS

SEC. 105. Effective September 1, 1950, title II of the Social Security Act is amended by striking out section 210 and by adding after section 216 (added by section 104 (a) of this Act) the following:

"BENEFITS IN CASE OF WORLD WAR II VETERANS

"SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection

shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

“(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

“(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

“(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

“(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service during World War II shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

“(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active military or naval service of the United States shall be deemed to have died a fully insured individual whose primary insurance amount is the amount determined under section 215 (c). Notwithstanding section 215 (d), the primary insurance benefit (for purposes of section 215 (c)) of such veteran shall be determined as provided in this title as in effect prior to the enactment of this section, except that the 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

“(A) a larger such benefit or payment, as the case may be, would be payable without its application;

“(B) any pension or compensation is determined by the Veterans’ Administration to be payable by it on the basis of the death of such veteran;

“(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

“(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

“(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to paragraph (1) (B) of this subsection unless he has been notified by the Veterans’ Administration that pension or compensation is determined to be payable by the Veterans’ Administration by reason of the death of such veteran. The Federal Security Administrator shall thereupon report such decision to the Veterans’ Administration. If the Veterans’ Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans’ Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U. S. C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Federal Security Administrator, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans’ Administration shall be deemed by reason of this subsection to have been an erroneous payment.

“(c) In the case of any World War II veteran to whom subsection (a) is applicable, proof of support required under section 202 (h) may be filed by a parent at any time prior to July 1951 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

“(d) For the purposes of this section—

“(1) The term ‘World War II’ means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.

“(2) The term ‘World War II veteran’ means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.”

COVERAGE OF STATE AND LOCAL EMPLOYEES

SEC. 106. Title II of the Social Security Act is amended by adding after section 217 (added by section 105 of this Act) the following:

"VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

"Purpose of Agreement

"SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

"(2) Notwithstanding section 210 (a), for the purposes of this title the term 'employment' includes any service included under an agreement entered into under this section.

"Definitions

"(b) For the purposes of this section—

"(1) The term 'State' does not include the District of Columbia.

"(2) The term 'political subdivision' includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

"(3) The term 'employee' includes an officer of a State or political subdivision.

"(4) The term 'retirement system' means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

"(5) The term 'coverage group' means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement.

"Services Covered

"(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

"(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3), (5), or

(6) of this subsection) performed by individuals as members of such group.

“(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

“(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

“(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

“(6) Such agreement shall exclude—

“(A) service performed by an individual who is employed to relieve him from unemployment,

“(B) service performed in a hospital, home, or other institution by a patient or inmate thereof,

“(C) covered transportation service (as determined under section 210 (1)), and

“(D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

“Exclusion of Positions Covered by Retirement Systems

“(d) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group.

“Payments and Reports by States

“(e) Each agreement under this section shall provide—

“(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Administrator may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410 of the Internal Revenue Code if the services of employees covered by the agreement constituted employment as defined in section 1426 of such code; and

“(2) that the State will comply with such regulations relating to payments and reports as the Administrator may prescribe to carry out the purposes of this section.

“Effective Date of Agreement

“(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no

case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1953) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

“Termination of Agreement

“(g) (1) Upon giving at least two years’ advance notice in writing to the Administrator, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Administrator either—

“(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

“(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

“(2) If the Administrator, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

“(3) If any agreement entered into under this section is terminated in its entirety, the Administrator and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Administrator and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

“Deposits in Trust Fund; Adjustments

“(h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Fund.

“(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Administrator.

“(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Administrator to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

“Regulations

“(i) Regulations of the Administrator to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and subchapter A or E of chapter 9 of the Internal Revenue Code.

“Failure To Make Payments

“(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Administrator may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Fund.

“Instrumentalities of Two or More States

“(k) The Administrator may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

“Delegation of Functions

“(l) The Administrator is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement.”

PUERTO RICO

SEC. 107. Title II of the Social Security Act is amended by adding after section 218 (added by section 106 of this Act) the following:

“EFFECTIVE DATE IN CASE OF PUERTO RICO

“SEC. 219. If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210 (h), 210 (i), 210 (j), 211 (a) (7), and 211 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.”

RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

SEC. 108. (a) Subsection (b) of section 205 of the Social Security Act is amended by inserting "former wife divorced, husband, widower," after "widow,"

(b) Subsection (c) of section 205 of the Social Security Act is amended to read as follows:

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

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

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

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

"(2) On the basis of information obtained by or submitted to the Administrator, and after such verification thereof as he deems necessary, the Administrator shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor, or the legal representative of such individual or his estate, of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

"(3) The Administrator's records shall be evidence for the purpose of proceedings before the Administrator or any court of the amounts of wages paid to, and self-employment income derived by, an individual and of the periods in which such wages were paid and such income was derived. The absence of an entry in such records as to wages alleged to have been paid to, or as to self-employment income alleged to have been derived by, an individual in any period shall be evidence that no such alleged wages were paid to, or that no such alleged income was derived by, such individual during such period.

"(4) Prior to the expiration of the time limitation following any year the Administrator may, if it is brought to his attention that any entry of wages or self-employment income in his records for such year is erroneous or that any item of wages or self-employment income for such year has been omitted from such records, correct such entry or include such omitted item in his records, as the case may be. After the expiration of the time limitation following any year—

"(A) the Administrator's records (with changes, if any, made pursuant to paragraph (5)) of the amounts of wages paid to, and self-employment income derived by, an individual during any period in such year shall be conclusive for the purposes of this title;

"(B) the absence of an entry in the Administrator's records as to the wages alleged to have been paid by an employer to an individual during any period in such year shall be presumptive evidence for the purposes of this title that no such alleged wages were paid to such individual in such period; and

"(C) the absence of an entry in the Administrator's records as to the self-employment income alleged to have been derived by an in-

dividual in such year shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such year unless it is shown that he filed a tax return of his self-employment income for such year before the expiration of the time limitation following such year, in which case the Administrator shall include in his records the self-employment income of such individual for such year.

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

“(A) if an application for monthly benefits or for a lump-sum death payment was filed within the time limitation following such year; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon the application for monthly benefits or lump-sum death payment;

“(B) if within the time limitation following such year an individual or his survivor makes a request for a change or deletion, or for an inclusion of an omitted item, and alleges in writing that the Administrator’s records of the wages paid to, or the self-employment income derived by, such individual in such year are in one or more respects erroneous; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon such request. Written notice of the Administrator’s decision on any such request shall be given to the individual who made the request;

“(C) to correct errors apparent on the face of such records;

“(D) to transfer items to records of the Railroad Retirement Board if such items were credited under this title when they should have been credited under the Railroad Retirement Act, or to enter items transferred by the Railroad Retirement Board which have been credited under the Railroad Retirement Act when they should have been credited under this title;

“(E) to delete or reduce the amount of any entry which is erroneous as a result of fraud;

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

included in such records as wages paid to such individual in such taxable year;

“(G) to correct errors made in the allocation, to individuals or periods, of wages or self-employment income entered in the records of the Administrator;

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

“(I) to enter items which constitute remuneration for employment under subsection (o), such entries to be in accordance with certified reports of records made by the Railroad Retirement Board pursuant to section 5 (k) (3) of the Railroad Retirement Act of 1937.

“(6) Written notice of any deletion or reduction under paragraph (4) or (5) shall be given to the individual whose record is involved or to his survivor, except that (A) in the case of a deletion or reduction with respect to any entry of wages such notice shall be given to such individual only if he has previously been notified by the Administrator of the amount of his wages for the period involved, and (B) such notice shall be given to such survivor only if he or the individual whose record is involved has previously been notified by the Administrator of the amount of such individual’s wages and self-employment income for the period involved.

“(7) Upon request in writing (within such period, after any change or refusal of a request for a change of his records pursuant to this subsection, as the Administrator may prescribe), opportunity for hearing with respect to such change or refusal shall be afforded to any individual or his survivor. If a hearing is held pursuant to this paragraph the Administrator shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall include any omitted items, or change or delete any entry, in his records as may be required by such findings and decision.

“(8) Decisions of the Administrator under this subsection shall be reviewable by commencing a civil action in the United States district court as provided in subsection (g).”

(c) Section 205 of the Social Security Act is amended by adding at the end thereof the following subsections:

“Crediting of Compensation Under the Railroad Retirement Act

“(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under section 217 (a) of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee’s wages and self-employment income and (B) entitlement to and the amount of any monthly benefit

under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) 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 rendered services for such compensation.

“Special Rules in Case of Federal Service

“(p) (1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the Administrator shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or the periods in which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 1420 (e) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

“(2) The head of any such agency or instrumentality is authorized and directed, upon written request of the Administrator, to make certification to him with respect to any matter determinable for the Administrator by such head or his agents under this subsection, which the Administrator finds necessary in administering this title.

“(3) The provisions of paragraphs (1) and (2) 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 paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality.”

(d) The amendments made by subsections (a) and (c) of this section shall take effect on September 1, 1950. The amendment made by subsection (b) of this section shall take effect January 1, 1951, except that, effective on September 1, 1950, the husband or former wife divorced of an individual shall be treated the same as a parent of such individual, and the legal representative of an individual or his estate shall be treated the same as the individual, for purposes of section 205 (c) of the Social Security Act as in effect prior to the enactment of this Act.

MISCELLANEOUS AMENDMENTS

SEC. 109. (a) (1) The second sentence of section 201 (a) of the Social Security Act is amended by striking out “such amounts as may be

appropriated to the Trust Fund” and inserting in lieu thereof “such amounts as may be appropriated to, or deposited in, the Trust Fund”.

(2) Section 201 (a) of the Social Security Act is amended by striking out the third sentence and by inserting in lieu thereof the following: “There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

“(1) the taxes (including interest, penalties, and additions to the taxes) received under subchapter A of chapter 9 of the Internal Revenue Code (and covered into the Treasury) which are deposited into the Treasury by collectors of internal revenue before January 1, 1951; and

“(2) the taxes certified each month by the Commissioner of Internal Revenue as taxes received under subchapter A of chapter 9 of such code which are deposited into the Treasury by collectors of internal revenue after December 31, 1950, and before January 1, 1953, with respect to assessments of such taxes made before January 1, 1951; and

“(3) the taxes imposed by subchapter A of chapter 9 of such code with respect to wages (as defined in section 1426 of such code) reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of such code after December 31, 1950, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such subchapter to such wages, which wages shall be certified by the Federal Security Administrator on the basis of the records of wages established and maintained by such Administrator in accordance with such reports; and

“(4) the taxes imposed by subchapter E of chapter 1 of such code with respect to self-employment income (as defined in section 481 of such code) reported to the Commissioner of Internal Revenue on tax returns under such subchapter, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such subchapter to such self-employment income, which self-employment income shall be certified by the Federal Security Administrator on the basis of the records of self-employment income established and maintained by the Administrator in accordance with such returns.

The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the taxes, referred to in clauses (3) and (4), paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the amounts of the taxes referred to in such clauses.”

(3) Section 201 (a) of the Social Security Act is amended by striking out the following: “There is also authorized to be appropriated to the Trust Fund such additional sums as may be required to finance the benefits and payments provided under this title.”

(4) Section 201 (b) of such Act is amended by striking out “Chairman of the Social Security Board” and inserting in lieu thereof “Federal Security Administrator”.

(5) Section 201 (b) of such Act is amended by adding after the second sentence thereof the following new sentence: "The Commissioner for Social Security shall serve as Secretary of the Board of Trustees."

(6) Paragraph (2) of section 201 (b) of such Act is amended by striking out "on the first day of each regular session of the Congress" and inserting in lieu thereof "not later than the first day of March of each year".

(7) Section 201 (b) of such Act is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and", and by adding the following new paragraph:

"(4) Recommend improvements in administrative procedures and policies designed to effectuate the proper coordination of the old-age and survivors insurance and Federal-State unemployment compensation programs."

(8) Section 201 (b) of such Act is amended by adding at the end thereof the following: "Such report shall be printed as a House document of the session of the Congress to which the report is made."

(9) Section 201 (f) of such Act is amended to read as follows:

"(f) (1) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him and the Federal Security Administrator which will be expended during a three-month period by the Federal Security Agency and the Treasury Department for the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code.

"(2) The Managing Trustee is directed to pay from time to time from the Trust Fund into the Treasury the amount estimated by him as taxes which are subject to refund under section 1401 (d) of the Internal Revenue Code with respect to wages (as defined in section 1426 of such code) paid after December 31, 1950. Such taxes shall be determined on the basis of the records of wages established and maintained by the Federal Security Administrator in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of such code, and the Administrator shall furnish the Managing Trustee such information as may be required by the Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections.

"(3) Repayments made under paragraph (1) or (2) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appears that the estimates under either such paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments."

(b) (1) Sections 204, 205 (other than subsections (c) and (1)), and 206 of such Act are amended by striking out "Board" wherever appearing therein and inserting in lieu thereof "Administrator"; by striking out "Board's" wherever appearing therein and inserting in

lieu thereof "Administrator's"; and by striking out (where they refer to the Social Security Board) "it" and "its" and inserting in lieu thereof "he", "him", or "his", as the context may require.

(2) Section 205 (1) of such Act is amended to read as follows:

"(1) The Administrator is authorized to delegate to any member, officer, or employee of the Federal Security Agency designated by him any of the powers conferred upon him by this section, and is authorized to be represented by his own attorneys in any court in any case or proceeding arising under the provisions of subsection (e)."

(c) Section 208 of such Act is amended by striking out the words "the Federal Insurance Contributions Act" and inserting in lieu thereof the following: "subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code".

SERVICES FOR COOPERATIVES PRIOR TO 1951

SEC. 110. In any case in which—

(1) an individual has been employed at any time prior to 1951 by organizations enumerated in the first sentence of section 101 (12) of the Internal Revenue Code,

(2) the service performed by such individual during the time he was so employed constituted agricultural labor as defined in section 209 (1) of the Social Security Act and section 1426 (h) of the Internal Revenue Code, as in effect prior to the enactment of this Act, and such service would, but for the provisions of such sections, have constituted employment for the purposes of title II of the Social Security Act and subchapter A of chapter 9 of such Code,

(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code have been paid with respect to any part of the remuneration paid to such individual by such organization for such service and the payment of such taxes by such organization has been made in good faith upon the assumption that such service did not constitute agricultural labor as so defined, and

(4) no refund of such taxes has been obtained, the amount of such remuneration with respect to which such taxes have been paid shall be deemed to constitute remuneration for employment as defined in section 209 (b) of the Social Security Act as in effect prior to the enactment of this Act (but it shall not constitute wages for purposes of deductions under section 203 of such Act for months for which benefits under title II of such Act have been certified and paid prior to the enactment of this Act).

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

RATE OF TAX ON WAGES

SEC. 201. (a) Clauses (2) and (3) of section 1400 of the Internal Revenue Code are amended to read as follows:

"(2) With respect to wages received during the calendar years 1950 to 1953, both inclusive, the rate shall be 1½ per centum.

"(3) With respect to wages received during the calendar years 1954 to 1959, both inclusive, the rate shall be 2 per centum.

"(4) With respect to wages received during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

“(5) With respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

“(6) With respect to wages received after December 31, 1969, the rate shall be 3¼ per centum.”

(b) Clauses (2) and (3) of section 1410 of the Internal Revenue Code are amended to read as follows:

“(2) With respect to wages paid during the calendar years 1950 to 1953, both inclusive, the rate shall be 1½ per centum.

“(3) With respect to wages paid during the calendar years 1954 to 1959, both inclusive, the rate shall be 2 per centum.

“(4) With respect to wages paid during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

“(5) With respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

“(6) With respect to wages paid after December 31, 1969, the rate shall be 3¼ per centum.”

FEDERAL SERVICE

SEC. 202. (a) Part II of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding after section 1411 the following new section:

“SEC. 1412. INSTRUMENTALITIES OF THE UNITED STATES.

“Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 1410 unless such other provision of law grants a specific exemption, by reference to section 1410, from the tax imposed by such section.”

(b) Section 1420 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

“(e) FEDERAL SERVICE.—In the case of the taxes imposed by this subchapter 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, the determination whether an individual has performed service which constitutes employment as defined in section 1426, the determination of the amount of remuneration for such service which constitutes wages as defined in such section, and the return and payment of the taxes imposed by this subchapter, 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 1410 with respect to such service without regard to the \$3,600 limitation in section 1426 (a) (1), and he shall not be required to obtain a refund of the tax paid under section 1410 on that part of the remuneration not included in wages by reason of section 1426 (a) (1). The provisions of this subsection 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 subsection the Secretary of Defense shall be deemed to be the head of such instrumentality."

(c) Section 1411 of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: "For the purposes of this section, in the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) 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."

(d) The amendments made by this section shall be applicable only with respect to remuneration paid after 1950.

DEFINITION OF WAGES

SEC. 203. (a) Section 1426 (a) of the Internal Revenue Code is amended to read as follows:

"(a) WAGES.—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 \$3,600 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 \$3,600 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 six 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 exempt from tax under section 165 (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 165 (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 1400, 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 the quarter for such service is less than \$50 or the employee is not regularly employed by the employer in such quarter of payment. For the purposes of this subparagraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some twenty-four days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or (ii) the employee was regularly employed (as determined under clause (i)) by the employer in the performance of such service during the preceding calendar quarter. As used in this subparagraph, the term ‘domestic service in a private home of the employer’ does not include service described in subsection (h) (5);

“(8) Remuneration paid in any medium other than cash for agricultural labor;

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

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

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

(b) So much of section 1401 (d) (2) of the Internal Revenue Code as precedes the second sentence thereof is amended to read as follows:

"(2) WAGES RECEIVED DURING 1947, 1948, 1949, AND 1950.—If by reason of an employee receiving wages from more than one employer during the calendar year 1947, 1948, 1949, or 1950, the wages received by him during such year exceed \$3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first \$3,000 of such wages received."

(c) Section 1401 (d) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraphs:

"(3) WAGES RECEIVED AFTER 1950.—If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1950, the wages received by him during such year exceed \$3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first \$3,600 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received with respect to which refund of tax is claimed, and (B) such claim is made within two years after the calendar year in which such wages were received. No interest shall be allowed or paid with respect to any such refund.

"(4) SPECIAL RULES IN THE CASE OF FEDERAL AND STATE EMPLOYEES.—

"(A) Federal Employees.—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for the purposes of subsection (c) and paragraph (3) of this subsection, be deemed a separate employer; and the term 'wages' includes, for the purposes of paragraph (3) of this subsection, the amount, not to exceed \$3,600, determined by each such head or agent as constituting wages paid to an employee.

"(B) State Employees.—For the purposes of paragraph (3) of this subsection, in the case of remuneration received during any calendar year after the calendar year 1950, 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 1400' 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 1400, if such services constituted employment as defined in section 1426; and the provisions of paragraph (3) 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 of the Treasury."

(d) The amendment made by subsection (a) of this section shall be applicable only with respect to remuneration paid after 1950. In the case of remuneration paid prior to 1951, the determination under section 1426 (a) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if subsection (a) of this section had not been enacted and without inferences drawn from the fact that the amendment made by subsection (a) is not made applicable to periods prior to 1951.

DEFINITION OF EMPLOYMENT

SEC. 204. (a) Effective January 1, 1951, section 1426 (b) of the Internal Revenue Code is amended to read as follows:

"(b) **EMPLOYMENT.**—The term 'employment' means any service performed after 1936 and prior to 1951 which was employment for the purposes of this subchapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (i) of this section); except that, in the case of service performed after 1950, such term shall not include—

"(1) (A) Agricultural labor (as defined in subsection (h) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is \$50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

"(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such em-

ployer on a full-time basis on sixty days during such quarter, and

“(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term ‘qualifying quarter’ means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter.

“(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

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

“(3) Service not in the course of the employer’s trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer’s trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. 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 subsection (h) (5);

“(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

“(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

“(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 by virtue of any provision of law

which specifically refers to such section in granting such exemption;

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

“(B) Service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

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

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

“(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

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

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

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

“(ii) in the legislative branch;

“(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

“(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

“(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

“(vi) by any individual as an employee receiving nominal compensation of \$12 or less per annum;

“(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

“(viii) by any individual as a consular agent appointed

under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

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

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

“(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

“(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

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

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

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

“(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (1), is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under subsection (1), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

“(10) Service performed by an individual as an employee or employee representative as defined in section 1532;

“(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if the remuneration for such service is less than \$50;

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

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

“(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

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

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

“(14) Service performed as a student nurse in the employ of a hospital or a nurses’ training school by an individual who is enrolled and is regularly attending classes in a nurses’ training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years’ course in a medical school chartered or approved pursuant to State law;

“(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

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

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

“(17) Service performed in the employ of an international organization.”

(b) Effective January 1, 1951, section 1426 (e) of the Internal Revenue Code is amended to read as follows:

“(e) STATE, ETC.—

“(1) The term ‘State’ includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 3810 such term includes Puerto Rico.

“(2) UNITED STATES.—The term ‘United States’ when used in a geographical sense includes the Virgin Islands; and on and after

the effective date specified in section 3810 such term includes Puerto Rico.

“(3) CITIZEN.—An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 3810.”

(c) Section 1426 (g) of the Internal Revenue Code is amended by striking out “(g) AMERICAN VESSEL.—” and inserting in lieu thereof “(g) AMERICAN VESSEL AND AIRCRAFT.—”, and by striking out the period at the end of such subsection and inserting in lieu thereof the following: “; and the term ‘American aircraft’ means an aircraft registered under the laws of the United States.”

(d) Section 1426 (h) of the Internal Revenue Code is amended to read as follows:

“(h) AGRICULTURAL LABOR.—The term ‘agricultural labor’ includes all service performed—

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

“(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

“(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

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

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

“(C) The provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in

connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

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

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

(e) Section 1426 of the Internal Revenue Code is amended by striking out subsections (i) and (j) and inserting in lieu thereof the following:

“(i) AMERICAN EMPLOYER.—The term ‘American employer’ means an employer which is (1) the United States or any instrumentality thereof, (2) an individual who is a resident of the United States, (3) a partnership, if two-thirds or more of the partners are residents of the United States, (4) a trust, if all of the trustees are residents of the United States, or (5) a corporation organized under the laws of the United States or of any State.

“(j) COMPUTATION OF WAGES IN CERTAIN CASES.—For purposes of this subchapter, in the case of domestic service described in subsection (a) (7) (B), any payment of cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this subchapter, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to \$1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (a) (7) (B).

“(k) COVERED TRANSPORTATION SERVICE.—

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

“(2) Existing transportation systems—Cases in which no transportation employees, or only certain employees, are covered.—Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

“(A) any part of the transportation system was acquired from private ownership after 1936 and prior to 1951, and substantially all service in connection with the operation of the transportation system is, on December 31, 1950, covered under a general retirement system providing benefits which, by reason of a provision of the State constitution dealing

specifically with retirement systems of the State or political subdivisions thereof, cannot be diminished or impaired; or

“(B) no part of the transportation system operated by the State or political subdivision on December 31, 1950, was acquired from private ownership after 1936 and prior to 1951; except that if such State or political subdivision makes an acquisition after 1950 from private ownership of any part of its transportation system, then, in the case of any employee who—

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

“(D) prior to such acquisition rendered service in employment (including as employment service covered by an agreement under section 218 of the Social Security Act) in connection with the operation of such part of the transportation system acquired by the State or political subdivision, the service of such employee in connection with the operation of the transportation system shall constitute covered transportation service, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of such part took place, unless on such first day such service of such employee is covered by a general retirement system which does not, with respect to such employee, contain special provisions applicable only to employees described in subparagraph (C).

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

“(4) Definitions.—For the purposes of this subsection—

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

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

“(C) The term ‘political subdivision’ includes an instrumentality of (i) a State, (ii) one or more political subdivisions of a State, or (iii) a State and one or more of its political subdivisions.

“(1) EXEMPTION OF RELIGIOUS, CHARITABLE, ETC., ORGANIZATIONS.—

“(1) WAIVER OF EXEMPTION BY ORGANIZATION.—An organization exempt from income tax under section 101 (6) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees and that at least two-thirds of its employees concur in the filing of the certificate. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended, at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is in effect, by filing with such official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this subchapter. The certificate shall be in effect (for the purposes of subsection (b) (9) (B) and for the purposes of section 210 (a) (9) (B) of the Social Security Act) for the period beginning with the first day following the close of the calendar quarter in which such certificate is filed, but in no case shall such period begin prior to January 1, 1951. The period for which the certificate is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving two years’ advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter.

“(2) TERMINATION OF WAIVER PERIOD BY COMMISSIONER.—If the Commissioner finds that any organization which filed a certificate pursuant to this subsection has failed to comply substantially with the requirements of this subchapter or is no longer able to comply therewith, the Commissioner shall give such organization not less than sixty days’ advance notice in writing that the period covered by such certificate will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Commissioner by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the organization. No notice of termination or of revocation thereof shall be given under this para-

graph to an organization without the prior concurrence of the Federal Security Administrator.

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

(f) Sections 1426 (c) and 1428 of the Internal Revenue Code are each amended by striking out “paragraph (9)” and inserting in lieu thereof “paragraph (10)”.

(g) The amendments made by subsections (c), (d), (e), and (f) of this section shall be applicable only with respect to services performed after 1950.

DEFINITION OF EMPLOYEE

SEC. 205. (a) Section 1426 (d) of the Internal Revenue Code is amended to read as follows:

“(d) EMPLOYEE.—The term ‘employee’ means—

“(1) any officer of a corporation; or

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

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

“(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

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

“(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

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

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

(b) The amendment made by this section shall be applicable only with respect to services performed after 1950.

RECEIPTS FOR EMPLOYEES; SPECIAL REFUNDS

SEC. 206. (a) Subchapter E of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new sections:

"SEC. 1633. RECEIPTS FOR EMPLOYEES.

"(a) **REQUIREMENT.**—Every person required to deduct and withhold from an employee a tax under section 1400 or 1622, or who would have been required to deduct and withhold a tax under section 1622 if the employee had claimed no more than one withholding exemption, shall furnish to each such employee in respect of the remuneration paid by such person to such employee during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of remuneration is made, a written statement showing the following: (1) the name of such person, (2) the name of the employee (and his social security account number if wages as defined in section 1426 (a) have been paid), (3) the total amount of wages as defined in section 1621 (a), (4) the total amount deducted and withheld as tax under section 1622, (5) the total amount of wages as defined in section 1426 (a), and (6) the total amount deducted and withheld as tax under section 1400.

"(b) **STATEMENTS TO CONSTITUTE INFORMATION RETURNS.**—The statements required to be furnished by this section in respect of any remuneration shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe. A duplicate of any such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary shall constitute the return required to be made in respect of such remuneration under section 147.

"(c) **EXTENSION OF TIME.**—The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any person a reasonable extension of time (not in excess of thirty days) with respect to the statements required to be furnished under this section.

"SEC. 1634. PENALTIES.

"(a) **PENALTIES FOR FRAUDULENT STATEMENT OF FAILURE TO FURNISH STATEMENT.**—In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1633 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1633, or regulations, prescribed thereunder, shall for each such failure, upon conviction thereof, be fined not more than \$1,000, or imprisoned for not more than one year, or both.

"(b) **ADDITIONAL PENALTY.**—In addition to the penalty provided by subsection (a) of this section, any person required under the provisions

of section 1633 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1633, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of \$50. Such penalty shall be assessed and collected in the same manner as the tax imposed by section 1410."

(b) (1) Section 322 (a) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraph:

"(4) CREDIT FOR 'SPECIAL REFUNDS' OF EMPLOYEE SOCIAL SECURITY TAX.—The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the tax imposed by this chapter for any taxable year of the amount determined by the taxpayer or the Commissioner to be allowable under section 1401 (d) as a special refund of tax imposed on wages received during the calendar year in which such taxable year begins. If more than one taxable year begins in such calendar year, such amount shall not be allowed under this section as a credit against the tax for any taxable year other than the last taxable year so beginning. The amount allowed as a credit under such regulations shall, for the purposes of this chapter, be considered an amount deducted and withheld at the source as tax under subchapter D of chapter 9."

(2) Section 1403 (a) of the Internal Revenue Code is amended by striking out the first sentence and inserting in lieu thereof the following: "Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee before January 1, 1951. (For corresponding provisions with respect to wages paid after December 31, 1950, see section 1633.)"

(3) Section 1625 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(d) APPLICATION OF SECTION.—This section shall apply only with respect to wages paid before January 1, 1951. For corresponding provisions with respect to wages paid after December 31, 1950, see section 1633."

(c) The amendments made by this section shall be applicable only with respect to wages paid after December 31, 1950, except that the amendment made by subsection (b) (1) of this section shall be applicable only with respect to taxable years beginning after December 31, 1950, and only with respect to "special refunds" in the case of wages paid after December 31, 1950.

PERIODS OF LIMITATION ON ASSESSMENT AND REFUND OF CERTAIN
EMPLOYMENT TAXES

SEC. 207. (a) Subchapter E of chapter 9 of the Internal Revenue Code is amended by inserting at the end thereof the following new sections:

**"SEC. 1635. PERIOD OF LIMITATION UPON ASSESSMENT AND COL-
LECTION OF CERTAIN EMPLOYMENT TAXES.**

"(a) GENERAL RULE.—The amount of any tax imposed by subchapter A of this chapter or subchapter D of this chapter shall (except as otherwise provided in the following subsections of this section) be

assessed within three years after the return was filed, and no proceeding in court without assessment for the collection of such tax shall be begun after the expiration of such period.

“(b) FALSE RETURN OR NO RETURN.—In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

“(c) WILLFUL ATTEMPT TO EVADE TAX.—In case of a willful attempt in any manner to defeat or evade tax, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

“(d) COLLECTION AFTER ASSESSMENT.—Where the assessment of any tax imposed by subchapter A of this chapter or subchapter D of this chapter has been made within the period of limitation properly applicable thereto, such tax may be collected by distraint or by a proceeding in court, but only if begun (1) within six years after the assessment of the tax, or (2) prior to the expiration of any period for collection agreed upon in writing by the Commissioner and the taxpayer.

“(e) DATE OF FILING OF RETURN.—For the purposes of this section, if a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be considered filed on March 15 of such succeeding calendar year.

“(f) APPLICATION OF SECTION.—The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, or subchapter D of this chapter, which are required to be collected and paid by making and filing returns.

“(g) EFFECTIVE DATE.—The provisions of this section shall not apply to any tax imposed with respect to remuneration paid during any calendar year before 1951.

“SEC. 1636. PERIOD OF LIMITATION UPON REFUNDS AND CREDITS OF CERTAIN EMPLOYMENT TAXES.

“(a) GENERAL RULE.—In the case of any tax imposed by subchapter A of this chapter or subchapter D of this chapter—

“(1) PERIOD OF LIMITATION.—Unless a claim for credit or refund is filed by the taxpayer within three years from the time the return was filed or within two years from the time the tax was paid, no credit or refund shall be allowed or made after the expiration of whichever of such periods expires the later. If no return is filed, then no credit or refund shall be allowed or made after two years from the time the tax was paid, unless before the expiration of such period a claim therefor is filed by the taxpayer.

“(2) LIMIT ON AMOUNT OF CREDIT OR REFUND.—The amount of the credit or refund shall not exceed the portion of the tax paid—

“(A) If a return was filed, and the claim was filed within three years from the time the return was filed, during the three years immediately preceding the filing of the claim.

“(B) If a claim was filed, and (i) no return was filed, or (ii) if the claim was not filed within three years from the time the return was filed, during the two years immediately preceding the filing of the claim.

“(C) If no claim was filed and the allowance of credit or refund is made within three years from the time the return was filed, during the three years immediately preceding the allowance of the credit or refund.

“(D) If no claim was filed, and (i) no return was filed or (ii) the allowance of the credit or refund is not made within three years from the time the return was filed, during the two years immediately preceding the allowance of the credit or refund.

“(b) PENALTIES, ETC.—The provisions of subsection (a) of this section shall apply to any penalty or sum assessed or collected with respect to the tax imposed by subchapter A of this chapter or subchapter D of this chapter.

“(c) DATE OF FILING RETURN AND DATE OF PAYMENT OF TAX.—For the purposes of this section—

“(1) If a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be considered filed on March 15 of such succeeding calendar year; and

“(2) If a tax with respect to remuneration paid during any period ending with or within a calendar year is paid before March 15 of the succeeding calendar year, such tax shall be considered paid on March 15 of such succeeding calendar year.

“(d) APPLICATION OF SECTION.—The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, or subchapter D of this chapter, which are required to be collected and paid by making and filing returns.

“(e) EFFECTIVE DATE.—The provisions of this section shall not apply to any tax paid or collected with respect to remuneration paid during any calendar year before 1951 or to any penalty or sum paid or collected with respect to such tax.”

(b) (1) Section 3312 of the Internal Revenue Code is amended by inserting immediately after the words “gift taxes” (which words immediately precede subsection (a) thereof) a comma and the following: “and except as otherwise provided in section 1635 with respect to employment taxes under subchapters A and D of chapter 9”.

(2) Section 3313 of the Internal Revenue Code is amended as follows:

(A) By inserting immediately after the words “and gift taxes,” where those words first appear in the section, the following: “and except as otherwise provided by law in the case of employment taxes under subchapters A and D of chapter 9;” and

(B) By inserting immediately after the words “and gift taxes”, where those words appear in the parenthetical phrase, a comma and the following: “and other than such employment taxes”.

(3) Section 3645 of the Internal Revenue Code is amended by striking out “Employment taxes, section 3312.” and inserting in lieu thereof the following: “Employment taxes, sections 1635 and 3312.”

(4) Section 3714 (a) of the Internal Revenue Code is amended by inserting at the end thereof the following:

“Employment taxes, see sections 1635 (d) and 3312 (d).”

(5) Section 3770 (a) (6) of the Internal Revenue Code is amended by inserting at the end thereof the following:

“Employment taxes, see sections 1636 and 3313.”

(6) Section 3772 (c) of the Internal Revenue Code is amended by inserting at the end thereof the following:

“Employment taxes, see sections 1636 and 3313.”

SELF-EMPLOYMENT INCOME

SEC. 208. (a) Chapter 1 of the Internal Revenue Code is amended by adding at the end thereof the following new subchapter:

“SUBCHAPTER E—TAX ON SELF-EMPLOYMENT INCOME

“SEC. 480. RATE OF TAX.

“In addition to other taxes, there shall be levied, collected, and paid for each taxable year beginning after December 31, 1950, upon the self-employment income of every individual, a tax as follows:

“(1) In the case of any taxable year beginning after December 31, 1950, and before January 1, 1954, the tax shall be equal to $2\frac{1}{4}$ per centum of the amount of the self-employment income for such taxable year.

“(2) In the case of any taxable year beginning after December 31, 1953, and before January 1, 1960, the tax shall be equal to 3 per centum of the amount of the self-employment income for such taxable year.

“(3) In the case of any taxable year beginning after December 31, 1959, and before January 1, 1965, the tax shall be equal to $3\frac{3}{4}$ per centum of the amount of the self-employment income for such taxable year.

“(4) In the case of any taxable year beginning after December 31, 1964, and before January 1, 1970, the tax shall be equal to $4\frac{1}{2}$ per centum of the amount of the self-employment income for such taxable year.

“(5) In the case of any taxable year beginning after December 31, 1969, the tax shall be equal to $4\frac{7}{8}$ per centum of the amount of the self-employment income for such taxable year.

“SEC. 481. DEFINITIONS.

“For the purposes of this subchapter—

“(a) NET EARNINGS FROM SELF-EMPLOYMENT.—The term ‘net earnings from self-employment’ means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

“(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

“(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h); and there shall be excluded all deductions attributable to such income;

“(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a)) are received in the course of a trade or business as a dealer in stocks or securities;

“(4) There shall be excluded any gain or loss (A) which is considered as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

“(5) The deduction for net operating losses provided in section 23 (s) shall not be allowed;

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

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

“(7) In the case of any taxable year beginning on or after the effective date specified in section 3810, (A) the term ‘possession of the United States’ as used in section 251 shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable

year of the partnership (even though beginning prior to January 1, 1951) ending within or with his 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 beginning after December 31, 1950; except that such term shall not include—

“(1) That part of the net earnings from self-employment which is in excess of: (A) \$3,600, minus (B) 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 the 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) as would be wages under section 1426 (a) if such services constituted employment under section 1426 (b). In the case of any taxable year beginning prior to the effective date specified in section 3810, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States or of the Virgin Islands during such taxable year shall be considered, for the purposes of this subchapter, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 3810) a resident of Puerto Rico shall not, for the purposes of this subchapter, be considered to be a nonresident alien individual.

“(c) **TRADE OR BUSINESS.**—The term ‘trade or business’, when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23, except that such term shall not include—

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

“(2) The performance of service by an individual as an employee (other than service described in section 1426 (b) (16) (B) performed by an individual who has attained the age of eighteen);

“(3) The performance of service by an individual as an employee or employee representative as defined in section 1532;

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

“(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.

“(d) **EMPLOYEE AND WAGES.**—The term ‘employee’ and the term ‘wages’ shall have the same meaning as when used in subchapter A of chapter 9.

"SEC. 482. MISCELLANEOUS PROVISIONS.

"(a) RETURNS.—Every individual (other than a nonresident alien individual) having net earnings from self-employment of \$400 or more for the taxable year shall make a return containing such information for the purpose of carrying out the provisions of this subchapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Such return shall be considered a return required under section 51 (a). In the case of a husband and wife filing a joint return under section 51 (b), the tax imposed by this subchapter shall not be computed on the aggregate income but shall be the sum of the taxes computed under this subchapter on the separate self-employment income of each spouse.

"(b) TITLE OF SUBCHAPTER.—This subchapter may be cited as the 'Self-Employment Contributions Act'.

"(c) EFFECTIVE DATE IN CASE OF PUERTO RICO.—For effective date in case of Puerto Rico, see section 3810.

"(d) COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO.—For provisions relating to collection of taxes in Virgin Islands and Puerto Rico, see section 3811."

(b) Chapter 38 of the Internal Revenue Code is amended by adding at the end thereof the following new sections:

"SEC. 3810. EFFECTIVE DATE IN CASE OF PUERTO RICO.

"If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of title II of the Social Security Act, the effective date referred to in sections 1426 (e), 481 (a) (7), and 481 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.

"SEC. 3811. COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO.

"Notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by subchapter E of chapter 1 and by subchapter A of chapter 9 shall be collected by the Bureau of Internal Revenue under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections. All provisions of the internal revenue laws of the United States relating to the administration and enforcement of the tax imposed by subchapter E of chapter 1 (including the provisions relating to The Tax Court of the United States), and of any tax imposed by subchapter A of chapter 9, shall, in respect of such tax, extend to and be applicable in the Virgin Islands and Puerto Rico in the same manner and to the same extent as if the Virgin Islands and Puerto Rico were each a State, and as if the term 'United States' when used in a geographical sense included the Virgin Islands and Puerto Rico.

"SEC. 3812. MITIGATION OF EFFECT OF STATUTE OF LIMITATIONS AND OTHER PROVISIONS IN CASE OF RELATED TAXES UNDER DIFFERENT CHAPTERS.

"(a) SELF-EMPLOYMENT TAX AND TAX ON WAGES.—In the case of the tax imposed by subchapter E of chapter 1 (relating to tax on self-employment income) and the tax imposed by section 1400 of sub-

chapter A of chapter 9 (relating to tax on employees under the Federal Insurance Contributions Act)—

“(1) (i) if an amount is erroneously treated as self-employment income, or

“(ii) if an amount is erroneously treated as wages, and

“(2) if the correction of the error would require an assessment of one such tax and the refund or credit of the other tax, and

“(3) if at any time the correction of the error is authorized as to one such tax but is prevented as to the other tax by any law or rule of law (other than section 3761, relating to compromises), then, if the correction authorized is made, the amount of the assessment, or the amount of the credit or refund, as the case may be, authorized as to the one tax shall be reduced by the amount of the credit or refund, or the amount of the assessment, as the case may be, which would be required with respect to such other tax for the correction of the error if such credit or refund, or such assessment, of such other tax were not prevented by any law or rule of law (other than section 3761, relating to compromises).

“(b) DEFINITIONS.—For the purposes of subsection (a) of this section, the terms ‘self-employment income’ and ‘wages’ shall have the same meaning as when used in section 481 (b).”

(c) Section 3801 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

“(g) TAXES IMPOSED BY CHAPTER 9.—The provisions of this section shall not be construed to apply to any tax imposed by chapter 9.”

(d) (1) Section 3 of the Internal Revenue Code is amended by inserting at the end thereof the following:

“Subchapter E—Tax on Self-Employment Income (the Self-Employment Contributions Act), divided into sections.”

(2) Section 12 (g) of the Internal Revenue Code is amended by inserting at the end thereof the following:

“(6) Tax on Self-Employment Income.—For tax on self-employment income, see subchapter E.”

(3) Section 31 of the Internal Revenue Code is amended by inserting immediately after the words “the tax” the following: “(other than the tax imposed by subchapter E, relating to tax on self-employment income)”; and section 131 (a) of the Internal Revenue Code is amended by inserting immediately after the words “except the tax imposed under section 102” the following: “and except the tax imposed under subchapter E”.

(4) Section 58 (b) (1) of the Internal Revenue Code is amended by inserting immediately after the words “withheld at source” the following: “and without regard to the tax imposed by subchapter E on self-employment income”.

(5) Section 107 of the Internal Revenue Code is amended by inserting at the end thereof the following new subsection:

“(e) TAX ON SELF-EMPLOYMENT INCOME.—This section shall be applied without regard to, and shall not affect, the tax imposed by subchapter E, relating to tax on self-employment income.”

(6) Section 120 of the Internal Revenue Code is amended by inserting immediately after the words “amount of income” the following: “(determined without regard to subchapter E, relating to tax on self-employment income)”.

(7) Section 161 (a) of the Internal Revenue Code is amended by inserting immediately after the words "The taxes imposed by this chapter" the following: "(other than the tax imposed by subchapter E, relating to tax on self-employment income)".

(8) Section 294 (d) of the Internal Revenue Code is amended by inserting at the end thereof the following new paragraph:

"(3) TAX ON SELF-EMPLOYMENT INCOME.—This subsection shall be applied without regard to the tax imposed by subchapter E, relating to tax on self-employment income."

MISCELLANEOUS AMENDMENTS

SEC. 209. (a) (1) Section 1607 (b) of the Internal Revenue Code is amended to read as follows:

"(b) WAGES.—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 \$3,000 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 \$3,000 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 six 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 exempt from tax under section 165 (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 165 (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 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

“(7) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business;

“(8) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made;

“(9) Dismissal payments which the employer is not legally required to make.”

(2) The amendment made by paragraph (1) shall be applicable only with respect to remuneration paid after 1950. In the case of remuneration paid prior to 1951, the determination under section 1607 (b) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if paragraph (1) of this subsection had not been enacted and without inferences drawn from the fact that the amendment made by paragraph (1) is not made applicable to periods prior to 1951.

(3) Effective with respect to remuneration paid after December 31, 1951, section 1607 (b) of the Internal Revenue Code is amended by changing the semicolon at the end of paragraph (8) to a period and by striking out paragraph (9) thereof.

(b) (1) Section 1607 (c) (3) of the Internal Revenue Code is amended to read as follows:

“(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not

in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter;".

(2) Section 1607 (c) (10) (A) (i) of the Internal Revenue Code is amended by striking out "does not exceed \$45" and inserting in lieu thereof "is less than \$50".

(3) Section 1607 (c) (10) (E) of the Internal Revenue Code is amended by striking out "in any calendar quarter" and by striking out ", and the remuneration for such service does not exceed \$45 (exclusive of room, board, and tuition)".

(4) The amendments made by paragraphs (1), (2), and (3) shall be applicable only with respect to service performed after 1950.

(c) (1) Section 1621 (a) (4) of the Internal Revenue Code is amended to read as follows:

"(4) for service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter, or".

(2) Section 1621 (a) of the Internal Revenue Code is amended by striking out paragraph (9) thereof and inserting in lieu thereof the following:

"(9) for services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order, or

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

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

"(11) for services not in the course of the employer's trade or business, to the extent paid in any medium other than cash, or

"(12) to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (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 165 (a) (3), (4), (5), and (6)."

(3) The amendments made by paragraphs (1) and (2) shall be applicable only with respect to remuneration paid after 1950.

(d) (1) Section 1631 of the Internal Revenue Code is amended to read as follows:

"SEC. 1631. FAILURE OF EMPLOYER TO FILE RETURN.

"In case of a failure to make and file any return required under this chapter within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not to willful neglect, the addition to the tax or taxes required to be shown on such return shall not be less than \$5."

(2) The amendment made by paragraph (1) shall be applicable only with respect to returns filed after December 31, 1950.

(e) If a corporation (hereinafter referred to as a predecessor) incorporated under the laws of one State is succeeded after 1945 and before 1951 by another corporation (hereinafter referred to as a successor) incorporated under the laws of another State, and if immediately upon the succession the business of the successor is identical with that of the predecessor and, except for qualifying shares, the proportionate interest of each shareholder in the successor is identical with his proportionate interest in the predecessor, and if in connection with the succession the predecessor is dissolved or merged into the successor, and if the predecessor and the successor are employers under the Federal Insurance Contributions Act and the Federal Unemployment Tax Act in the calendar year in which the succession takes place, then—

(1) the predecessor and successor corporations, for purposes only of the application of the \$3,000 limitation in the definition of wages under such Acts, shall be considered as one employer for such calendar year, and

(2) the successor shall, subject to the applicable statutes of limitations, be entitled to a credit or refund, without interest, of any tax under section 1410 of the Federal Insurance Contributions Act or section 1600 of the Federal Unemployment Tax Act (together with any interest or penalty thereon) paid with respect to remuneration paid by the successor during such calendar year which would not have been subject to tax under such Acts if the remuneration had been paid by the predecessor.

**TITLE III—AMENDMENTS TO PUBLIC ASSISTANCE AND
MATERNAL AND CHILD WELFARE PROVISIONS OF THE
SOCIAL SECURITY ACT**

PART 1—OLD-AGE ASSISTANCE

REQUIREMENTS OF STATE OLD-AGE ASSISTANCE PLANS

SEC. 301. (a) Clause (4) of subsection (a) of section 2 of the Social Security Act is amended to read: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual

whose claim for old-age assistance is denied or is not acted upon with reasonable promptness.

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(9) provide that all individuals wishing to make application for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished with reasonable promptness to all eligible individuals; and (10) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(c) The amendments made by subsections (a) and (b) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF OLD-AGE ASSISTANCE

SEC. 302. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$50—

"(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$20 multiplied by the total number of such individuals who received old-age assistance for such month; plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

DEFINITION OF OLD-AGE ASSISTANCE

SEC. 303. (a) Section 6 of the Social Security Act is amended to read as follows:

"DEFINITION

"SEC. 6. For the purposes of this title, the term 'old-age assistance' means money payments to, or 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) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

(b) The amendment made by subsection (a) shall take effect October 1, 1950, except that the exclusion of money payments to needy individuals described in clause (a) or (b) of section 6 of the Social Security Act as so amended shall, in the case of any of such individuals who are not patients in a public institution, be effective July 1, 1952.

PART 2—AID TO DEPENDENT CHILDREN

REQUIREMENTS OF STATE PLANS FOR AID TO DEPENDENT CHILDREN

SEC. 321. (a) Effective July 1, 1951, clause (4) of subsection (a) of section 402 of the Social Security Act is amended to read as follows: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to dependent children is denied or is not acted upon with reasonable promptness;"

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(9) provide, effective July 1, 1951, that all individuals wishing to make application for aid to dependent children shall have opportunity to do so, and that aid to dependent children shall be furnished with reasonable promptness to all eligible individuals; (10) effective July 1, 1952, provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children in respect of a child who has been deserted or abandoned by a parent; and (11) provide, effective October 1, 1950, that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act."

(c) Effective July 1, 1952, clause (2) of subsection (b) of section 402 of the Social Security Act is amended to read as follows: "(2) who was born within one year immediately preceding the application, if the parent or other relative with whom the child is living has resided in the State for one year immediately preceding the birth".

COMPUTATION OF FEDERAL PORTION OF AID TO DEPENDENT CHILDREN

SEC. 322. (a) Section 403 (a) of the Social Security Act is amended to read as follows:

"SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such

quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$27, or if there is more than one dependent child in the same home, as exceeds \$27 with respect to one such dependent child and \$18 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds \$27—

“(A) three-fourths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of \$12 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

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

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or if there is more than one dependent child in the same home, as exceeds \$18 with respect to one such dependent child and \$12 with respect to each of the other dependent children; and (3) in the case of any State, and amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose.”

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

DEFINITION OF AID TO DEPENDENT CHILDREN

SEC. 323. (a) Section 406 of the Social Security Act is amended by striking out subsection (b) and inserting in lieu thereof the following:

“(b) The term ‘aid to dependent children’ means money payments with respect to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, a dependent child or dependent children, and (except when used in clause (2) of section 403 (a)) includes money payments or medical care or any type of remedial care recognized under State law for any month to meet the needs of the relative with whom any dependent child is living if money payments have been made under the State plan with respect to such child for such month;

“(c) The term ‘relative with whom any dependent child is living’ means the individual who is one of the relatives specified in subsection (a) and with whom such child is living (within the meaning of such subsection) in a place of residence maintained by such individual (himself or together with any one or more of the other relatives so specified) as his (or their) own home.”

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

PART 3—MATERNAL AND CHILD WELFARE

SEC. 331. (a) Section 501 of the Social Security Act is amended by striking out "there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$11,000,000" and inserting in lieu thereof "there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of \$15,000,000, and for each fiscal year beginning after June 30, 1951, the sum of \$16,500,000".

(b) So much of section 502 of the Social Security Act as precedes subsection (c) is amended to read as follows:

"ALLOTMENTS TO STATES

"SEC. 502. (a) (1) Out of the sums appropriated pursuant to section 501 for the fiscal year ending June 30, 1951, the Federal Security Administrator shall allot \$7,500,000 as follows: He shall allot to each State \$60,000 and shall allot each State such part of the remainder of the \$7,500,000 as he finds that the number of live births in such State bore to the total number of live births in the United States, in the latest calendar year for which the Administrator has available statistics.

"(2) Out of the sums appropriated pursuant to section 501 for each fiscal year beginning after June 30, 1951, the Federal Security Administrator shall allot \$8,250,000 as follows: He shall allot to each State \$60,000 and shall allot each State such part of the remainder of the \$8,250,000 as he finds that the number of live births in such State bore to the total number of live births in the United States, in the latest calendar year for which the Administrator has available statistics.

"(b) Out of the sums appropriated pursuant to section 501 the Administrator shall allot to the States (in addition to the allotments made under subsection (a)) for the fiscal year ending June 30, 1951, the sum of \$7,500,000, and for each fiscal year beginning after June 30, 1951, the sum of \$8,250,000. Such sums shall be allotted according to the financial need of each State for assistance in carrying out its State plan, as determined by the Administrator after taking into consideration the number of live births in such State."

(c) Section 511 of the Social Security Act is amended by striking out "there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$7,500,000" and inserting in lieu thereof "there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of \$12,000,000, and for each fiscal year beginning after June 30, 1951, the sum of \$15,000,000".

(d) So much of section 512 of the Social Security Act as precedes subsection (c) is amended to read as follows:

"ALLOTMENTS TO STATES

"SEC. 512. (a) (1) Out of the sums appropriated pursuant to section 511 for the fiscal year ending June 30, 1951, the Federal Security Administrator shall allot \$6,000,000 as follows: He shall allot to each State \$60,000, and shall allot the remainder of the \$6,000,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such

State in need of the services referred to in section 511 and the cost of furnishing such services to them.

“(2) Out of the sums appropriated pursuant to section 511 for each fiscal year beginning after June 30, 1951, the Federal Security Administrator shall allot \$7,500,000 as follows: He shall allot to each State \$60,000, and shall allot the remainder of the \$7,500,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

“(b) Out of the sums appropriated pursuant to section 511 the Administrator shall allot to the States (in addition to the allotments made under subsection (a)) for the fiscal year ending June 30, 1951, the sum of \$6,000,000, and for each fiscal year beginning after June 30, 1951, the sum of \$7,500,000. Such sums shall be allotted according to the financial need of each State for assistance in carrying out its State plan, as determined by the Administrator after taking into consideration the number of crippled children in each State in need of the services referred to in section 511 and the cost of furnishing such services to them.”

(e) Section 521 (a) of the Social Security Act is amended by striking out “\$3,500,000” and inserting in lieu thereof “\$10,000,000”, by striking out “\$20,000” and inserting in lieu thereof “\$40,000”, by striking out in the second sentence “as the rural population of such State bears to the total rural population of the United States” and inserting in lieu thereof “as the rural population of such State under the age of eighteen bears to the total rural population of the United States under such age”, and by striking out the third sentence thereof and inserting in lieu of such sentence the following: “The amount so allotted shall be expended for payment of part of the cost of district, county, or other local child-welfare services in areas predominantly rural, for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need, and for paying the cost of returning any runaway child who has not attained the age of sixteen to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met: *Provided*, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the States and local communities as may be authorized by the State.”

(f) The amendments made by the preceding subsections of this section shall be effective with respect to fiscal years beginning after June 30, 1950.

PART 4—AID TO THE BLIND

REQUIREMENTS OF STATE PLANS FOR AID TO THE BLIND

SEC. 341. (a) Clause (4) of subsection (a) of section 1002 of the Social Security Act is amended to read as follows: “(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon with reasonable promptness;”.

(b) Clause (7) of such subsection is amended to read as follows: "(7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act or aid to dependent children under the State plan approved under section 402 of this Act;"

(c) (1) Effective for the period beginning October 1, 1950, and ending June 30, 1952, clause (8) of such subsection is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that the State agency may, in making such determination, disregard not to exceed \$50 per month of earned income;"

(2) Effective July 1, 1952, such clause (8) is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first \$50 per month of earned income;"

(d) Such subsection is further amended by striking out "and" before clause (9) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished with reasonable promptness to all eligible individuals; and (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(e) Effective July 1, 1952, clause (10) of such subsection is amended to read as follows: "(10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select;"

(f) The amendments made by subsections (b) and (d) shall take effect October 1, 1950; and the amendment made by subsection (a) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF AID TO THE BLIND

SEC. 342. (a) Section 1003 (a) of the Social Security Act is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such

expenditure with respect to any individual for any month as exceeds \$50—

“(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$20 multiplied by the total number of such individuals who received aid to the blind for such month, plus

“(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.”

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

DEFINITION OF AID TO THE BLIND

SEC. 343. (a) Section 1006 of the Social Security Act is amended to read as follows:

“DEFINITION

“SEC. 1006. For the purposes of this title, the term ‘aid to the blind’ means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, blind individuals who are needy, 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) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof.”

(b) The amendment made by subsection (a) shall take effect October 1, 1950, except that the exclusion of money payments to needy individuals described in clause (a) or (b) of section 1006 of the Social Security Act as so amended shall, in the case of any of such individuals who are not patients in a public institution, be effective July 1, 1952.

APPROVAL OF CERTAIN STATE PLANS

SEC. 344. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for

the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950, and ending June 30, 1955.

PART 5—AID TO THE PERMANENTLY AND TOTALLY DISABLED

SEC. 351. The Social Security Act is further amended by adding after title XIII thereof the following new title:

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

“APPROPRIATION

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

“STATE PLANS FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

“SEC. 1402. (a) A State plan for aid to the permanently and totally disabled must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the permanently and totally disabled is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Administrator to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act, aid to dependent

children under the State plan approved under section 402 of this Act, or aid to the blind under the State plan approved under section 1002 of this Act; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the permanently and totally disabled; (9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the permanently and totally disabled; (10) provide that all individuals wishing to make application for aid to the permanently and totally disabled shall have opportunity to do so, and that aid to the permanently and totally disabled shall be furnished with reasonable promptness to all eligible individuals; and (11) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.

“(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for aid to the permanently and totally disabled under the plan—

“(1) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for aid to the permanently and totally disabled and has resided therein continuously for one year immediately preceding the application;

“(2) Any citizenship requirement which excludes any citizen of the United States.

“PAYMENT 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, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$50—

“(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$20 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

“(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to

any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose.

“(b) The method of computing and paying such amounts shall be as follows:

“(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of permanently and totally disabled individuals in the State, and (C) such other investigation as the Administrator may find necessary.

“(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the permanently and totally disabled furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

“(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

“OPERATION OF STATE PLANS

“SEC. 1404. In the case of any State plan for aid to the permanently and totally disabled which has been approved by the Administrator, if the Administrator after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

“(1) that the plan has been so changed as to impose any residence or citizenship requirement prohibited by section 1402 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

“(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 1402 (a) to be included in the plan;

the Administrator shall notify such State agency that further payments will not be made to the State until he is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

“DEFINITION

“Sec. 1405. For the purposes of this title, the term ‘aid to the permanently and totally disabled’ means money payments to, or medical care in behalf of, or any type of remedial care recognized under State law in behalf of, needy individuals eighteen years of age or older who are permanently and totally disabled, 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) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof.”

PART 6—MISCELLANEOUS AMENDMENTS

SEC. 361. (a) Section 1 of the Social Security Act is amended by striking out “Social Security Board established by Title VII (hereinafter referred to as the ‘Board’)” and inserting in lieu thereof “Federal Security Administrator (hereinafter referred to as the ‘Administrator’)”.

(b) Section 1001 of the Social Security Act is amended by striking out “Social Security Board” and inserting in lieu thereof “Administrator”.

(c) The following provisions of the Social Security Act are each amended by striking out “Board” and inserting in lieu thereof “Administrator”: Sections 2 (a) (5); 2 (a) (6); 2 (b); 3 (b); 4; 402 (a) (5); 402 (a) (6); 402 (b); 403 (b); 404; 702; 703; 1002 (a) (5); 1002 (a) (6); 1002 (b); 1003 (b); and 1004.

(d) The following provisions of the Social Security Act are each amended by striking out (when they refer to the Social Security Board) “it” or “its” and inserting in lieu thereof “he”, “him”, or “his”, as the context may require: Sections 2 (b); 3 (b); 4; 402 (b); 403 (b); 404; 702; 703; 1002 (b); 1003 (b); and 1004.

(e) Title V of the Social Security Act is amended by striking out “Children’s Bureau”, “Chief of the Children’s Bureau”, “Secretary of Labor”, and (in sections 503 (a) and 513 (a)) “Board” and inserting in lieu thereof “Administrator”.

(f) The heading of title VII of the Social Security Act is amended to read “ADMINISTRATION”.

(g) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"LIMITATION ON PAYMENTS TO PUERTO RICO AND THE VIRGIN ISLANDS

"SEC. 1108. The total amount certified by the Administrator under titles I, IV, X, and XIV, for payment to Puerto Rico with respect to any fiscal year shall not exceed \$4,250,000; and the total amount certified by the Administrator under such titles for payment to the Virgin Islands with respect to any fiscal year shall not exceed \$160,000."

TITLE IV—MISCELLANEOUS PROVISIONS

OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

SEC. 401. (a) Section 701 of the Social Security Act is amended to read:

"OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

"SEC. 701. There shall be in the Federal Security Agency a Commissioner for Social Security, appointed by the Administrator, who shall perform such functions relating to social security as the Administrator shall assign to him."

(b) Section 908 of the Social Security Act Amendments of 1939 is repealed.

REPORTS TO CONGRESS

SEC. 402. (a) Subsection (c) of section 541 of the Social Security Act is repealed.

(b) Section 704 of such Act is amended to read:

"REPORTS

"SEC. 704. The Administrator shall make a full report to Congress, at the beginning of each regular session, of the administration of the functions with which he is charged under this Act. In addition to the number of copies of such report authorized by other law to be printed, there is hereby authorized to be printed not more than five thousand copies of such report for use by the Administrator for distribution to Members of Congress and to State and other public or private agencies or organizations participating in or concerned with the social security program."

AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 403. (a) (1) Paragraph (1) of section 1101 (a) of the Social Security Act is amended to read as follows:

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

(2) Paragraph (6) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(6) The term 'Administrator', except when the context otherwise requires, means the Federal Security Administrator."

(3) The amendment made by paragraph (1) of this subsection shall take effect October 1, 1950, and the amendment made by paragraph

(2) of this subsection, insofar as it repeals the definition of "employee", shall be effective only with respect to services performed after 1950.

(b) Effective October 1, 1950, section 1101 (a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(7) The terms 'physician' and 'medical care' and 'hospitalization' include osteopathic practitioners or the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law."

(c) Section 1102 of the Social Security Act is amended by striking out "Social Security Board" and inserting in lieu thereof "Federal Security Administrator".

(d) Section 1106 of the Social Security Act is amended to read as follows:

"DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY

"SEC. 1106. (a) No disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code, or under regulations made under authority thereof, which has been transmitted to the Administrator by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Administrator or by any officer or employee of the Federal Security Agency in the course of discharging the duties of the Administrator under this Act, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Administrator or from any officer or employee of the Federal Security Agency, shall be made except as the Administrator may by regulations prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

"(b) Requests for information, disclosure of which is authorized by regulations prescribed pursuant to subsection (a) of this section, may be complied with if the agency, person, or organization making the request agrees to pay for the information requested in such amount, if any (not exceeding the cost of furnishing the information), as may be determined by the Administrator. Payments for information furnished pursuant to this section shall be made in advance or by way of reimbursement, as may be requested by the Administrator, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-Age and Survivors Insurance Trust Fund) for the unit or units of the Federal Security Agency which prepared or furnished the information."

(e) Section 1107 (a) of the Social Security Act is amended by striking out "the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act," and inserting in lieu thereof the following: "subchapter E of chapter 1 or subchapter A, C, or E of chapter 9 of the Internal Revenue Code,".

(f) Section 1107 (b) of the Social Security Act is amended by striking out "Board" and inserting in lieu thereof "Administrator", and by striking out "wife, parent, or child", wherever appearing therein, and inserting in lieu thereof "wife, husband, widow, widower, former wife divorced, child, or parent".

ADVANCES TO STATE UNEMPLOYMENT FUNDS

SEC. 404. (a) Section 1201 (a) of the Social Security Act is amended by striking out "January 1, 1950" and inserting in lieu thereof "January 1, 1952".

(b) (1) Clause (2) of the second sentence of section 904 (h) of the Social Security Act is amended to read: "(2) the excess of the taxes collected in each fiscal year beginning after June 30, 1946, and ending prior to July 1, 1951, under the Federal Unemployment Tax Act, over the unemployment administrative expenditures made in such year, and the excess of such taxes collected during the period beginning on July 1, 1951, and ending on December 31, 1951, over the unemployment administrative expenditures made during such period."

(2) The third sentence of section 904 (h) of the Social Security Act is amended by striking out "April 1, 1950" and inserting in lieu thereof "April 1, 1952".

(c) The amendments made by subsections (a) and (b) of this section shall be effective as of January 1, 1950.

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

SEC. 405. (a) Section 1603 (c) of the Internal Revenue Code is amended (1) by striking out the phrase "changed its law" and inserting in lieu thereof "amended its law", and (2) by adding before the period at the end thereof the following: "and such finding has become effective. Such finding shall become effective on the ninetieth day after the Governor of the State has been notified thereof unless the State has before such ninetieth day so amended its law that it will comply substantially with the Secretary of Labor's interpretation of the provision of subsection (a), in which event such finding shall not become effective. No finding of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State".

(b) Section 303 (b) of the Social Security Act is amended by inserting before the period at the end thereof the following: ": *Provided*, That there shall be no finding under clause (1) until the question of entitlement shall have been decided by the highest judicial authority given jurisdiction under such State law: *Provided further*, That any costs may be paid with respect to any claimant by a State and included as costs of administration of its law".

SUSPENDING APPLICATION OF CERTAIN PROVISIONS OF CRIMINAL CODE TO CERTAIN PERSONS

SEC. 406. Service or employment of any person to assist the Senate Committee on Finance, or its duly authorized subcommittee, in the investigation ordered by S. Res. 300, agreed to June 20, 1950, shall

not be considered as service or employment bringing such person within the provisions of section 281, 283, or 284 of title 18 of the United States Code, or any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

REORGANIZATION PLAN NO. 26 OF 1950

SEC. 407. For the purposes of section 1 (a) of Reorganization Plan No. 26 of 1950, this Act shall be deemed to have been enacted prior to the effective date of such plan.

Approved August 28, 1950.

IMMEDIATE RELEASE

AUGUST 28, 1950

STATEMENT BY THE PRESIDENT

I have today approved H. R. 6000, the Social Security Act Amendments of 1950. These amendments greatly strengthen the old age and survivors insurance system and the public assistance programs originally established by the Social Security Act of 1935.

The passage of this legislation is an outstanding achievement. In this Act the Eighty-first Congress has doubled insurance benefits and brought ten million more persons under old age and survivors insurance -- including those whose insurance rights were taken away by the Eightieth Congress. Millions of others will benefit from the new public assistance provisions giving help to the disabled and to dependent children. For the first time American citizens in Puerto Rico and the Virgin Islands will be covered under both the insurance and assistance programs. In addition, veterans of World War II will now receive wage credits for military service in computing their insurance benefits.

This Act will help a great many people right away. Three million aged persons, widows, and orphans will receive increased insurance benefits beginning with the month of September. A million more will begin to receive increased payments within the next few months. Nearly three million needy persons will benefit from increased Federal aid to the States for public assistance purposes.

By making it possible for most families to obtain protection through the contributory insurance system, and by increasing insurance benefits, the Act will ultimately reduce dependence on public charity. This measure demonstrates our determination to achieve real economic security for the American family. This kind of progressive, forward-looking legislation is the best possible way to prove that our democratic institutions can provide both freedom and security for all our citizens.

We still have much to do before our social security programs are fully adequate. While the new Act greatly increases coverage, many more people still need to be brought into the old age and survivors insurance system. Expanded coverage and increased benefits in old age insurance should now be matched by steps to strengthen our unemployment insurance system. At the same time, we urgently need a system of insurance against loss of wages through temporary or permanent disability. These and other vital improvements in our social security laws are needed in addition to the Act which I have signed today. I shall continue to urge action on this unfinished business and I know that the Committees of Congress are now preparing to give these matters serious consideration.

There is one very unfortunate feature in the new law. This is the so-called "Knowland amendment," tacked on as a rider in the Senate. It may result in undermining the safeguards enacted by the Congress to protect workers against loss of unemployment insurance benefits if they refuse to accept employment at substandard wages or working conditions. This amendment has nothing whatever to do with old age insurance or public assistance, the main subjects of the new law. While the other provisions of the bill were the product of thorough consideration in the Committees of both Houses, neither Committee ever had an opportunity to hold hearings on the Knowland amendment. I trust that the Congress will reconsider this ill-advised provision and will act promptly to remove it from the social security laws.

Both the House Committee on Ways and Means and the Senate Committee on Finance have already announced that they intend to study proposals for further improvement in our social security programs. Members of these Committees have worked long and faithfully on the Act which I have signed today. I am confident that their future efforts will be equally productive in advancing social security in this country.

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**COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES**

OCTOBER 10, 1950

**OLD-AGE AND SURVIVORS INSURANCE
COVERAGE, ELIGIBILITY REQUIREMENTS
AND BENEFIT PAYMENTS**

**(Compiled by F. F. Fauri, Specialist in Social Legislation, Legislative Reference Service, Library of Congress,
and printed for the use of the Committee on Ways and Means)**

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Old-age and survivors insurance—Coverage, eligibility requirements, and benefit payments

I. COVERAGE

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
A. Self-employed.....	Covered, if self-employment yields annual net income of at least \$400, except for services performed by an individual as a farmer, minister, physician, lawyer, dentist, osteopath, veterinarian, chiropractor, optometrist, Christian Science practitioner, architect, naturopath, funeral director, professional engineer, or certified, registered, licensed, or full-time practicing public accountant.	Not covered.
B. Domestic workers.....	<p>Services performed in a calendar quarter in a private home (but not on a farm operated for profit) are covered if—</p> <p>(1) the worker is employed 24 days or more in the calendar quarter by 1 employer or was so employed on 24 days during the immediately preceding calendar quarter, <i>and</i></p> <p>(2) the worker is paid at least \$50 in cash wages during the calendar quarter.</p> <p>Domestic services performed on a farm operated for profit are covered only if the requirements for agricultural labor are met. (See C below.)</p> <p>Domestic services performed by nonstudent workers in local college clubs or local chapters of college fraternities or sororities are covered without regard to the number of days worked if the pay received by the worker during a calendar quarter is at least \$50. Domestic service performed by student workers in the afore-mentioned clubs or fraternities or sororities continue to be excluded from coverage.</p>	Not covered if services are performed in a private home, local college club, or local chapter of a college fraternity or sorority.
C. Agricultural labor.....	<p>A regularly employed (as defined below) agricultural worker (including a domestic servant on a farm operated for profit) is covered if he earns at least \$50 cash wages in a calendar quarter except that the following services continue to be excluded from coverage:</p> <p>(1) services in connection with the ginning of cotton; and</p> <p>(2) services in connection with the production of crude gum from a living tree or the processing of such crude gum into gum spirits of turpentine and gum rosin if the processing is carried on by the original producer.</p> <p style="text-align: center;"><i>Regularly employed defined</i></p> <p>Whether a worker is regularly employed is determined as follows:</p> <p>(1) the worker must be "continuously employed" by the employer during the first or</p>	<p>Not covered. Certain borderline agricultural services also excluded, even though not performed on a farm, as follows:</p> <p>(1) services in connection with the production or harvesting of maple sirup or maple sugar;</p> <p>(2) services in connection with raising or harvesting of mushrooms, hatching of poultry, ginning of cotton, or irrigation;</p> <p>(3) postharvesting services (packing, processing, etc., of any agricultural or horticultural commodity) performed for farmers or farmers' cooperatives and for commercial handlers of fruits and vegetables (but services in connection with commercial canning or commercial freezing or with a commodity after delivery to terminal market for distribution for consumption are covered); and</p> <p>(4) services in connection with the production of crude gum from a living tree or the</p>

I. COVERAGE—Continued

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
C. Agricultural labor— Continued	<p data-bbox="432 348 843 375"><i>Regularly employed defined</i>—Continued</p> <p data-bbox="409 405 889 506">qualifying calendar quarter (this employment need not be in agriculture and the qualifying quarter may be the October-December quarter of 1950);</p> <p data-bbox="409 510 889 688">(2) in the next calendar quarter (which is the first quarter in which the agricultural labor may be covered) the worker must work for the same employer (the employer for whom he worked during the qualifying quarter) on a full-time basis for 60 days and earn at least \$50 in cash wages;</p> <p data-bbox="409 693 889 1245">(3) in the next calendar quarter the worker is regularly employed (and the services performed are covered) if he earns at least \$50 in cash wages from the same employer (the employer for whom he worked in meeting the requirements in (1) and (2) during the two immediately preceding calendar quarters) without regard to the number of days worked. If, however, the worker does not meet the requirement of 60 days' employment for the same employer during the third calendar quarter, he must, to be covered in a subsequent quarter, again fulfill all the requirements in (1) and (2) above, even though he remains in the employment of the same employer. In other words the worker must again be employed continuously by the employer for 1 calendar quarter and in the next calendar quarter work for the same employer on a full-time basis for 60 days and earn at least \$50 in cash wages.</p> <p data-bbox="480 1274 795 1302"><i>Border-line agricultural services</i></p> <p data-bbox="390 1331 889 1482">Certain border-line agricultural services formerly excluded from coverage are covered without regard to the number of days worked or the amount of wages earned in the calendar quarter. The services that are newly covered are—</p> <p data-bbox="409 1486 889 1665">(1) services performed on or off the farm in connection with the processing of maple sap into maple sirup or maple sugar (but <i>not</i> the gathering of maple sap on a farm—such services are covered only if the regular employment and cash wages tests referred to above are met);</p> <p data-bbox="409 1669 889 1856">(2) services performed off the farm in connection with the raising or harvesting of mushrooms, or the hatching of poultry, or irrigation services performed by employees of companies operating for profit (irrigation services performed in connection with an irrigation system operating on a nonprofit basis are covered only</p>	<p data-bbox="935 348 1416 426">processing of such crude gum into gum spirits of turpentine and gum rosin if the processing is carried on by the original producer.</p>

I. COVERAGE—Continued

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
C. Agricultural labor— Continued	<p><i>Border-line agricultural services</i>—Continued</p> <p>if the regular employment and cash wages tests referred to above are met); and</p> <p>(3) post harvesting services performed for farmer cooperatives (any group of 20 or more farmers) or for commercial handlers of fruits and vegetables (but <i>not</i> if the services are performed for a farmer who produced more than $\frac{1}{2}$ the commodity processed or for an informal group of farmers which produced all the commodity processed—such services are covered only if the regular employment and cash wages tests referred to above are met).</p> <p><i>Employment by farmer cooperatives prior to 1951</i></p> <p>Services performed for farmer cooperatives prior to 1951 for which old-age and survivors insurance tax payments have been made in good faith are covered retroactively, provided such tax payments have not been refunded.</p>	
D. Nonprofit organization employees.	<p>The employees of nonprofit organizations formerly excluded from coverage are now covered either on a voluntary or a compulsory basis if the wages paid the employee in a calendar quarter are \$50 or more except that services performed by the following <i>are excluded</i>:</p> <p>(1) ministers and members of religious orders;</p> <p>(2) students employed by a school, college, or university if the student is regularly attending class;</p> <p>(3) student nurses employed by a hospital or nurses training school if the student nurse is regularly attending classes in an approved nurses training school; and</p> <p>(4) interns employed by a hospital if the intern has completed a 4-year course in an approved medical school.</p> <p><i>Voluntary coverage</i></p> <p>Coverage on a voluntary basis is provided for employees of organizations exempt from income tax under sec. 101 (6) of the Internal Revenue Code, i. e., corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation.</p>	<p>In general, not covered. The services excluded are those performed by—</p> <p>(1) employees of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;</p> <p>(2) employees of organizations exempt from income tax under sec. 101 of the Internal Revenue Code if the employee (a) receives \$45 or less in a calendar quarter for such services, or (b) is employed by a fraternal beneficiary society, order, or association, and is either employed collecting dues or premiums away from the home office, or is performing ritualistic service, or (c) is a student who is regularly attending classes at a school, college, or university;</p> <p>(3) employees of agricultural or horticultural organizations, exempt from income tax under sec. 101 (1) of the Internal Revenue Code;</p> <p>(4) employees of nonprofit voluntary employees' beneficiary associations providing benefits for members if 85 percent or more of the income of the association consists of amounts collected from members for the purpose of paying such benefits and meeting expenses, or membership is limited to officers and employees of the United States;</p>

I. COVERAGE—Continued

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
D. Nonprofit organization employees—Con.	<p style="text-align: center;"><i>Voluntary coverage—Continued</i></p> <p>Employees of such nonprofit organizations who are paid \$50 or more in a calendar quarter are covered provided—</p> <p>(1) the employer organization certifies that it desires to have the old-age and survivors insurance system extended to its employees; and</p> <p>(2) at least $\frac{3}{4}$ of the organization's employees concur in the filing of the certificate.</p> <p>Employees who do not concur in the filing of the certificate will not be covered except that all employees hired <i>after</i> a certificate becomes effective will be covered.</p> <p style="text-align: center;"><i>Compulsory coverage</i></p> <p>Employees of other nonprofit organizations formerly exempt from coverage are now covered on a compulsory basis provided the wages paid the employee in a calendar quarter are \$50 or more.</p>	<p>(5) employees of a school, college, or university which is not exempt from Federal income tax if the employee is a regular student at such institution and receives less than \$45 in a calendar quarter;</p> <p>(6) student nurses employed by a hospital or a nurses' training school if the student nurse is regularly attending classes in an approved nurses' training school; and</p> <p>(7) interns employed by a hospital if the intern has completed a 4 years' course in an approved medical school.</p>
E. State and local government employees.	<p style="text-align: center;"><i>Voluntary coverage</i></p> <p>Coverage on a voluntary basis is provided for employees of State and local governments <i>other than those covered by a retirement system</i> by means of Federal-State agreements entered into between the States and the Federal Security Administrator except that such agreements cannot include—</p> <p>(1) employees on work relief projects; and</p> <p>(2) patients and inmates of institutions who are employed by such institutions.</p> <p style="text-align: center;"><i>Compulsory coverage</i></p> <p>Coverage on a compulsory basis is provided for employees of certain publicly owned transportation systems as shown below:</p> <p>1. <i>A transportation system that acquired a private system prior to 1951.</i>—All employees of a transportation system owned by a State or local unit of government, any part of which is acquired from a private company after 1936 and before 1951, are covered by old-age and survivors insurance unless the employees are covered as of Dec. 31, 1950, by a general retirement system (applicable on a city-wide or State-wide basis) under which the benefits are protected from diminution or impairment by express provision of the State constitution. If the transportation system owned by a State or local unit of government has a retirement system applicable to its employees and ac-</p>	Not covered.

I. COVERAGE—Continued

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
E. State and local government employees— Continued	<p style="text-align: center;"><i>Compulsory coverage—Continued</i></p> <p><i>quires a private transportation system after 1950, the employees taken over with such acquisition are covered by old-age and survivors insurance if the employer has provided for integration of the general retirement system with old-age and survivors insurance.</i></p> <p><i>2. A transportation system no part of which was acquired from a private company prior to 1951.—As to a transportation system owned by a State or local unit of government, no part of which was acquired from a private company after 1936 and before 1951, but which acquires a private transportation company after 1950, the employees taken over with the acquisition are covered by old-age and survivors insurance unless they are covered by a general retirement system which does not provide for integration with old-age and survivors insurance.</i></p> <p><i>3. A transportation system beginning operation after December 1950.—If a State or local unit of government does not operate a transportation system on Dec. 31, 1950, but acquires a system after such date, all employees of the transportation system are covered by old-age and survivors insurance unless at the time the first part of the transportation system is acquired from private ownership the State or local unit of government has a general retirement system that covers the employees of the transportation system.</i></p>	
F. Federal employees-----	<p>Coverage is extended to the following services performed in the employ of the United States or its instrumentalities provided that the services are not covered by another retirement system established by Federal law or are not contained in the exclusions from coverage listed subsequently:</p> <p>(1) services performed by temporary employees of the United States whether they are awaiting permanent or indefinite appointment or are in positions not intended to be permanent or indefinite;</p> <p>(2) services performed in the employ of a corporation wholly owned by the United States (includes services performed by employees of the Tennessee Valley Authority— if not covered by the TVA retirement system);</p> <p>(3) services performed in the employ of a national farm loan association, a Federal Reserve bank, a Federal credit union, a production credit association, or a State, county, or community committee under the Production and Marketing Administration; and</p>	<p>Not covered if services are performed—</p> <p>(1) in the employ of the United States; or</p> <p>(2) for an instrumentality of the United States which is either wholly owned by the United States or exempt from the employer's tax for old-age and survivors insurance.</p>

I. COVERAGE—Continued

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
F. Federal employees— Continued	<p>(4) services performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service and similar organizations.</p> <p><i>Services specifically excluded from coverage</i></p> <p>In addition to the exclusion of all services covered by another retirement system established by Federal law the following services are specifically excluded from coverage:</p> <p>(1) in the field service of the Post Office Department unless performed by an employee serving under a temporary appointment pending determination of eligibility for permanent or indefinite appointment;</p> <p>(2) by temporary employees employed in the Bureau of the Census for the taking of a census;</p> <p>(3) in the legislative branch;</p> <p>(4) by the President, Vice President, or Members of Congress;</p> <p>(5) by individuals excluded from the Civil Service Retirement Act because paid on a contract or fee basis or because they are subject to another retirement system;</p> <p>(6) by student employees, patients, or inmates in Government hospitals;</p> <p>(7) by individuals serving on a temporary basis in case of fire, earthquake, or similar emergency;</p> <p>(8) by workers on Federal relief projects;</p> <p>(9) by individuals paid \$12 or less per year;</p> <p>(10) by a member of a State, county, or community committee under the Production Marketing Administration or any similar board, council, or committee; and</p> <p>(11) by consular agents.</p>	
G. Life-insurance salesmen.	<p>Life-insurance salesmen who have been covered as employees under the usual common-law rules continue to be covered. In addition, coverage as employees is provided for full-time insurance salesmen if the contract of service contemplates that substantially all of the services are to be performed personally by the salesman, except that he is <i>not</i> covered as an employee if—</p> <p>(1) he has a substantial investment in the facilities used in performing the services (other than in transportation facilities); or</p> <p>(2) the services are in the nature of a single transaction which is not part of a continuing relationship with the person for whom the services are performed.</p>	<p>Not covered unless the services are performed by an individual who can qualify as an employee under the usual common-law rules for determining the employer-employee relationship. Generally such relationship exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished.</p>

I. COVERAGE—Continued

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
H. Wholesale salesmen...	<p>Salesmen who have been covered as employees under the usual common-law rules continue to be covered. In addition, coverage as employees is provided for certain full-time traveling or city salesmen engaged in the solicitation, for their principals, of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations. Such salesmen are covered as employees if the contract of service contemplates that substantially all of the services are to be performed personally by the salesman, except that he is <i>not</i> covered as an employee if—</p> <p>(1) he solicits orders for more than 1 principal (except for side-line sales activities); or</p> <p>(2) he has a substantial investment in the facilities used in performing the services (other than in transportation facilities); or</p> <p>(3) the services are in the nature of a single transaction which is not part of a continuing relationship with the person for whom the services are performed.</p>	<p>Not covered unless the services are performed by an individual who can qualify as an employee under the usual common-law rules for determining the employer-employee relationship. Generally such relationship exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished.</p>
I. Agent-drivers and commission-drivers.	<p>Agent-drivers and commission-drivers who have been covered under the usual common-law rules continue to be covered. In addition, coverage as employees is provided for agent-drivers or commission-drivers engaged in distributing, for their principals, meat, vegetable, fruit, or bakery products, beverages (other than milk), or laundry or dry-cleaning services. Such drivers are covered as employees if the contract of service contemplates that substantially all of the services are to be performed personally by the driver, except that he is <i>not</i> covered as an employee if—</p> <p>(1) he has a substantial investment in the facilities used in performing the services (other than in transportation facilities); or</p> <p>(2) the services are in the nature of a single transaction which is not part of a continuing relationship with the person for whom the services are performed.</p>	<p>Not covered unless the services are performed by an individual who can qualify as an employee under the usual common-law rules for determining the employer-employee relationship. Generally such relationship exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished.</p>
J. Industrial home workers.	<p>Home workers who have been covered under the usual common-law rules continue to be covered. In addition, coverage as employees is provided for those home workers who—</p> <p>(1) are licensed under State law;</p> <p>(2) perform work on materials furnished by the employer in accordance with the em-</p>	<p>Not covered unless the services are performed by an individual who can qualify as an employee under the usual common-law rules for determining the employer-employee relationship. Generally such relationship exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as</p>

I. COVERAGE—Continued

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
J. Industrial home workers—Continued	<p>employer's specifications and the materials are to be returned to the employer;</p> <p>(3) are paid \$50 or more in a calendar quarter by the employer; and</p> <p>(4) perform work under a contract of service that contemplates substantially all of the services are to be performed personally by the home worker;</p> <p><i>Except that a home worker is not covered as an employee if—</i></p> <p>(1) he has a substantial investment in the facilities used in performing the services (other than in transportation facilities); or</p> <p>(2) the services are in the nature of a single transaction which is not part of a continuing relationship with the person for whom the services are performed.</p>	<p>to the result to be accomplished by the work but also as to the details and means by which that result is accomplished.</p>
K. Casual labor-----	<p>Casual labor not in the course of the employer's trade or business is covered if the worker—</p> <p>(1) earns cash wages of at least \$50 for the services rendered in a calendar quarter; and</p> <p>(2) is employed on 24 days or more in the calendar quarter by 1 employer or was so employed on 24 days in the preceding calendar quarter.</p>	<p>Casual labor not in the course of the employer's trade or business is excluded from coverage.</p>
L. Employment in Puerto Rico and the Virgin Islands.	<p>Employment and self-employment in Puerto Rico and the Virgin Islands are covered.</p>	<p>Not covered (coverage extends only to services in the 48 States, the District of Columbia, Hawaii, and Alaska except as shown in M below).</p>
M. Employment outside the United States.	<p>Services performed outside the 48 States, the District of Columbia, Hawaii, Alaska, Puerto Rico, and the Virgin Islands by <i>citizens of the United States for an American employer</i> are covered as well as employment on or in connection with an American vessel or an <i>American aircraft</i> under a contract of service entered into within the United States, or employment on and in connection with an American vessel or American aircraft that touches at a port in the United States.</p>	<p>Services performed outside the 48 States, the District of Columbia, Hawaii, and Alaska are not covered except for employment on or in connection with an American vessel under a contract of service entered into within the United States or employment on and in connection with an American vessel that touches at a port in the United States.</p>
N. Employees engaged in fishing.	<p>Exclusion from coverage of certain services performed by employees in fishing and fish culture is continued by the 1950 amendments. (See next column.)</p>	<p>Services performed by employees in fishing and fish culture are excluded from coverage except that services performed in connection with the catching or taking of salmon or halibut for commercial purposes and services performed on or in connection with a vessel of more than 10 net tons are covered.</p>
O. Newsboys-----	<p>Exclusion from coverage of services performed by newsboys under 18 years of age and news vendors is continued by the 1950 amendments (see next column), but news vendors 18 years of age and older who perform services described in par. (2) in the next column are covered as self-employed individuals.</p>	<p>Services performed by certain newsboys and vendors of newspapers and magazines are excluded from coverage as follows:</p> <p>(1) services performed by an individual under the age of 18 in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution; or</p>

I. COVERAGE—Continued

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
O. Newsboys—Continued		(2) services performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back.
P. Family employment---	Exclusion from coverage of services performed under a family employment relationship is continued by the 1950 amendments. (See next column.)	Services performed by an individual in the employ of his son, daughter, or spouse or services performed by a child under the age of 21 in the employ of his father or mother are excluded from coverage.
Q. Railroad employees----	Exclusion from coverage of employees subject to the Railroad Retirement Act is continued by the 1950 amendments. (See next column.)	Services performed by employees subject to the Railroad Retirement Act are excluded from old-age and survivors insurance coverage.
R. Employees of foreign governments and international organizations.	Exclusion from coverage of services performed in the employ of foreign governments and international organizations is continued by the 1950 amendments. (See next column.)	<p>Services performed in the employment of any foreign government including services as a consular or other officer or employee or a non-diplomatic representative are excluded from coverage.</p> <p>Employees of instrumentalities wholly owned by a foreign government are also excluded from coverage if—</p> <p>(1) the services are of a character similar to those performed in foreign countries by employees of the United States Government or instrumentalities thereof, and</p> <p>(2) the Secretary of State certifies to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof.</p> <p>Also excluded from coverage are services performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669).</p>
S. Other employment-----	Services performed by an individual as an employee (under the usual common law rules for determining the employer-employee relationship) are covered unless shown as excluded opposite the various occupational groups above. Also, services performed by an individual as an officer of a corporation are covered.	Services performed by an individual as an employee (under the usual common law rules for determining the employer-employee relationship) are covered unless shown as excluded opposite the various occupational groups above. Also, services performed by an individual as an officer of a corporation are covered.

II. TAXES ON WAGES AND SELF-EMPLOYMENT INCOME

Item	Under Social Security Act amendments of 1950 (effective Jan. 1, 1951)	Under Social Security Act prior to effective date of 1950 amendments
A. Maximum amount taxable.	Wages and self-employment income up to \$3,600 per year are taxable. If an individual works in covered employment for more than 1 employer during the course of a year and taxes are paid on more than \$3,600, the employee is entitled to a refund of his share of the tax paid on the wages he received in excess of \$3,600. The claim for such refund must be made within 2 years after the calendar year in which the wages were received.	Wages up to \$3,000 per year are taxable. If an individual works in covered employment for more than 1 employer during the course of a year and taxes are paid on more than \$3,000, the employee is entitled to a refund of his share of the tax paid on the wages he received in excess of \$3,000. The claim for such refund must be made within 2 years after the calendar year on which the wages were received.
B. Employer and employee tax rates.	Taxable wages are subject to the following tax rates: For 1951 through 1953, 1½ percent on employer and 1½ percent on employee, increased to 2 percent in 1954, to 2½ percent in 1960, to 3 percent in 1965, and to 3¾ percent in 1970. These rates apply not only to wages paid to workers under age 65 but also to wages paid to workers 65 years of age or older.	Tax rates through 1950 are 1½ percent on the employer and 1½ percent on the employee, applicable not only to wages paid to workers under age 65 but also to wages paid to workers age 65 or older.
C. Self-employment tax rates.	Self-employment income is taxed at rates 1½ times the employee rates, or as follows: For 1951 through 1953, 2¼ percent, increased to 3 percent in 1954, to 3¾ percent in 1960, to 4½ percent in 1965, and 4¾ percent in 1970. These rates apply not only to self-employed individuals under age 65 but also to those 65 years of age or older.	Self-employment not covered.

III. BENEFIT PAYMENTS TO RETIRED WORKERS AND THEIR DEPENDENTS

Item	Eligibility requirements	Amounts payable																											
A. Worker-----	<p>Old-age insurance benefit is payable at age 65, upon filing application, if worker is fully insured and does not earn in excess of \$50 per month in covered employment. Upon attainment of age 75 benefit is payable regardless of amount of earnings in covered employment.</p> <p><i>Fully insured defined—for individual who is living on or after Sept. 1, 1950</i></p> <p>Such individual is fully insured if he or she has 1 quarter of coverage for each 2 calendar quarters elapsing after 1950 (or after attainment of age 21, if later) and before death or attainment of age 65, but in no case is less than 6 or more than 40 quarters required. <i>Quarters of coverage earned any time after 1938 count toward meeting the requirement, including those earned after worker attains age 65.</i> (A quarter of coverage is acquired if individual has at least \$50 taxable wages or \$100 taxable self-employment income for a calendar quarter.)</p>	<p><i>Primary insurance amount—for retired workers on benefit rolls prior to Sept. 1, 1950</i></p> <p>For such individual the primary insurance amount under the new law is determined by means of a conversion table. Examples of the increase in benefits resulting under the conversion table are shown below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">If primary insurance benefit under old law was—</th> <th style="text-align: left;">The primary insurance amount under new law is—</th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td>\$10-----</td> <td></td> <td style="text-align: right;">\$20. 00</td> </tr> <tr> <td>\$15-----</td> <td></td> <td style="text-align: right;">30. 00</td> </tr> <tr> <td>\$20-----</td> <td></td> <td style="text-align: right;">37. 00</td> </tr> <tr> <td>\$25-----</td> <td></td> <td style="text-align: right;">46. 50</td> </tr> <tr> <td>\$30-----</td> <td></td> <td style="text-align: right;">54. 00</td> </tr> <tr> <td>\$35-----</td> <td></td> <td style="text-align: right;">59. 20</td> </tr> <tr> <td>\$40-----</td> <td></td> <td style="text-align: right;">64. 00</td> </tr> <tr> <td>\$45 or over-----</td> <td></td> <td style="text-align: right;">68. 50</td> </tr> </tbody> </table>	If primary insurance benefit under old law was—	The primary insurance amount under new law is—		\$10-----		\$20. 00	\$15-----		30. 00	\$20-----		37. 00	\$25-----		46. 50	\$30-----		54. 00	\$35-----		59. 20	\$40-----		64. 00	\$45 or over-----		68. 50
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III. BENEFIT PAYMENTS TO RETIRED WORKERS AND THEIR DEPENDENTS—Continued

Item	Eligibility requirements	Amounts payable														
A. Worker—Continued...	<p data-bbox="342 306 842 358"><i>Fully insured defined—for individual who is living on or after Sept. 1, 1950—Continued</i></p> <p data-bbox="342 389 842 493">The number of quarters of coverage required at various ages for fully insured status to be eligible for old-age insurance benefits at age 65 or later is shown below:</p> <table data-bbox="365 499 842 706"> <thead> <tr> <th data-bbox="365 499 565 520">Age in first half of 1951:</th> <th data-bbox="617 499 842 520">Number of quarters required:</th> </tr> </thead> <tbody> <tr> <td data-bbox="409 551 565 571">62 or over.....</td> <td data-bbox="810 551 842 571">6</td> </tr> <tr> <td data-bbox="409 576 565 596">61.....</td> <td data-bbox="810 576 842 596">8</td> </tr> <tr> <td data-bbox="409 600 565 621">60.....</td> <td data-bbox="810 600 842 621">10</td> </tr> <tr> <td data-bbox="409 625 565 646">55.....</td> <td data-bbox="810 625 842 646">20</td> </tr> <tr> <td data-bbox="409 650 565 671">50.....</td> <td data-bbox="810 650 842 671">30</td> </tr> <tr> <td data-bbox="409 675 565 696">45 or under.....</td> <td data-bbox="810 675 842 696">40</td> </tr> </tbody> </table>	Age in first half of 1951:	Number of quarters required:	62 or over.....	6	61.....	8	60.....	10	55.....	20	50.....	30	45 or under.....	40	<p data-bbox="869 306 1378 389"><i>Primary insurance amount—for individual who retires or dies after Aug. 31, 1950, without 6 quarters of coverage acquired after 1950</i></p>
Age in first half of 1951:	Number of quarters required:															
62 or over.....	6															
61.....	8															
60.....	10															
55.....	20															
50.....	30															
45 or under.....	40															
	<p data-bbox="342 731 842 783"><i>Fully insured defined—for individual who died prior to Sept. 1, 1950</i></p> <p data-bbox="342 814 842 969">Such individual was fully insured if he or she had 1 quarter of coverage for each 2 calendar quarters elapsing after 1936 (or after attainment of age 21, if later) and before death or attainment of age 65, but in no case is less than 6 or more than 40 quarters required.</p>	<p data-bbox="869 416 1378 758">For such individual the primary insurance amount is based on his "average monthly wage" after 1936 (computed over the entire period since 1936 or attainment of age 22, if later) under the following formula: 40 percent of the first \$50 of the average monthly wage, plus 10 percent of the remainder, plus 1 percent of the sum thus obtained for each year of coverage acquired prior to 1951. The amount obtained under this formula is the primary benefit under the old law which is increased by means of the conversion table referred to above. The minimum primary insurance amount is \$20.</p> <p data-bbox="869 789 1378 866"><i>Primary insurance amount—for individual who retires or dies with 6 quarters of coverage acquired after 1950</i></p>														
		<p data-bbox="869 893 1378 944">For such individual the primary insurance amount may be computed either on—</p> <p data-bbox="869 948 1378 1100">(1) the average monthly wage after 1950 (computed over the entire period since 1936 or attainment of age 22, if later) under the following formula: 50 percent of the first \$100 of the average monthly wage, plus 15 percent of the next \$200; or</p> <p data-bbox="869 1104 1378 1307">(2) the "average monthly wage" after 1936 under the formula and the conversion table as shown above in the case of the individual who does not have 6 quarters of coverage after 1950, whichever results in the higher primary insurance amount. (The latter method may not be used, however, if the individual attained age 22 after 1950.)</p>														
		<p data-bbox="869 1317 1378 1390">When the "average monthly wage" after 1950 (as in (1) above) is less than \$50 the primary insurance amount based thereon is as follows:</p>														
		<table data-bbox="869 1400 1378 1612"> <thead> <tr> <th data-bbox="869 1400 1084 1452">If average monthly wage is—</th> <th data-bbox="1181 1400 1378 1452">Primary insurance amount is—</th> </tr> </thead> <tbody> <tr> <td data-bbox="914 1456 1084 1477">\$30 or less.....</td> <td data-bbox="1329 1456 1378 1477">\$20</td> </tr> <tr> <td data-bbox="914 1481 1084 1502">\$31.....</td> <td data-bbox="1344 1481 1378 1502">21</td> </tr> <tr> <td data-bbox="914 1506 1084 1527">\$32.....</td> <td data-bbox="1344 1506 1378 1527">22</td> </tr> <tr> <td data-bbox="914 1531 1084 1551">\$33.....</td> <td data-bbox="1344 1531 1378 1551">23</td> </tr> <tr> <td data-bbox="914 1556 1084 1576">\$34.....</td> <td data-bbox="1344 1556 1378 1576">24</td> </tr> <tr> <td data-bbox="914 1580 1084 1601">\$35 to \$49.....</td> <td data-bbox="1344 1580 1378 1601">25</td> </tr> </tbody> </table>	If average monthly wage is—	Primary insurance amount is—	\$30 or less.....	\$20	\$31.....	21	\$32.....	22	\$33.....	23	\$34.....	24	\$35 to \$49.....	25
If average monthly wage is—	Primary insurance amount is—															
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\$35 to \$49.....	25															

III. BENEFIT PAYMENTS TO RETIRED WORKERS AND THEIR DEPENDENTS—Continued

Item	Eligibility requirements	Amounts payable
B. Wife.....	<p>When a worker receives old-age benefits, wife's insurance benefits are payable upon filing application if the wife of the retired worker has been married to him for not less than 3 years, or she is the mother of his son or daughter, and</p> <p>(1) has reached age 65 or, if under 65, has in her care (individually or jointly with her husband) at the time of filing the application, a child entitled to a child's insurance benefit on the basis of the wages and self-employment income of her husband;</p> <p>(2) is not entitled to an old-age benefit based on her own earnings equal to or greater than the amount she would be entitled to as the wife of the worker;</p> <p>(3) neither she nor her husband earn in excess of \$50 per month in covered employment (upon attainment of age 75 this limitation on earnings is not applicable); and</p> <p>(4) has been living with the husband at the time the application is filed. (Wife is deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him for her support, or he has been ordered by a court to contribute to her support.)</p>	<p>Wife's monthly insurance benefit amount is one-half her husband's primary insurance amount. (For primary insurance amount, see Amounts Payable, pp. 10-11.)</p>
C. Dependent husband...	<p>When a woman worker receives old-age benefits and in addition is <i>currently insured</i> (defined in A, p. 14) husband's insurance benefits are payable upon filing application if the husband of the retired woman worker is the father of her son or daughter, or has been married to her for not less than 3 years, and</p> <p>(1) has reached age 65;</p> <p>(2) has been receiving at least $\frac{1}{2}$ of his support from his wife at the time she became entitled to old-age benefits and filed proof of such support within 2 years after she became so entitled;</p> <p>(3) is not entitled to an old-age benefit based on his own earnings equal to or greater than the amount he would be entitled to as the dependent husband of the worker;</p> <p>(4) neither he nor his wife earn in excess of \$50 per month in covered employment (upon attainment of age 75 this limitation on earnings is not applicable); and</p> <p>(5) has been living with the wife at the time the application is filed. (Husband is deemed to be living with his wife if they are both members of the same household, or he is receiving regular contributions from her for his support, or she has been ordered by a court to contribute to his support.)</p>	<p>Husband's monthly insurance benefit amount is $\frac{1}{2}$ his wife's primary insurance amount. (For primary insurance amount, see Amounts Payable, pp. 10-11.)</p>

III. BENEFIT PAYMENTS TO RETIRED WORKERS AND THEIR DEPENDENTS—Continued

Item	Eligibility requirements	Amounts payable
D. Child.....	<p>When a worker receives old-age benefits, child insurance benefits are payable to the child of the retired worker (including stepchild or adopted child as defined below) upon filing application if—</p> <ol style="list-style-type: none"> (1) the child is unmarried and under age 18; (2) the child is dependent (as defined below) on the retired worker; and (3) neither the retired worker nor the child earn in excess of \$50 per month in covered employment (as to the earnings of the worker this limitation is not applicable after attainment of age 75). <p><i>Stepchild or adopted child—of retired worker</i></p> <p>The term "child" includes a stepchild or adopted child who has been such for at least 3 years immediately preceding the day on which the application for child benefits is filed (if a stepchild of the worker is later adopted by the worker, the child is considered to be an adopted child during the period the stepchild relationship existed).</p> <p><i>Definition of dependency—on father, adopting father, stepfather, mother, adopting mother, and stepmother</i></p> <p>A child is considered dependent upon the <i>father</i> if the father is living with or contributing to the support of the child. However, even if the father is not living with the child or contributing to his support, the child, if legitimate, is considered dependent upon the father unless the child—</p> <ol style="list-style-type: none"> (1) has been adopted by some other individual, or (2) is living with and receiving more than $\frac{1}{2}$ of his support from his stepfather. <p>An adopted child is considered dependent upon his <i>adopting father</i> under the same conditions as those which apply to a father and his natural child.</p> <p>A child is considered dependent upon his <i>stepfather</i> at the time of filing application for child benefits if the child was—</p> <ol style="list-style-type: none"> (1) living with his stepfather; or (2) receiving at least $\frac{1}{2}$ his support from his stepfather. <p>A child is considered dependent upon his <i>natural mother</i> or <i>adopting mother</i> at the time of filing application for child benefits if such mother was <i>currently insured</i> (defined in A, p. 14) when she became entitled to old-age benefits,</p>	<p>A child's monthly insurance benefit amount is $\frac{1}{2}$ the retired worker's primary insurance amount. (For primary insurance amount, see Amounts Payable, pp. 10-11.)</p>

III. BENEFIT PAYMENT TO RETIRED WORKERS AND THEIR DEPENDENTS—Continued

Item	Eligibility requirements	Amounts payable
D. Child—Continued.....	<p><i>Definition of dependency—on father, adopting father, stepfather, mother, adopting mother, and stepmother—Continued</i></p> <p>regardless of presence of or support furnished the child by the father.</p> <p>Also a child is considered dependent upon his <i>natural, adopting, or stepmother</i> at the time of filing application for child benefits if—</p> <p>(1) she was living with the child or contributing to the support of the child and provided the child was—</p> <p>(a) neither living with, nor receiving contributions from, his father or adopting father, or</p> <p>(b) receiving at least $\frac{1}{2}$ of his support from her.</p>	
E. Maximum family benefits.		<p>The total amount of monthly benefits based upon 1 worker's wages and self-employment income may not exceed the smaller of either—</p> <p>(1) 80 percent of the worker's monthly wage; or</p> <p>(2) \$150.</p> <p>This provision is not applicable, however, to reduce total family benefits to less than \$40 per month.</p>

IV. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS

Item	Eligibility requirements	Amounts payable
A. General requirements..	<p>Monthly benefits are payable to certain survivors of a deceased worker who at the time of his or her death met the insured status requirements (shown below in the discussion of the respective benefit categories), provided the survivor does not earn more than \$50 per month in covered employment and meets the other requirements specified below. Upon attainment of age 75 the monthly benefit is payable regardless of the amount of earnings in covered employment. For some survivor benefits the worker must have died either fully or currently insured, for other survivor benefits he or she must have been fully insured, and for still others both a fully and a currently insured status is required.</p> <p style="text-align: center;"><i>Currently insured defined</i></p> <p>An individual is currently insured if he or she has 6 quarters of coverage out of the 13 calendar quarter period ending with the quarter of death or the quarter in which the worker became entitled to old-age insurance benefits.</p>	<p>The amounts payable as monthly benefits to survivors of a deceased worker is a percentage of the deceased worker's primary insurance amount. (The various percentages are shown opposite the respective benefit categories.)</p>

IV. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Eligibility requirements	Amounts payable
A. General requirements— Continued	<i>Fully insured defined</i>	
B. Widow aged 65.....	<p>(See A, pp. 10-11.)</p> <p>Widow's insurance benefits are payable at age 65 if the deceased worker died after 1939 and was fully insured at the time of his death and the widow (as defined below)—</p> <ol style="list-style-type: none"> (1) has not remarried; (2) is not entitled to an old-age benefit based on her own earnings equal to or greater than the amount she would be entitled to as the widow of the deceased worker; and (3) was living with the husband at the time of his death. (Widow is deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by a court to contribute to her support.) <p style="text-align: center;"><i>Widow defined</i></p> <p>The term "widow" means the surviving wife of a deceased worker, but only if she meets one of the following conditions:</p> <ol style="list-style-type: none"> (1) was married to him for not less than 1 year immediately prior to the day on which he died; or (2) is the mother of his son or daughter; or (3) legally adopted his son or daughter while married to him and while such son or daughter was under age 18; or (4) was married to him at the time both of them legally adopted a child under the age of 18. 	<p>Widow's monthly insurance benefit amount is $\frac{3}{4}$ her deceased husband's primary insurance amount. (For primary insurance amount, see Amounts Payable, pp. 10-11.)</p>
C. Widow with children - -	<p><i>Mother's insurance benefits</i> are payable, upon filing application, to the widow (see "Widow," defined above) of a deceased worker who died after 1939 if he was <i>currently or fully insured</i> at time of death and the widow—</p> <ol style="list-style-type: none"> (1) has in her care a child of the deceased worker entitled to child insurance benefits; (2) has not remarried; (3) is not entitled to a widow's insurance benefit (as in B above); (4) is not entitled to an old-age benefit based on her own earnings equal to or greater than the amount she would be entitled to as the widow with children of the deceased worker; and (5) was living with the husband at the time of his death. (Widow is deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by a court to contribute to her support.) 	<p>Monthly mother's insurance benefit amount payable to a widow with children is $\frac{3}{4}$ her deceased husband's primary insurance amount. (For primary insurance amount, see Amounts Payable, pp. 10-11.)</p>

IV. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Eligibility requirements	Amounts payable
D. Former wife divorced...	<p><i>Mother's insurance benefits</i> are payable, upon filing application, to the former wife divorced (as defined below) of a deceased worker who died after 1939 if he was <i>currently</i> or <i>fully insured</i> at time of death and the former wife divorced—</p> <ol style="list-style-type: none"> (1) has in her care a child of the deceased worker who is her son, daughter, or legally adopted child entitled to child insurance benefits payable on the basis of the deceased worker's wages or self-employment income; (2) was receiving from the deceased worker (pursuant to agreement or court order) at least $\frac{1}{2}$ of her support at the time of his death; (3) has not remarried; (4) is not entitled to a widow's insurance benefit (as in B above); and (5) is not entitled to an old-age benefit based on her own earnings equal to or greater than the amount she would be entitled to as the former wife divorced of the deceased worker. <p style="text-align: center;"><i>Former wife divorced defined</i></p> <p>The term "former wife divorced" means a woman divorced from a deceased worker, but only if she meets 1 of the following conditions:</p> <ol style="list-style-type: none"> (1) is the mother of his son or daughter; (2) legally adopted his son or daughter while married to him and while such son or daughter was under age 18; or (3) was married to him at the time both of them legally adopted a child under the age of 18. 	<p>Monthly mother's insurance benefit amount payable to a former wife divorced is $\frac{1}{4}$ the deceased former husband's primary insurance amount. (For primary insurance amount, see Amounts Payable, pp. 10-11.)</p>
E. Child.....	<p><i>Child insurance benefits</i> are payable, upon filing application, to the child (including stepchild or adopted child as defined below) of a deceased worker who died after 1939 if he or she was <i>currently</i> or <i>fully insured</i> and the child—</p> <ol style="list-style-type: none"> (1) is unmarried and under age 18; and (2) was dependent (as defined below) upon the worker at the time of his or her death. <p style="text-align: center;"><i>Stepchild or adopted child defined—of the deceased worker</i></p> <p>The term "child" includes a stepchild of a deceased worker who has been such a stepchild for at least 1 year immediately preceding the day on which the worker died; the term "child" also includes an adopted child of a deceased worker without regard to the length of time the child has been adopted.</p>	<p>If only 1 child is entitled to benefits on the basis of the deceased worker's wages or self-employment income, the child's monthly insurance benefit amount is $\frac{1}{4}$ the deceased worker's primary insurance amount. If more than 1 child is entitled to benefits on the deceased worker's wages or self-employment income, <i>each child's</i> benefit is calculated as follows: $\frac{1}{4}$ the deceased worker's primary insurance amount, plus $\frac{1}{4}$ of the primary insurance amount divided by the number of entitled children. (For primary insurance amount, see Amount Payable, pp. 10-11.)</p>

IV. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Eligibility requirements	Amounts payable
E. Child—Continued.....	<p><i>Definition of dependency—on father, adopting father, stepfather, mother, adopting mother, and stepmother</i></p> <p>A child is considered dependent upon the <i>father</i> if the father at the time of his death was living with or contributing to the support of the child. However, even if the father at the time of his death was not living with the child or contributing to his support, the child, if legitimate, is considered dependent upon the father unless the child—</p> <p>(1) had been adopted by some other individual; or</p> <p>(2) was living with and receiving more than $\frac{1}{2}$ of his support from his stepfather.</p> <p>An adopted child is considered dependent upon his <i>adopting father</i> under the same conditions as those which apply to a father and his natural child.</p> <p>A child is considered dependent upon his <i>stepfather</i> at the time of the stepfather's death if the child was—</p> <p>(1) living with his stepfather; or</p> <p>(2) receiving at least $\frac{1}{2}$ of his support from his stepfather.</p> <p>A child is considered dependent upon his <i>natural mother</i> or <i>adopting mother</i> at the time of her death if such mother was currently insured when she died regardless of presence of or support furnished the child by the father.</p> <p>Also a child is considered dependent upon his <i>natural, adopting, or stepmother</i> at the time of death of such mother if—</p> <p>(1) she was living with or contributing to the support of the child and provided the child—</p> <p>(a) was neither living with nor receiving contributions from his father or adopting father; or</p> <p>(b) was receiving at least $\frac{1}{2}$ of his support from her.</p>	
F. Dependent widower.....	<p><i>Widower's insurance benefits</i> are payable to the widower of a deceased woman worker who died after August 1950 and was <i>currently and fully insured</i> at the time of death and the widower (as defined below)—</p> <p>(1) has reached age 65;</p> <p>(2) has not remarried;</p> <p>(3) is not entitled to an old-age benefit based on his own earnings equal to or greater than the amount he would be entitled to as the dependent widower of the deceased wife;</p> <p>(4) was living with the wife at the time of her death (widower is deemed to have been living with his wife at the time of her death if they were both members of the same household on the date of her death, or he was re-</p>	<p>Widower's monthly insurance benefit amount is $\frac{3}{4}$ his deceased wife's primary insurance amount. (For primary insurance amount, see Amounts Payable pp. 10-11.)</p>

IV. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Eligibility requirements	Amounts payable
F. Dependent widower— Continued	<p>ceiving regular contributions from her toward his support on such date, or she had been ordered by a court to contribute to his support); and</p> <p>(5) either—</p> <p>(a) was receiving at least $\frac{1}{2}$ of his support from the wife at the time of her death and filed proof of such support within 2 years of the date of death; or</p> <p>(b) was receiving at least $\frac{1}{2}$ of his support from the wife and she was currently insured at the time she became entitled to old-age benefits and filed proof of such support within 2 years after the month in which she became so entitled.</p> <p style="text-align: center;"><i>Widower defined</i></p> <p>The term "widower" means the surviving husband of a deceased woman worker, but only if he meets one of the following conditions:</p> <p>(1) was married to her for not less than 1 year immediately prior to the date on which she died; or</p> <p>(2) is the father of her son or daughter; or</p> <p>(3) legally adopted her son or daughter while married to her and while such son or daughter was under age 18; or</p> <p>(4) was married to her at the time both of them legally adopted a child under the age of 18.</p>	
G. Dependent parent.....	<p><i>Parent's insurance benefits</i> are payable, upon filing application, to the parent or parents (as defined below) of a deceased worker who died after 1939, and was fully insured at the time of death if the worker did not leave a widow, widower, or child who could ever qualify for monthly insurance benefits on the worker's wages and self-employment income and the parent—</p> <p>(1) has reached age 65;</p> <p>(2) has not remarried after the death of the worker;</p> <p>(3) was receiving at least $\frac{1}{4}$ of his or her support from the worker at the time of the worker's death and filed proof of such support within 2 years of the date of death; and</p> <p>(4) is not entitled to an old-age benefit based on his or her own earnings equal to or greater than the amount he or she would be entitled to as the dependent parent of the deceased worker.</p>	<p>Each parent's monthly insurance benefit amount is $\frac{1}{4}$ the deceased son's or daughter's primary insurance amount. (For primary insurance amount, see Amounts Payable, pp. 10-11.)</p>

IV. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Eligibility requirements	Amounts payable
G. Dependent parent— Continued	<p style="text-align: center;"><i>Parent defined</i></p> <p>The term "parent" means—</p> <p>(1) the mother or father of a deceased worker;</p> <p>(2) a stepparent of the deceased worker by a marriage contracted before the worker attained the age of 16; or</p> <p>(3) an adopting parent who adopted the deceased worker before he or she reached age 16.</p>	
H. Maximum family benefits.	-----	<p>The total amount of monthly benefits based upon 1 worker's wages and self-employment income may not exceed the smaller of either—</p> <p>(1) 80 percent of the worker's monthly wage; or</p> <p>(2) \$150.</p> <p>This provision is not applicable, however, to reduce the total family benefits to less than \$40 per month.</p>
I. Lump-sum death payments.	<p style="text-align: center;"><i>Deaths after August 1950</i></p> <p>Upon the death after August 1950 of a worker who died <i>currently</i> or <i>fully insured</i> a lump-sum death payment is payable to the person whom the Federal Security Administrator determines to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, an amount is payable to any person or persons to the extent and in the proportion that he or they have paid the burial expenses for the deceased insured individual. No payment is made, however, unless application is filed within 2 years after the date of death.</p> <p style="text-align: center;"><i>Deaths prior to September 1950</i></p> <p>In case of death prior to September 1950 of a worker who died <i>currently</i> or <i>fully insured</i> a lump-sum death payment is payable to the widow or widower or to the person or persons who have paid the burial expenses (as in the case of death after August 1950), but is payable only when no survivor of the deceased could immediately become entitled to monthly benefits. No payment is made, however, unless application is filed within 2 years after the date of death, except that if the worker died outside the 48 States and the District of Columbia after Dec. 6, 1941, and prior to Aug. 10, 1946, the application may be filed any time prior to September 1952.</p>	<p style="text-align: center;"><i>Deaths after August 1950</i></p> <p>If the insured worker dies after August 1950 the lump-sum payment equals 3 times the deceased worker's primary insurance amount. (For primary insurance amount, see Amounts Payable, pp. 10-11.)</p> <p style="text-align: center;"><i>Deaths prior to September 1950</i></p> <p>If the insured worker died prior to September 1950 the lump-sum payment equals 6 times the deceased worker's primary insurance benefit as computed under the provisions of law prior to the enactment of the Social Security Act amendments of 1950.</p>

IV. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Eligibility requirements	Amounts payable
J. Special provisions for beneficiaries under the Railroad Retirement Act.	There is provision for joint crediting of the earnings of a worker under the Railroad Retirement Act and under the Social Security Act for benefit payments to his survivors. However, if any person would be entitled, upon filing application therefor, to an annuity or to a lump-sum payment on the death of an employee under the provisions of the Railroad Retirement Act, no monthly benefit or lump-sum death payment may be paid under the old-age and survivors insurance system on the basis of the wages and self-employment income of such employee.	

V. SPECIAL BENEFITS FOR WORLD WAR II VETERANS

Under the Social Security Act amendments of 1950 wage credits of \$160 are granted to veterans for each month of service in World War II. Also the benefits provided previously for survivors of certain deceased veterans of World War II are continued. These special provisions relating to veterans are discussed below.

Wage credits for veterans

Veterans (as defined below), including those who died in service, are granted wage credits of \$160 for each month of active military or naval service in World War II. These wage credits are used for determining whether the veteran has the required insured status for him, his dependents, or his survivors to be entitled to benefit payments. Moreover, the credits are used in computing the amount of the benefit payments as if the veteran's military or naval service had been covered employment for which he received wages of \$160 per month. Wage credits are *not* granted, however, for—

- (1) a lump-sum death payment if the veteran died prior to September 1, 1950;
- (2) any individual who died in service if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense; or
- (3) a veteran whose period of service in World War II is credited under civil service, military, railroad or any other Federal retirement system (but pensions or compensation paid by the Veterans' Administration does not preclude the

granting of old-age and survivors insurance wage credits to veterans).

Special survivor benefits

A World War II veteran (as defined below) who dies within 3 years of discharge is deemed to have died a fully insured individual with an average monthly wage of not less than \$160. Thus the deceased veteran's widow, widower, children, or parents may be entitled to benefits even though the veteran never worked in a job covered by the old-age and survivors insurance system. This special provision is *not* applicable, however, if—

- (1) the veteran died in service;
- (2) any pension or compensation is determined by the Veterans' Administration to be payable by it because of the death of the veteran; or
- (3) the veteran has been discharged or released from active military or naval service after July 26, 1951.

World War II veteran defined

Any individual who served in the active military or naval service between September 16, 1940, and July 24, 1947, inclusive; if discharged or released, he was discharged or released under conditions other than dishonorable and served for at least 90 days (or regardless of length of service if discharged because of a service-connected disability).

81st CONGRESS
1st Session

H. R. 2892

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 21, 1949

Mr. DOUGHTON introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Social Security Act to enable States to establish more adequate public-welfare programs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Public Welfare Act of
4 1949".

5 COMPREHENSIVE PUBLIC WELFARE PROGRAMS

6 SEC. 2. Effective July 1, 1949, the Social Security Act
7 is amended by adding at the end thereof the following new
8 title:

1 "TITLE XIV—COMPREHENSIVE PUBLIC-WELFARE

2 PROGRAMS

3 "PURPOSE

4 "SEC. 1401. (a) The Congress finds and declares that
5 public welfare programs are an essential part of the social
6 security system in promoting the security and welfare of the
7 people of the United States.

8 "(b) The purpose of this title is to enable each State,
9 as far as practicable under the conditions in such State, to
10 develop a comprehensive public-welfare program of assist-
11 ance and welfare services for families, adults, and children;
12 to make assistance available to all needy individuals in the
13 State whose resources are not sufficient to enable them to
14 maintain a minimum standard of economic security, with
15 due recognition given to the special needs of the aged, the
16 blind, children, handicapped individuals, and other groups
17 with special needs; and to make welfare services available
18 in order to promote personal well-being and a maximum
19 degree of self-help.

20 "APPROPRIATIONS

21 "SEC. 1402. (a) There are hereby authorized to be
22 appropriated for the fiscal year ending June 30, 1950, and
23 for each fiscal year thereafter, sums sufficient (1) for making
24 payments to each State for carrying out its State plan
25 approved by the Federal Security Administrator (hereinafter

1 referred to as the Administrator) under this title (other than
2 for welfare services); and (2) to enable the Administrator
3 to train personnel for public-welfare work and to conduct
4 demonstration projects in connection with public-welfare
5 programs in cooperation with State agencies administering
6 plans approved under this title.

7 “(b) There are hereby authorized to be appropriated
8 (1) for the fiscal year ending June 30, 1950, the sum of
9 \$12,000,000, and for each fiscal year thereafter such sums
10 as are necessary, to enable each State which has a plan
11 approved under this title to provide family and adult welfare
12 services under such plan, and (2) for the fiscal year ending
13 June 30, 1950, the sum of \$12,000,000, and for each fiscal
14 year thereafter such sums as are necessary, to enable each
15 State which has a plan approved under this title to provide
16 child-welfare services under such plan.

17 “DEFINITION OF ASSISTANCE

18 “SEC. 1403. As used in this title, the term ‘assistance’
19 means cash assistance and, where the State plan so provides,
20 medical assistance.

21 “DEFINITION OF CASH ASSISTANCE

22 “SEC. 1404. As used in this title, the term ‘cash as-
23 sistance’ means money payments to needy individuals who
24 have attained the age of eighteen years and are not living in a
25 public institution except as patients in a medical institution,

1 and money payments, with respect to needy individuals
2 under the age of eighteen years, made to parents or to rela-
3 tives or other individuals who assume responsibility for
4 parental care and support of them, if such parents, relatives,
5 or other individuals maintain a family home for such needy
6 individuals: *Provided*, That such needy individuals (whether
7 or not they have attained the age of eighteen years) are not
8 patients in an institution for tuberculosis or mental diseases,
9 or in any medical institution following diagnosis of tuber-
10 culosis or psychosis.

11 "DEFINITION OF MEDICAL ASSISTANCE

12 "SEC. 1405. As used in this title, the term 'medical
13 assistance' means medical services for needy individuals, pro-
14 vided by the State agency through payments (including
15 payments of insurance premiums therefor) to persons, agen-
16 cies, or institutions furnishing or procuring such services,
17 but does not include medical services for individuals living
18 in a public institution except as patients in a medical institu-
19 tion, or for individuals who are patients in an institution
20 for tuberculosis or mental diseases, or for individuals who are
21 patients in a medical institution following a diagnosis of
22 tuberculosis or psychosis.

23 "DEFINITION OF WELFARE SERVICES

24 "SEC. 1406. As used in this title, the term 'welfare
25 services' means family- and adult-welfare services or child-

1 welfare services (or both), including (a) with respect to
2 family- and adult-welfare services, social services designed
3 to help families and individuals to become self-supporting,
4 to keep families together in their own homes, and to reduce
5 the need for institutional care; and (b) with respect to
6 child-welfare services, services for promoting the well-being
7 of children including social services designed to assure the
8 welfare of children, whether in their own homes or else-
9 where, and to help them overcome problems resulting from
10 parental neglect or other circumstances likely to result in
11 dependency, neglect, or juvenile delinquency, and foster
12 care necessary to provide for children without parental care
13 and supervision and for children requiring temporary care
14 outside their own homes, such foster care to be given in
15 foster-family homes, temporary homes, or other facilities
16 needed to supplement home care; and payment of the cost
17 of returning runaway or other nonresident children to their
18 own communities, if such return is in the interest of the
19 child and the cost cannot otherwise be met.

20 "STATE PUBLIC WELFARE PLANS

21 "SEC. 1407. (a) To be approved under this title, a
22 State plan (which may provide either for assistance or for
23 welfare services, or for both assistance and welfare serv-
24 ices) must—

25 "(1) provide (A) for the establishment or desig-

1 nation of a single State agency to administer or to
2 supervise the administration of the plan, and (B) pro-
3 vide that there shall not be more than one agency of a
4 local subdivision of the State to administer the plan
5 within such subdivision;

6 “(2) provide (A) with respect to assistance, that
7 the plan shall be in effect in all political subdivisions of
8 the State and, if administered by them, be mandatory
9 on them; and (B) with respect to welfare services, for
10 the progressive development of a State-wide program as
11 rapidly as trained personnel can be secured to administer
12 it;

13 “(3) provide for financial participation by the
14 State in all parts of the State plan, and for such dis-
15 tribution of Federal and other funds for assistance and
16 administration of the plan as to assure equitable treat-
17 ment of needy individuals in similar circumstances,
18 wherever they may live in the State;

19 “(4) provide for the establishment and application
20 throughout the State of standards necessary to the opera-
21 tion of the plan, including standards directed toward
22 enabling each needy individual to secure, through assist-
23 ance and his other income and resources, the essentials
24 of living and including standards which provide that
25 the State agency shall, in determining need, take into

1 consideration any income and resources of an individual
2 claiming assistance;

3 “(5) if assistance is administered by categories,
4 provide for a reasonable basis for establishing such cate-
5 gories, such as age or blindness;

6 “(6) provide that all individuals wishing to make
7 application for assistance shall have opportunity to do
8 so, and that assistance shall be furnished promptly to
9 all eligible individuals;

10 “(7) provide for granting an opportunity for a
11 fair hearing before the State agency to any individual
12 whose claim for assistance or welfare services included
13 in the State plan is denied or is not acted upon within
14 a reasonable time;

15 “(8) provide that determinations of eligibility for
16 and amounts of assistance or welfare services under the
17 plan shall be made on bases which, within the area
18 served, will assure to every individual the equal pro-
19 tection of the laws;

20 “(9) provide such methods of administration as
21 are found by the Administrator to be necessary for the
22 proper and efficient operation of the plan, including
23 (A) methods relating to the establishment and mainte-
24 nance of personnel standards on a merit basis, except
25 that the Administrator shall exercise no authority with

1 respect to the selection, tenure of office, and compensa-
2 tion of any individual employed in accordance with such
3 methods; and (B) a training program for the personnel
4 necessary to the administration of the plan;

5 “(10) provide safeguards which restrict the use
6 or disclosure of information concerning applicants and
7 recipients to purposes directly connected with the
8 assistance or services which the individual is applying
9 for or receiving under the plan;

10 “(11) provide, after July 1, 1953, if the plan
11 includes assistance to individuals in private or public
12 institutions, for the establishment or designation of a
13 State authority or authorities which shall be responsible
14 for establishing and maintaining standards for such in-
15 stitutions; and

16 “(12) provide that the State agency shall make
17 such reports, in such form and containing such infor-
18 mation, as the Administrator may from time to time
19 require, and comply with such provisions as the Admin-
20 istrator may from time to time find necessary to assure
21 the correctness and verification of such reports.

22 “(b) The Administrator shall approve any plan which
23 fulfills the conditions specified in subsection (a), except
24 that there shall not be at any one time more than one
25 approved plan under this title for any one State, and except

1 that the Administrator shall not approve any plan which
 2 imposes as a condition of eligibility for assistance or welfare
 3 services (1) any citizenship requirement, (2) any resi-
 4 dence requirement which excludes any individual who re-
 5 sides in the State, (3) any requirement that individuals
 6 must accept any other assistance or welfare services under
 7 the plan, or (4) any requirement that an applicant or
 8 recipient must, during his lifetime, transfer to the State title
 9 or control to any property which such individual may own:
 10 *Provided*, That the State may create a lien or other en-
 11 cumbrance, enforceable only after the death of the recipient
 12 or his surviving spouse, whichever occurs later, on such
 13 property for the purpose of recovering for assistance paid
 14 or provided.

15 "PAYMENTS TO STATES (OTHER THAN FOR WELFARE
 16 SERVICES)

17 "SEC. 1408. From the sums appropriated pursuant to
 18 section 1402 (a) which the Administrator determines to be
 19 available for payments to States, the Secretary of the Treas-
 20 ury shall pay to each State which has a plan approved under
 21 this title, for each period after June 30, 1949, an amount,
 22 which shall be used exclusively for carrying out the State
 23 plan, equal to the Federal percentage for such State (as
 24 determined in accordance with section 1411) of the total

1 amounts expended during such period under the State plan
2 (other than amounts expended for welfare services), not
3 counting—

4 “(1) so much of such expenditure as is included
5 in any other plan (or part of a plan) with respect to
6 which Federal funds are paid to the State;

7 “(2) so much of such expenditure as cash assistance
8 with respect to any individual for any month as exceeds
9 \$50, or if there is more than one such individual in the
10 same family home, \$50 with respect to one such indi-
11 vidual, \$50 with respect to the second such individual,
12 and \$20 with respect to each additional such individual;
13 and

14 “(3) so much of such expenditure as medical assist-
15 ance in any period as exceeds the number of months
16 in such period multiplied by the sum of (A) \$6 multi-
17 plied by the monthly average (for such period) of
18 individuals eighteen years of age or over receiving cash
19 or medical assistance under the State’s plan, and (B)
20 \$3 multiplied by the monthly average (for such period)
21 of individuals under eighteen years of age receiving
22 cash or medical assistance under the State’s plan.

1 "ALLOTMENTS AND PAYMENTS TO STATES FOR WELFARE
2 SERVICES

3 "SEC. 1409. (a) The Administrator shall for each fiscal
4 year allot among the several States the sums appropriated
5 pursuant to clause (1) of section 1402 (b) and the sums
6 appropriated pursuant to clause (2) of such section, for
7 such year, such allotments to be made on the basis of (1)
8 the population of each State according to the most recent
9 census estimates, (2) the financial resources of each State,
10 and (3) when the Administrator finds it necessary in order
11 to effectuate the purposes of this title, the extent of a par-
12 ticular adult-welfare problem or problems or child-welfare
13 problem or problems, as the case may be, in the respective
14 States. Upon making such allotments, the Administrator
15 shall notify the Secretary of the Treasury and each State of
16 the amount of the allotments for such State.

17 "(b) From the allotment therefor for each fiscal year
18 for each State which has a plan approved under this title,
19 the Secretary of the Treasury shall pay to such State, for
20 each period after June 30, 1949, an amount, which shall be
21 used exclusively for carrying out the State plan, equal to
22 the Federal percentage for such State (as determined in

1 accordance with section 1411) of the total amounts ex-
2 pended during such period for family and adult-welfare
3 services or child-welfare services, as the case may be, under
4 the State plan, not counting so much of such expenditure as
5 is included in any other plan (or part of a plan) with respect
6 to which Federal funds are paid to the State.

7 "METHOD OF COMPUTATION AND PAYMENT

8 "SEC. 1410. The method of computing and paying
9 amounts due a State under section 1408 or 1409 shall be
10 as follows:

11 "(a) The Administrator shall, prior to the beginning
12 of each period for which a payment is to be made to the
13 State under section 1408 or 1409, estimate the amount to
14 be paid to such State for such period under the provisions
15 of such section, such estimate to be based on (A) a report
16 filed by the State containing its estimate of the total sum
17 to be expended in such period in accordance with the provi-
18 sions of such section, and stating the amount appropriated
19 or made available by the State and its political subdivisions
20 for such expenditures in such period, and if the sum of such
21 amount and the estimated Federal grant to be paid the
22 State under such section is less than the total sum of such
23 estimated expenditures, the source from which the difference
24 is expected to be derived; and (B) such other data as to

1 such estimated expenditures and such other investigation
2 as the Administrator may find necessary.

3 “(b) The Administrator shall then certify to the Secre-
4 tary of the Treasury the amount so estimated by the Ad-
5 ministrator (1) reduced or increased, as the case may be,
6 by any sum by which he finds that his estimate for any
7 prior period was greater or less than the amount which
8 should have been paid to the State under section 1408
9 or 1409 for such period; and (2) reduced by a sum equiva-
10 lent to the pro rata share to which the United States is
11 equitably entitled, as determined by the Administrator, of
12 the net amount recovered during any prior period by the
13 State or any political subdivision thereof under the State plan;
14 except that such increases or reductions shall not be made
15 to the extent that such sums have been applied to make the
16 amount certified for any prior period greater or less than the
17 amount estimated by the Administrator for such prior
18 period: *Provided*, That any part of the amount recovered
19 from the estate of a deceased recipient which is not in
20 excess of the amount expended by the State or any political
21 subdivision thereof for the funeral expenses of the deceased
22 shall not be considered as a basis for reduction under clause
23 (2) of this paragraph.

24 “(c) The Secretary of the Treasury shall, prior to

1 audit or settlement by the General Accounting Office, pay
2 to the State, at the time or times fixed by the Administrator,
3 the amount so certified.

4 “(d) The period for which estimates and certifications
5 are made under this section (and payments are to be made
6 under section 1408 or 1409) shall be a calendar quarter,
7 except that, upon application by a State, the Administrator
8 may extend the period for such State to two, three, or four
9 calendar quarters.

10 “FEDERAL GRANT PERCENTAGES

11 “SEC. 1411. (a) The ‘Federal percentage’ for any
12 State shall be 100 per centum less the State percentage;
13 and the State percentage shall be that percentage which
14 bears the same ratio to 45 per centum as the per capita
15 income of such State bears to the per capita income of the
16 continental United States (excluding Alaska); except that
17 (1) the Federal percentage shall in no case be more than
18 75 per centum or less than 40 per centum, (2) in deter-
19 mining the Federal percentage a fractional part of 1 per
20 centum shall be disregarded if it is less than one-half and
21 shall be increased to 1 per centum if it is one-half or more,
22 and (3) the Federal percentage shall be 55 per centum
23 for Alaska and Hawaii, and 75 per centum for Puerto Rico
24 and the Virgin Islands.

25 “(b) The Federal percentage for each State shall be

1 promulgated by the Administrator between July 1 and
2 August 31 of each even-numbered year, on the basis of the
3 average per capita income of each State and of the conti-
4 nental United States (excluding Alaska) for the three most
5 recent consecutive calendar years for which satisfactory data
6 are available from the Department of Commerce. Such pro-
7 mulgation shall, for purposes of this section, be conclusive for
8 each of the eight quarters in the period beginning July 1
9 next succeeding such promulgation: *Provided*, That the
10 Administrator shall promulgate such percentages as soon as
11 possible after the enactment of this Act, which promulgation
12 shall be conclusive for the purposes of this section for each
13 of the eight quarters in the period beginning July 1, 1949,
14 and ending June 30, 1951.

15 "OPERATION OF STATE PLANS

16 "SEC. 1412. In the case of any State plan which has
17 been approved by the Administrator under this title, if the
18 Administrator, after reasonable notice and opportunity for
19 hearing to the State agency administering or supervising
20 the administration of such plan, finds—

21 "(a) that the plan has been so changed as to im-
22 pose any requirement prohibited by section 1407 (b),
23 or that in the administration of the plan any such pro-
24 hibited requirement is imposed, with the knowledge of
25 such State agency, in a substantial number of cases; or

1 “(b) that in the administration of the plan there is
2 a failure to comply substantially with any provision
3 required by section 1407 (a) to be included in the plan;
4 the Administrator shall notify such State agency that
5 further payments will not be made to the State under
6 such plan or, in his discretion, that further payments
7 will not be made to the State for activities in which
8 there is such failure, until he is satisfied that such pro-
9 hibited requirement is no longer imposed or that there
10 is no longer any such failure to comply. Until he is so
11 satisfied, the Administrator shall make no further cer-
12 tification to the Secretary of the Treasury for payment
13 to such State, or shall limit certification for payment
14 to activities in which there is no such failure.”

15

DEFINITION OF STATE

16

17

SEC. 3. Section 1101 (a) (1) of the Social Security
Act is amended to read as follows:

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19

20

“(1) The term ‘State’ includes Alaska, Hawaii, and
the District of Columbia and, when used in titles V and XIV
of such Act, includes ~~Puerto~~ Rico and the Virgin Islands.”

21

PAYMENTS UNDER EXISTING LAW

22

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24

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SEC. 4. No payment shall be made to a State under title
I, IV, or X of the Social Security Act for any period for
which such State receives any payments under title XIV of
such Act with respect to assistance, or for any period there-

1 after; nor shall any payment be made to a State under part
2 3 of title V of such Act for any period for which such State
3 receives any payment with respect to welfare services under
4 title XIV of such Act, or for any period thereafter. In no
5 event may any payment be made to a State under title I,
6 IV, or X, or part 3 of title V, of such Act for any period
7 after June 30, 1951.

8 ADJUSTMENTS WITH RESPECT TO EXISTING LAW

9 SEC. 5. If, in the case of any State which is entitled to
10 payments under section 1408 or 1409 of the Social Security
11 Act, adjustments which should have been made with respect
12 to overpayments or underpayments under title I, IV, or X,
13 or part 3 of title V, of such Act have not already been made
14 under such title or such part—

15 (a) in the case of such failure with respect to such
16 title I, IV, or X, such adjustments shall be made in
17 connection with such payments under section 1408; and

18 (b) in the case of such failure under such part 3
19 of title V, such adjustments shall be made in connection
20 with such payments under section 1409.

81st CONGRESS
1st Session

H. R. 2892

A BILL

To amend the Social Security Act to enable States to establish more adequate public-welfare programs, and for other purposes.

By Mr. DOUGHTON

FEBRUARY 21, 1949

Referred to the Committee on Ways and Means

81ST CONGRESS
1ST SESSION

H. R. 2893

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 21, 1949

Mr. DOUGHTON introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To extend and improve the old-age and survivors insurance system, to add protection against disability, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **TITLE I—SHORT TITLE AND TABLE OF CONTENTS**

4 SECTION 1. This Act, with the following table of con-
5 tents, may be cited as the "Social Security Amendments of
6 1949".

TABLE OF CONTENTS

Section of bill	Section of amended Social Security Act	Heading
TITLE I.....		SHORT TITLE AND TABLE OF CONTENTS.
TITLE II.....		RETIREMENT, SURVIVORS, AND DISABILITY INSURANCE.
201.....		CHANGE IN SECTION NUMBERS AND TITLE.

TABLE OF CONTENTS—Continued

Section of bill	Section of amended Social Security Act	Heading
202.....	TITLE II.....	AMENDMENTS RELATING TO COVERAGE AND BENEFITS. FEDERAL RETIREMENT, SURVIVORS, AND DISABILITY INSURANCE.
	201.....	RETIREMENT, SURVIVORS AND DISABILITY BENEFITS.
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	204 (c).....	Exclusion of certain services from agreements.
	204 (d).....	Safeguards against adverse selection.
	204 (e).....	Failure of the State to comply with the agreement.
	204 (f).....	Failure of the State to make required payments.
	204 (g).....	Renewal of terminated agreements prohibited.
	204 (h).....	Disposition of payments; adjustment of under- and over-payments.
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- 1 TITLE II—RETIREMENT, SURVIVORS, AND DIS-
- 2 ABILITY INSURANCE CHANGE IN SECTION
- 3 NUMBERS AND TITLE
- 4 SEC. 201. (a) The title of title II of the Social Security
- 5 Act is amended to read “TITLE II—FEDERAL RETIRE-
- 6 MENT, SURVIVORS, AND DISABILITY INSUR-
- 7 ANCE”.
- 8 (b) Sections 204, 205, 206, 207, 208, and 210 of the
- 9 Social Security Act are hereby redesignated as sections 211,
- 10 213, 214, 215, 212, and 216, respectively.

1 AMENDMENTS RELATING TO COVERAGE AND BENEFITS

2 SEC. 202. The remaining provisions of title II of such
3 Act are amended to read:

4 "RETIREMENT, SURVIVORS, AND DISABILITY BENEFITS

5 "Primary Insurance Benefits

6 "SEC. 201. (a) (1) Every individual who (A) has
7 attained the age of sixty-five if a male, or the age of sixty
8 if a female, (B) has filed application for primary insurance
9 benefits, and (C) is insured under the provisions of section
10 205 (a) after June 30, 1949, shall be entitled to receive a
11 primary insurance benefit for each month, beginning with the
12 first month after June 1949 in which such individual be-
13 comes so entitled to such insurance benefits. Such benefits
14 shall end with the month preceding the month in which such
15 individual dies.

16 "(2) Every individual who (A) is not entitled to
17 benefits under paragraph (1) of this subsection, (B) is
18 under a disability or extended disability (as defined in sec-
19 tion 208 (h)) which has continued for a waiting period of
20 six consecutive calendar months after December 31, 1949,
21 (C) in the month immediately following such waiting pe-
22 riod is under an extended disability, (D) has filed applica-
23 tion for primary insurance benefits within the waiting

1 period or in the month immediately following the end of
2 such waiting period, and (E) is insured under the provi-
3 sions of section 205 (c) shall be entitled to receive a primary
4 insurance benefit for each month, beginning with the first
5 month after June 1950 and after such six-month waiting
6 period in which he becomes so entitled to such insurance
7 benefits. Such benefits shall end with the month immedi-
8 ately preceding the first month in which any of the follow-
9 ing occurs: Such individual ceases to be under an extended
10 disability, becomes entitled to benefits under paragraph (1)
11 of this subsection, or dies.

12 “(3) In the case of any individual who was under an
13 extended disability continuously for more than six consecu-
14 tive months prior to July 1, 1952, such extended disability
15 shall be deemed to have begun on the day on which it
16 actually began or on January 1, 1950, whichever is later,
17 but only if application for benefits under paragraph (2)
18 of this subsection is filed prior to July 1, 1952.

19 “(4) Any individual who ceases, by reason of entitle-
20 ment to benefits under paragraph (2) hereof, to be entitled
21 to benefits under any other subsection of this section shall,
22 if no other event has occurred which would terminate his
23 entitlement to benefits under such other subsection, be en-
24 titled to benefits under such other subsection for each month,
25 beginning with the month following the month in which

1 his entitlement to benefits under paragraph (2) of this sub-
2 section ceases.

3 “(5) No payment may be made under paragraph (2)
4 of this subsection to any individual for any period that he
5 is in the active military or naval service of the United
6 States.

7 “Wife’s Insurance Benefits

8 “(b) (1) Every wife (as defined in section 208 (a))
9 of an individual who is entitled to primary insurance bene-
10 fits, if such wife (A) has filed application for wife’s insur-
11 ance benefits, (B) was living with such individual at the
12 time such application was filed, (C) has attained the age
13 of sixty, or at the time of filing such application has in her
14 care (individually or jointly with her husband) a child
15 entitled to receive a child’s insurance benefit on the basis
16 of the wages or self-employment income of her husband,
17 and (D) is not entitled to receive primary insurance bene-
18 fits, or is entitled to receive primary insurance benefits but
19 such benefit for each month is less than one-half of the pri-
20 mary insurance benefit of her husband for such month,
21 shall be entitled to receive a wife’s insurance benefit for
22 each month, beginning with the first month after June
23 1949 in which she becomes so entitled to such insurance
24 benefits. Such benefits shall end with the month imme-
25 diately preceding the first month in which any of the fol-

1 lowing occurs: Such wife dies, her husband dies, they are
2 divorced a vinculo matrimonii or their marriage is deemed
3 to have terminated, her husband (if entitled to primary
4 insurance benefits under subsection (a) (2)) ceases to be
5 under an extended disability, no child of her husband is
6 entitled to receive a child's insurance benefit and she
7 has not attained the age of sixty, or she becomes entitled to
8 receive a primary insurance benefit for a month equal to or
9 exceeding one-half of the primary insurance benefit of her
10 husband for such month.

11 “(2) Such wife's insurance benefit for each month shall
12 be equal to one-half of the primary insurance benefit of her
13 husband for such month except that, if she is entitled to re-
14 ceive a primary insurance benefit for any month, such
15 wife's insurance benefit for such month shall be reduced
16 by an amount equal to her primary insurance benefit for
17 such month.

18 “Child's and Disabled Child's Insurance Benefits

19 “(c) (1) Every child (as defined in section 208 (e))
20 of an individual entitled to primary insurance benefits, or of
21 an individual who died after December 1939 and who was
22 at the time of his death insured under the provisions of
23 subsection (a) or (b) of section 205, if such child (A)
24 has filed application for child's insurance benefits, (B) at
25 the time such application was filed was unmarried and had

1 not attained the age of eighteen, and (C) was dependent
2 upon such individual at the time such application was filed,
3 or, if such individual has died, was dependent upon such
4 individual at the time of such individual's death, shall be
5 entitled to receive a child's insurance benefit for each month,
6 beginning with the first month after June 1949 in which such
7 child becomes so entitled to such insurance benefits. Such
8 benefits shall end with the month immediately preceding the
9 first month in which any of the following occurs: Such
10 child dies, marries, is adopted (except for adoption, sub-
11 sequent to the death of such insured individual, by a natural
12 parent or stepparent, or by a grandparent, aunt, or uncle
13 by blood or affinity), attains the age of eighteen, or the
14 individual on whose wages or self-employment income such
15 child's insurance benefits are based (if such individual is
16 entitled to primary insurance benefits under subsection (a)
17 (2)) ceases to be under an extended disability.

18 “(2) Every child of such an individual, if such child
19 (A) after November 30, 1949, was entitled, or could have
20 become entitled upon filing an application therefor, to child's
21 insurance benefits under paragraph (1) for the month prior
22 to the month in which such child attained the age of eighteen,
23 (B) was under an extended disability in such month prior
24 to attainment of age eighteen, which disability has continued
25 since such month and for a period of not less than six

1 consecutive calendar months since December 31, 1949, (C)
2 has filed proof of being under such disability in such month
3 within one year after the end of such month, (D) has filed
4 application for disabled child's insurance benefits, (E) at the
5 time such application was filed was unmarried and had at-
6 tained the age of eighteen, and (F) is not entitled to receive
7 any other monthly insurance benefits under this section, or
8 is entitled to receive one or more of such benefits for a month
9 but the total for such month is less than one-half of the
10 primary insurance benefit of such individual, shall be entitled
11 to receive a disabled child's insurance benefit for each
12 month, beginning with the first month after June 1950 in
13 which such child becomes so entitled to such insurance
14 benefits. Such benefits shall end with the month preceding
15 the first month in which any of the following occurs: such
16 child dies, marries, is adopted (except for adoption, subse-
17 quent to the death of such insured individual, by a natural
18 parent or stepparent, or by a grandparent, aunt, or uncle by
19 blood or affinity), or ceases to be under an extended dis-
20 ability, or the individual on whose wages or self-employment
21 income the disabled child's insurance benefits are based (if
22 such individual is entitled to primary insurance benefits under
23 subsection (a) (2)) ceases to be under an extended
24 disability.

25 “(3) Such child's or disabled child's insurance benefit

1 for each month shall be equal to one-half of the primary
2 insurance benefit for such month of the individual with
3 respect to whose wages or self-employment income the
4 child is entitled to receive such benefit; except that there
5 shall be added to the total of benefits for any month to which
6 children are entitled on the basis of an individual's wages
7 or self-employment income, if such individual has died in
8 or prior to such month, an amount (to be divided equally
9 if more than one child is so entitled) equal to one-fourth
10 of such individual's primary insurance benefit. If a child
11 is entitled for any month to child's or disabled child's insur-
12 ance benefits with respect to the wages or self-employment
13 income of more than one individual he shall be paid only
14 one such benefit for such month, such benefit to be the
15 one based on the wages or self-employment income of the
16 individual which result in the highest child's or disabled
17 child's insurance benefit for such child for such month.

18 “(4) A child shall be deemed dependent upon his
19 father or an adopting father at the time specified in para-
20 graph (1) (C) if such father or adopting father was
21 living with or contributing to the support of such child.

22 “(5) A child shall also be deemed dependent on his
23 father or adopting father at the time specified in para-
24 graph (1) (C) if (A) such child is either the legitimate
25 or adopted child of such individual, (B) such child has not

1 been adopted by some other individual (except the wife
2 of such father or adopting father), and (C) such child
3 was not living with, and not receiving at least one-half
4 of his support, from his stepfather.

5 “(6) A child shall be deemed to have been depend-
6 ent upon his stepfather at the time specified in paragraph
7 (1) (C) if, at such time, the child was living with such
8 stepfather or was receiving at least one-half of the amount
9 of his support from such stepfather.

10 “(7) A child shall be deemed dependent on his natural
11 or adopting mother at the time of her death if, at such time,
12 she was insured under the provisions of both subsection (a)
13 and subsection (b) of section 205. A child shall also be
14 deemed to have been dependent upon his mother at the
15 time specified in paragraph (1) (C) if, at such time, his
16 mother was either living with or contributing to the support
17 of such child, and such child was not living with or receiving
18 contributions from his father or adopting father, or if such
19 child was living with or receiving contributions from his
20 father or adopting father at such time, but only if such mother
21 was furnishing at least one-half of the amount of the child's
22 support. For the purposes of this paragraph the term
23 ‘mother’ includes the natural mother, adopting mother, or
24 stepmother of the child.

25 “(8) A child shall be deemed to have been dependent

1 upon a person in loco parentis to such child at the time speci-
2 fied in paragraph (1) (C) if, at such time, such child was
3 living with such person and was receiving at least one-half
4 of the amount of his support from such person.

5 "Widow's Insurance Benefits

6 " (d) (1) Every widow (as defined in section 208 (b)
7 (1)) of an individual who died after December 1939 and
8 who either was insured under the provisions of section 205
9 (a) at the time of his death or was entitled to benefits under
10 section 201 (a) (2) for the month preceding the month
11 in which he died, if such widow (A) has not remarried, (B)
12 has attained the age of sixty, (C) has filed application for
13 widow's insurance benefits or, after attainment of age sixty,
14 was entitled to wife's insurance benefits with respect to the
15 wages or self-employment income of such individual for the
16 month preceding the month in which he died, (D) was
17 living with such individual at the time of his death, and
18 (E) is not entitled to receive primary insurance benefits, or
19 is entitled to receive primary insurance benefits each of
20 which is less than three-fourths of the primary insurance
21 benefit of her husband, shall be entitled to receive a widow's
22 insurance benefit for each month, beginning with the
23 first month after June 1949 in which she becomes entitled
24 to such insurance benefits. Such benefits shall end with
25 the month immediately preceding the first month in which

1 any of the following occurs: Such widow remarries, dies,
2 or becomes entitled to receive a primary insurance bene-
3 fit equal to or exceeding three-fourths of the primary in-
4 surance benefit of her husband.

5 “(2) Such widow’s insurance benefit for each month
6 shall be equal to three-fourths of the primary insurance
7 benefit of her deceased husband, except that, if she is en-
8 titled to receive a primary insurance benefit for any month,
9 such widow’s insurance benefit for such month shall be re-
10 duced by an amount equal to her primary insurance bene-
11 fit for such month.

12 “Mother’s Insurance Benefits

13 “(e) (1) Every widow (as defined in section 208
14 (b) (1)) and every former wife divorced (as defined in
15 section 208 (b) (2)) of an individual who died after
16 December 1939 and who was at the time of his death in-
17 sured under the provisions of subsection (a) or (b) of
18 section 205, if such widow or former wife divorced (A) has
19 not remarried, (B) is not entitled to receive a widow’s
20 insurance benefit, (C) is not entitled to receive primary
21 insurance benefits, or is entitled to receive primary insurance
22 benefits each of which is less than three-fourths of the pri-
23 mary insurance benefit of such individual, (D) has filed
24 application for mother’s insurance benefits, (E) at the time
25 of filing such application has in her care a child of such

1 individual entitled to receive a child's insurance benefit, and
2 (F) (i) in the case of a widow, she was living with such
3 individual at the time of his death, or (ii) in the case of a
4 former wife divorced, she was receiving from such individual,
5 pursuant to agreement or court order, at least one-half of
6 the amount of her support at the time of his death and the
7 child referred to in clause (E) is her son, daughter, or legally
8 adopted child and the benefits referred to in such clause are
9 payable on the basis of such individual's wages or self-
10 employment income, shall be entitled to receive a mother's
11 insurance benefit for each month, beginning with the first
12 month after June 1949 in which she becomes so entitled to
13 such insurance benefits. Such benefits shall end with the
14 month immediately preceding the first month in which any of
15 the following occurs: No child of such deceased individual
16 is entitled to receive a child's insurance benefit, such widow
17 or former wife divorced becomes entitled to receive a primary
18 insurance benefit equal to or exceeding three-fourths of the
19 primary insurance benefit of such deceased individual, she
20 becomes entitled to receive a widow's insurance benefit, she
21 remarries, or she dies. Such benefits shall also end, in the
22 case of a former wife divorced, with the month immediately
23 preceding the first month in which no son, daughter, or
24 legally adopted child of such former wife divorced is entitled

1 to receive a child's insurance benefit with respect to the
2 wages or self-employment income of such deceased individual.

3 “(2) Such mother's insurance benefit for each month
4 shall be equal to three-fourths of the primary insurance
5 benefit of such deceased individual, except that, if she is
6 entitled to receive a primary insurance benefit for any
7 month, such mother's insurance benefit for such month shall
8 be reduced by an amount equal to her primary insurance
9 benefit.

10 “Parent's Insurance Benefits

11 “(f) (1) Every parent of an individual who died
12 after December 1939 and who was at the time of his death
13 insured under the provisions of section 205 (a), if such
14 individual did not leave (A) a widow who meets the con-
15 ditions in clauses (D) and (E) of subsection (d) (1),
16 or (B) a widower who meets the conditions in clauses
17 (D), (E), and (G) of subsection (i) (1), or (C) a child
18 who could, upon filing application in the month of such
19 individual's death (or in the month of birth if such child
20 is born posthumously), have become entitled to receive a
21 child's or disabled child's insurance benefit based on the
22 wages or self-employment income of such individual, and
23 who was not entitled and could not, upon application, have
24 become entitled in such month to receive an equal or a
25 larger child's or disabled child's insurance benefit on the

1 basis of wages or self-employment income other than the
2 wages or self-employment income of such individual, and
3 if such parent (D) has attained the age of sixty-five if a
4 male, or the age of sixty if a female, (E) was receiving at
5 least one-half of the amount of his support from such
6 individual at the time of such individual's death and filed
7 proof of such support within two years of such date of
8 death, (F) has not married since such individual's death,
9 (G) is not entitled to receive any other monthly insurance
10 benefits under this section, or is entitled to receive one or
11 more of such benefits for a month but the total for such
12 month is less than three-fourths of the primary insurance
13 benefit of such deceased individual, and (H) has filed
14 application for parent's insurance benefits, shall be entitled
15 to receive a parent's insurance benefit for each month,
16 beginning with the first month after June 1949 in which
17 such parent becomes so entitled to such parent's insurance
18 benefits. Such benefits shall end with the month immedi-
19 ately preceding the first month in which any of the follow-
20 ing occurs: such parent dies, marries an individual who is
21 not entitled to monthly insurance benefits under this section,
22 or becomes entitled to receive for any month a monthly
23 insurance benefit or benefits under this section in a total
24 amount equal to or exceeding three-fourths of the primary
25 insurance benefit of such deceased individual.

1 “(2) Such parent’s insurance benefit for each month
2 shall be equal to three-fourths of the primary insurance bene-
3 fit of such deceased individual, except that, if such parent
4 is entitled to receive an insurance benefit or benefits for
5 any month under this section (other than a benefit under
6 this subsection), such parent’s insurance benefit for such
7 month shall be reduced by an amount equal to the total of
8 such other benefit or benefits for such month. When there
9 is more than one such individual with respect to whose
10 wages or self-employment income the parent is entitled to
11 receive a parent’s insurance benefit for a month, such benefit
12 shall be equal to three-fourths of whichever primary insurance
13 benefit is greatest.

14 “(3) As used in this subsection, the term ‘parent’
15 means the mother or father of an individual, a stepparent of
16 an individual by a marriage contracted before such individual
17 attained the age of sixteen, an adopting parent by whom
18 an individual was adopted before such individual attained
19 the age of sixteen, or a person who has stood in loco parentis
20 to an individual and such relationship began before such
21 individual attained the age of sixteen.

22 “Lump-Sum Death Payments

23 “(g) Upon the death after June 1949 of an individual
24 who when he died was insured under the provisions of sub-
25 section (a) or (b) of section 205, an amount equal to three

1 times a primary insurance benefit of such individual shall
2 be paid in a lump sum to the widow or widower whose rela-
3 tionship to the deceased is determined by the Administrator,
4 and who is living on the date of such determination, if such
5 widow or widower was living with such insured individual
6 at the time of the latter's death. If no such widow or
7 widower be living on the date of such determination or, if
8 living, such widow or widower was not living with the in-
9 sured individual at the time of his death, of if such widow
10 or widower dies before receiving payment, such amount shall
11 be paid to any person or persons, equitably entitled thereto,
12 to the extent and in the proportion that he or they shall have
13 paid the expenses of burial of the insured deceased individual.
14 No payment shall be made to any person under this sub-
15 section unless application therefor is filed, by or on behalf
16 of such person (whether or not legally competent), prior to
17 the expiration of two years after the date of death of such
18 insured individual.

19 "Disabled Husband's Insurance Benefits

20 "(h) (1) Every husband (as defined in section 208
21 (c)) of an individual who becomes entitled to primary
22 insurance benefits after December 31, 1949, if such husband
23 (A) has attained the age of sixty-five, (B) has filed appli-
24 cation for disabled husband's insurance benefits, (C) was
25 living with such individual at the time such application was

1 filed, (D) was under an extended disability at the time his
2 wife became entitled to primary insurance benefits, which
3 disability has continued since such time and for a period of
4 not less than six consecutive calendar months since December
5 31, 1949, (E) has filed proof, within one year after the
6 date as of which his wife became entitled to such primary
7 insurance benefits, of such disability on such date, and (F)
8 is not entitled to receive primary insurance benefits, or is
9 entitled to receive primary insurance benefits but such bene-
10 fit for each month is less than one-half of the primary insur-
11 ance benefit of his wife for such month, shall be entitled to
12 receive a disabled husband's insurance benefit for each month,
13 beginning with the first month after June 1950 in which he
14 becomes so entitled to such insurance benefits. Such benefits
15 shall end with the month immediately preceding the first
16 month in which any of the following occurs: Such disabled
17 husband ceases to be under an extended disability, dies, his
18 wife dies, his wife (if entitled to primary insurance ben-
19 efits under subsection (a) (2)) ceases to be under an ex-
20 tended disability, they are divorced a vinculo matrimonii or
21 their marriage is deemed to have terminated, or he becomes
22 entitled to receive a primary insurance benefit for a month
23 equal to or exceeding one-half of the primary insurance ben-
24 efit of his wife for such month.

25 “(2) Such disabled husband's insurance benefit for each

1 month shall be equal to one-half of the primary insurance
2 benefit of his wife for such month, except that, if he is en-
3 titled to receive a primary insurance benefit for any month,
4 such disabled husband's insurance benefit for such month
5 shall be reduced by an amount equal to his primary
6 insurance benefit for such month.

7 "Disabled Widower's Insurance Benefits

8 "(i) (1) Every widower (as defined in section 208
9 (d)) of an individual who died after December 31, 1949,
10 and who either was at the time of her death insured under
11 the provisions of section 205 (a), or was entitled to bene-
12 fits under the provisions of section 201 (a) (2) for the
13 month preceding the month in which she died, if such wid-
14 ower (A) has filed application for disabled widower's in-
15 surance benefits or was entitled to disabled husband's insur-
16 ance benefits with respect to the wages or self-employment
17 income of such individual for the month preceding the month
18 in which she died; (B) has not remarried; (C) has attained
19 the age of sixty-five; (D) was living with such individual
20 at the time of her death; (E) was under an extended dis-
21 ability at the time of her death, which disability has con-
22 tinued since such time and for a period of not less than six
23 consecutive months since December 31, 1949; (F) has filed
24 proof, within one year of the date of such death, of such dis-
25 ability on such date; and (G) is not entitled to receive

1 primary insurance benefits, or is entitled to receive primary
2 insurance benefits each of which is less than three-fourths of
3 a primary insurance benefit of his deceased wife, shall be en-
4 titled to receive a disabled widower's insurance benefit for
5 each month, beginning with the first month after June 1950
6 in which he becomes so entitled to such insurance benefits.
7 Such benefits shall end with the month immediately preced-
8 ing the first month in which any of the following occurs:
9 He ceases to be under an extended disability, remarries, dies,
10 or becomes entitled to receive a primary insurance benefit
11 equal to or exceeding three-fourths of the primary insurance
12 benefit of his deceased wife.

13 “(2) Such disabled widower's insurance benefit for
14 each month shall be equal to three-fourths of the primary
15 insurance benefit of his deceased wife, except that, if he
16 is entitled to receive a primary insurance benefit for any
17 month, such disabled widower's insurance benefit for such
18 month shall be reduced by an amount equal to his primary
19 insurance benefit for such month.

20 “Application for Monthly Benefits

21 “(j) An individual who would have been entitled to
22 a benefit under subsection (a), (b), (c), (d), (e), (f),
23 (h), or (i) for any month had he filed application there-
24 for prior to the end of such month shall be entitled to such
25 benefit for such month if he files application therefor prior

1 to the end of the third month immediately succeeding such
2 month. Any benefit under any such subsection for a month
3 in which application is filed or for a month prior to such
4 month shall be reduced, to any extent that may be necessary,
5 so that it will not render erroneous any benefit to which the
6 Administrator has found a beneficiary to be entitled, with
7 respect to the same wages or self-employment income, for
8 such month under the same or any other such subsection.

9 "Weekly Disability Benefits

10 "(k) (1) Every individual who (A) is insured under
11 the provisions of section 205 (d), (B) is not entitled to pri-
12 mary insurance benefits under subsection (a) (2), (C) is
13 under a disability (as defined in section 208 (h) (1)), (D)
14 has had a waiting week in his benefit year and after Decem-
15 ber 31, 1949, and (E) has filed an application for weekly
16 disability benefits in accordance with regulations of the
17 Administrator shall be entitled to a weekly disability bene-
18 fit for each full week of disability; except that, if an uninter-
19 rupted spell of disability for an individual in a benefit year
20 continues into his next benefit year, the requirement of clause
21 (D) of this paragraph shall not apply with respect to
22 disability occurring within such spell in such new benefit
23 year.

24 "(2) Any such individual who continues to be under
25 disability a part of a week in an uninterrupted spell of dis-

1 ability and who meets the requirements of paragraph (1)
2 shall be paid an amount equal to one-seventh of his weekly
3 disability benefit for each day of disability in such part week.

4 “(3) For purposes of this subsection—

5 “(A) the term ‘week’ means a period of seven
6 consecutive days as defined in regulations of the Ad-
7 ministrator;

8 “(B) the term ‘waiting week’ means the first period
9 of seven consecutive days on each of which an individual
10 is under disability in a benefit year;

11 “(C) the term ‘uninterrupted spell of disability’ in-
12 cludes any disability occurring within twenty-one days
13 following a waiting week or a day with respect to which
14 an individual is entitled to benefits under this subsection.

15 “(4) Notwithstanding the preceding provisions of this
16 subsection, no payment may be made under this subsection
17 to any individual for any period that he is in the active
18 military or naval service of the United States.

19 “Maternity Benefits

20 “(1) Every female individual who (1) is insured under
21 the provisions of section 205 (d) or has established a bene-
22 fit year in accordance with provisions of subsection (k)
23 which has not terminated, and (2) has filed a claim for
24 maternity benefits in accordance with regulations of the
25 Administrator, if the quarter preceding the quarter in which

1 she filed such claim was a quarter of coverage or she was
2 entitled to benefits under subsection (k) for not less than
3 four weeks in such quarter, shall be entitled to receive a
4 maternity benefit for each week after December 31, 1949,
5 during which she performs no service (other than in con-
6 nection with her household), if such week ends not more than
7 eight weeks after the day on which she gives birth to a child
8 and begins after such birth or after a physician certifies,
9 in accordance with regulations of the Administrator, that
10 in his opinion she will give birth to a child in not more than
11 eight weeks; except that in no case may benefits be paid
12 under this subsection with respect to the birth of a child for
13 more than fourteen weeks.

14 "Simultaneous Entitlement to Benefits

15 "(m) (1) In the case of any individual who is entitled
16 for one or more weeks in a month to benefits under subsec-
17 tion (k) or (l), and is also entitled for such month to any
18 other benefits under this section, he shall be paid for such
19 month only an amount equal to such benefits under subsec-
20 tion (k) or (l), or an amount equal to such other benefits,
21 whichever is the higher.

22 "(2) No benefit shall be paid under subsection (k) to
23 an individual for any week for which such individual is
24 entitled to receive benefits under subsection (l).

25 "(3) No payments shall be made to an individual for

1 any week under subsection (k) if he has received or receives
2 any workmen's compensation benefit on account of the same
3 disability for such week or for a month which includes such
4 week.

5 “(4) In order to assure that the purposes of paragraph
6 (3) will be carried out, the Administrator may, as a condi-
7 tion to certification for payment of benefits under subsection
8 (k) (if it appears to him that there is a likelihood that an
9 individual entitled to benefits under such subsection may be
10 eligible, as the result of disability, for a workmen's compen-
11 sation benefit which would give rise to a denial of payment
12 under such paragraph (3)), require (A) adequate proof
13 that such individual has claimed workmen's compensation
14 benefits with respect to such disability, and (B) adequate
15 assurance of reimbursement to the Trust Fund in case work-
16 men's compensation benefits, with respect to which such
17 denial of payment should be made, are paid to such individual
18 and payment is not denied under paragraph (3). The Ad-
19 ministrator is also authorized to enter into agreement with
20 any State under which the State will reimburse the Trust
21 Fund in cases where benefits under subsection (k) and
22 workmen's compensation benefits under a State law or plan
23 are payable on account of the same disability for the same
24 period of time and appropriate action with respect thereto is
25 not taken under paragraph (3). All amounts paid to the

1 Administrator under this paragraph shall be deposited in
2 the Trust Fund.

3 "AMOUNT OF BENEFITS

4 "SEC. 202. (a) An individual's 'primary insurance
5 benefit' means the sum of (1) the product obtained by
6 multiplying his basic amount by his continuation factor and
7 (2) 1 per centum of his basic amount for each of his years
8 of coverage. When the primary insurance benefit thus com-
9 puted is less than \$25, it shall be \$25.

10 "(b) (1) An individual's 'basic amount' means 50
11 per centum of the first \$75 of his average monthly wage
12 plus 15 per centum of the next \$325 of such wage.

13 "(2) An individual's 'average monthly wage' means
14 one-sixtieth of the total of his wages and self-employment
15 income during the period of five consecutive years of cover-
16 age for which the total of his wages and self-employment
17 income was highest. If such individual does not have five
18 consecutive years of coverage, the term means the total
19 of his wages and self-employment income during all years
20 which were years of coverage divided by twelve times the
21 number of such years of coverage. If such individual does
22 not have any years of coverage, or if his average monthly
23 wage as computed under the preceding provisions of this
24 paragraph is less than \$50, his average monthly wage shall
25 be deemed to be \$50. In determining an individual's

1 consecutive years of coverage for purposes of this para-
2 graph any calendar year which was not a year of cover-
3 age, other than a year for any month of which he was
4 entitled to primary insurance benefits under section 201
5 (a) (1), shall be disregarded. For purposes of this
6 paragraph—

7 “(A) there shall not be counted so much of any
8 self-employment income derived by an individual dur-
9 ing a calendar year as, when added to the wages paid
10 him during such year, exceeds \$3,000 in the case of
11 the calendar year 1949 or \$4,800 in the case of any
12 calendar year thereafter;

13 “(B) the year in which an individual dies or be-
14 comes entitled to primary insurance benefits, whichever
15 first occurs, shall not be counted as a year of coverage
16 for him;

17 “(C) if the total of an individual’s wages and self-
18 employment income for any calendar year is not a
19 multiple of \$1, such total shall be reduced to the next
20 lower multiple of \$1;

21 “(D) if the amount of an individual’s average
22 monthly wage as computed under the foregoing provi-
23 sions of this subsection is not a multiple of \$1, it shall
24 be raised to the next higher multiple of \$1.

25 “(c) An individual’s ‘continuation factor’ means the

1 quotient obtained by dividing the number of his years of
2 coverage after his starting date by the number of his elapsed
3 years. An individual's starting date shall be 1949 or 1936,
4 whichever results in a higher continuation factor, and in
5 case the quotient obtained under this subsection is greater
6 than one, it shall be reduced to one. For the purpose of
7 this subsection, elapsed years means the calendar years
8 elapsing after his starting date or after the year in which
9 he attained the age of twenty-one, whichever is later, and
10 prior to the year in which he attained the age of sixty-five
11 if a male, or the age of sixty if a female, or died, whichever
12 first occurred, or, if the computation under this subsection
13 is being made with respect to an individual who is entitled
14 to benefits under section 201 (a) (2), prior to the year
15 in which his disability began, excluding from such elapsed
16 years any year any quarter of which was included in a period
17 of extended disability unless such year was a year of
18 coverage.

19 “(d) For purposes of this title, a ‘year of coverage’
20 means a calendar year in which the sum of the wages paid
21 to an individual and the self-employment income derived
22 by him was not less than \$200.

23 “(e) (1) An individual's ‘weekly disability benefit’
24 shall, subject to the provisions of section 205 (d), be the
25 amount appearing in column B, C, D, or E of the following

1 table, as determined by the number of his dependents, on
 2 the line on which there appears, in column A, the wage
 3 interval which includes the amount of his wages paid in
 4 that quarter of his base period in which the total of his wages
 5 was highest. For purposes of this paragraph the number
 6 of dependents of an individual shall be determined for a
 7 benefit year as of the first day of such benefit year:

"TABLE

A Highest quarterly wages	B Benefit amount without dependents	C Benefit amount with 1 dependent	D Benefit amount with 2 dependents	E Benefit amount with 3 or more dependents	F Qualifying wages
\$130.00-\$208.00-----	\$8	\$9.60	\$10.40	\$11.20	\$260
\$208.01-\$234.00-----	9	10.80	11.70	12.60	351
\$234.01-\$260.00-----	10	12.00	13.00	14.00	390
\$260.01-\$286.00-----	11	13.20	14.30	15.40	429
\$286.01-\$312.00-----	12	14.40	15.60	16.80	468
\$312.01-\$338.00-----	13	15.60	16.90	18.20	507
\$338.01-\$364.00-----	14	16.80	18.20	19.60	546
\$364.01-\$390.00-----	15	18.00	20.50	21.00	585
\$390.01-\$416.00-----	16	19.20	21.80	22.40	624
\$416.01-\$442.00-----	17	20.40	23.10	23.80	663
\$442.01-\$468.00-----	18	21.60	24.40	25.20	702
\$468.01-\$494.00-----	19	22.80	25.70	26.60	741
\$494.01-\$520.00-----	20	24.00	27.00	28.00	780
\$520.01-\$546.00-----	21	25.20	28.30	29.40	819
\$546.01-\$572.00-----	22	26.40	29.60	30.80	858
\$572.01-\$598.00-----	23	27.60	30.90	32.20	897
\$598.01-\$624.00-----	24	28.80	32.20	33.60	936
\$624.01-\$651.00-----	25	30.00	35.50	35.00	975
\$651.01-\$679.00-----	26	31.20	34.80	36.40	1,014
\$679.01-\$708.00-----	27	32.40	35.10	37.80	1,053
\$708.01-\$738.00-----	28	33.60	36.40	39.20	1,092
\$738.01-\$769.00-----	29	34.80	37.70	40.60	1,131
\$769.01-\$801.00-----	30	36.00	39.00	42.00	1,170
\$801.01-\$834.00-----	30	37.20	40.30	43.40	1,209
\$834.01 and more-----	30	38.40	41.60	45.00	1,248

1 “(2) (A) In any case in which the amount of an
2 individual’s weekly disability benefit in any benefit year
3 exceeds 6 per centum of the amount of his wages paid in
4 that quarter of his base period in which the total of his wages
5 was highest, such weekly disability benefit shall be reduced
6 to such percentage of such amount.

7 “(B) If an individual’s weekly disability benefit, after
8 reduction (if any) under paragraph (A), is not a multiple
9 of \$1, it shall be raised to the next higher multiple of \$1.

10 “(3) For purposes of this subsection, the term ‘depend-
11 ent’ means, with respect to an individual, an unmarried child
12 (including a stepchild or adopted child) who is under the
13 age of eighteen or is under an extended disability which has
14 continued for a period of not less than six consecutive calen-
15 dar months, and who is living in the same household with
16 such individual or receiving regular contributions toward his
17 support from such individual; and a wife who is living in
18 the same household with such individual and who is not
19 regularly engaged in rendering services for remuneration or
20 in any occupation for profit.

21 “(4) The maximum of the weekly disability benefits to
22 which an individual shall be entitled in any benefit year shall
23 be an amount equal to twenty-six times his weekly disability

1 benefit. In the case of any individual who, prior to the
2 termination of a continuous period of disability during part
3 of which he was entitled to weekly disability benefits, reaches
4 the maximum of his weekly disability benefits, or reaches
5 the end of his benefit year and is not an insured individual
6 under section 205 (d) for purposes of a new benefit year,
7 if he is not entitled to primary insurance benefits and if at
8 the beginning of such continuous period of disability he was
9 insured under the provisions of section 205 (c), he shall,
10 notwithstanding the first sentence of this subsection, be en-
11 titled to weekly disability benefits until such period ends or
12 has lasted for six consecutive calendar months, whichever
13 first occurs.

14 “(f) An individual’s ‘maternity benefit’ for any week
15 shall be the same amount as she would receive if she were
16 entitled to a weekly disability benefit for such week.

17 “(g) Subject to such limitations as may be prescribed
18 by regulations, the Administrator shall upon application
19 recompute the amount of any monthly benefits but only if
20 (1) the number of consecutive months for which the indi-
21 vidual, with respect to whose wages or self-employment in-
22 come such benefits are payable, has received benefits under
23 section 201 (a) (1) is less than six, (2) such individual
24 has a year of coverage for a calendar year after 1949 and,
25 after the date of the last previous computation or recomputa-

1 tion of his primary insurance benefit, and (3) such recom-
2 putation will result in a higher average monthly wage for
3 such individual. This subsection shall not authorize the
4 payment of a recomputed benefit for any month prior to
5 the month in which application for the recomputation is
6 filed. In recomputing the amount of any individual's aver-
7 age monthly wage pursuant to this subsection, the year in
8 which application for such recomputation is filed may not be
9 included as a year of coverage, but the year in which he
10 died and the year in which he became entitled to primary
11 insurance benefits may be included if they meet the require-
12 ments of subsection (d) of this section.

13 “(h) The amount of any monthly benefit computed
14 under this section or section 201 which, after reduction un-
15 der section 206, is not a multiple of \$0.10 shall be raised to
16 the next higher multiple of \$0.10 and such increase shall
17 not be limited by any of the provisions of such section 206.

18 “COVERAGE PROVISIONS

19 “SEC. 203. For purposes of this title—

20 “(a) (1) The term ‘wages’ means all remuneration
21 for employment, including the cash value of all remunera-
22 tion paid in any medium other than cash and including
23 gratuities received after 1949 by an employee in the course
24 of his employment from persons other than the person em-
25 ploying him, except that such term shall not include—

1 “(A) that part of the remuneration paid prior to
2 January 1, 1950, which would be excluded under the
3 provisions of section 209 (a) (1) of this Act as in
4 effect prior to the Social Security Amendments of 1949;

5 “(B) that part of the remuneration which, after
6 remuneration equal to \$4,800 with respect to employ-
7 ment has been paid to an individual during any calendar
8 year after 1949, is paid to such individual during such
9 calendar year;

10 “(C) the amount of any payment under an insur-
11 ance policy or from a trust fund, or from such other
12 separate funded account as may be determined by
13 regulations of the Administrator, made after December
14 31, 1949, to, or on behalf of, an employee under a plan
15 or system established or agreed to by an employer which
16 makes provision for his employees generally or for
17 a class or classes of his employees (including any
18 amount paid after such date by an employer for insur-
19 ance or annuities, or into a fund, to provide for any
20 such payment) (i) on account of death, but only if
21 the employee (I) has not the option to receive, instead
22 of provision for such death benefit, any part of such
23 payment or, if such death benefit is insured, any part
24 of the premiums (or contributions to premiums) paid by
25 his employer, and (II) has not the right, under the

1 provisions of the plan or system or policy of insurance
2 providing for such death benefit, to assign such benefit,
3 or to receive a cash consideration in lieu of such benefit
4 either upon his withdrawal from the plan or system
5 providing for such benefit or upon termination of such
6 plan or system or policy of insurance or of his employ-
7 ment with such employer, or (ii) on account of sick-
8 ness or accident disability, or medical and hospitaliza-
9 tion expenses in connection with sickness or accident
10 disability;

11 “(D) payments made after December 31, 1949,
12 to an employee (including any amount paid after such
13 date by an employer for insurance or annuities, or into
14 a fund, to provide for any such payment) on account
15 of retirement;

16 “(E) payments (other than those specified in sub-
17 paragraph (C)) made after December 31, 1949, by an
18 employer for sickness or accident disability, or medical
19 and hospitalization expenses in connection with sickness
20 or accident disability, after the expiration of six months
21 following the month in which the employee stopped
22 rendering services for such employer;

23 “(F) the payment made after December 31, 1949,
24 by an employer (without deduction from the remunera-
25 tion of the employee) of any tax or contribution required

1 from an employee under any Federal or State social
2 insurance law;

3 “(G) the value of services exchanged after Decem-
4 ber 31, 1949, for other services;

5 “(H) remuneration paid in any quarter after De-
6 cember 31, 1949, to an employee by an employer for
7 service performed by such employee for such employer
8 in connection with the employer’s operation of a farm
9 or not in the course of the employer’s trade or business,
10 if such remuneration is less than \$25.

11 “(2) (A) The term ‘self-employment income’ means
12 (subject to the provisions of subparagraphs (B), (C), and
13 (D)) the gross income (as computed under section 22 of the
14 Internal Revenue Code) derived, during any contribution
15 year (within the meaning of the Federal Self-Employment
16 Contributions Act) which begins after 1948, by an individual
17 from a trade or business carried on within the United States,
18 less the deductions allowed in computing net income by sec-
19 tion 23 of such code which are attributable to such trade
20 or business (other than the deductions allowed by section
21 23 (s) of such code).

22 “(B) In computing self-employment income, the fol-
23 lowing shall not be included:

24 “(i) Rentals from real estate, unless received in
25 the course of the individual’s trade or business as a real

1 estate dealer, or received from the operation of a room-
2 ing house or hotel which is operated primarily for the
3 production of income;

4 “(ii) Gains from the sale or exchange of capital
5 assets (as defined in section 117 of the Internal Rev-
6 enue Code), or of real property used in the individual’s
7 trade or business, or of property, other than capital
8 assets, which is subject to the allowance for depreci-
9 ation provided in section 23 (1) of such code;

10 “(iii) Income derived by an individual from the
11 performance of services as an employee;

12 “(iv) Income derived by a duly ordained, com-
13 missioned, or licensed minister of a church in the exer-
14 cise of his ministry or by a member of a religious order
15 in the exercise of duties required by such order;

16 “(v) Income derived from a trade or business
17 during a twelve-month contribution year by an indi-
18 vidual whose gross income for such year as computed
19 under section 22 of the Internal Revenue Code is less
20 than \$500 or for whom the amount computed under
21 paragraph (A) and the preceding subparagraphs of
22 this paragraph is less than \$200 for such year: *Pro-*
23 *vided*, That the Administrator shall by regulation pre-
24 scribe the minimum gross income and the minimum
25 amount computed under paragraph (A) and the pre-

1 ceding subparagraphs of this paragraph which are
2 necessary for the purposes of this subparagraph in the
3 case of a contribution year of less than twelve months
4 so that results consistent with the foregoing provisions
5 of this subparagraph may be obtained;

6 “(vi) That part of the amount computed under
7 paragraph (A) and the preceding subparagraphs of
8 this paragraph for a twelve-month contribution year
9 for an individual which, when added to the wages paid
10 to such individual during such year, exceeds \$3,000 in
11 the case of a contribution year which begins prior to
12 January 1, 1950, or \$4,800 in the case of a contribu-
13 tion year which begins on or after such date: *Provided,*
14 That the Administrator shall by regulation prescribe
15 the maximum amount for purposes of this subparagraph
16 in the case of a contribution year of less than twelve
17 months so that results consistent with the foregoing pro-
18 visions of this subparagraph may be obtained.

19 “(C) In computing self-employment income under this
20 title, no deduction shall be allowed with respect to losses
21 from the sale or exchange of capital assets (as defined in
22 section 117 of the Internal Revenue Code), or of real prop-
23 erty used in an individual's trade or business, or of property,
24 other than capital assets, which is subject to the allowance for
25 depreciation provided in section 23 (1) of such code.

1 “(D) In the case of a trade or business carried on by a
2 husband and his wife, or by either of them, the income de-
3 rived therefrom shall, regardless of the treatment of such
4 income under section 12 (d) of the Internal Revenue Code
5 or under applicable State law, be treated as the income of
6 the spouse who has the management and control of such
7 trade or business. If both spouses have the management and
8 control of such trade or business (other than as partners)
9 so much of the income therefrom as is attributable to the
10 services and property of each spouse shall, regardless of the
11 treatment of such income under such section 12 (d) or under
12 applicable State law, be treated as the income of such spouse.

13 “(b) The term ‘employment’ means any service per-
14 formed after December 31, 1936, and prior to January 1,
15 1940, which was employment as defined in section 210 (b)
16 of the Social Security Act prior to January 1, 1940 (except
17 service performed by an individual after he attained the age
18 of sixty-five if performed prior to January 1, 1939), and any
19 service performed after December 31, 1939, and prior to
20 January 1, 1950, which was employment as defined in sec-
21 tion 209 of the Social Security Act as in effect at the time
22 the service was performed, and any service of whatever
23 nature performed after December 31, 1949, either (A) by
24 an employee for the person employing him, irrespective of
25 the citizenship or residence of either, (i) within the United

1 States, or (ii) on or in connection with an American vessel
2 or American aircraft under a contract of service which is
3 entered into within the United States or during the perform-
4 ance of which the vessel or aircraft touches a point in the
5 United States, if the employee is employed on and in con-
6 nection with such vessel or aircraft when outside the United
7 States, or (B) outside the United States by a citizen or
8 resident of the United States as an employee for an Ameri-
9 can employer (as defined in section 203 (g)), except—

10 “(1) Service performed by an individual in the
11 employ of his son, daughter, or spouse, and service
12 performed by a child under the age of twenty-one in
13 the employ of his father or mother;

14 “(2) Service performed by an individual on or in
15 connection with a vessel not an American vessel, if the
16 individual is employed on and in connection with such
17 vessel when outside the United States;

18 “(3) Service performed by an individual on or in
19 connection with an aircraft not an American aircraft,
20 if the individual is employed on and in connection with
21 such aircraft when outside the United States;

22 “(4) (A) Service in the employ of the United
23 States (other than service in the active military or
24 naval service of the United States), or in the employ
25 of an instrumentality of the United States which (i) is

1 wholly owned by the United States or (ii) is exempt
2 from the contribution imposed by section 1410 of the
3 Internal Revenue Code by virtue of any other provision
4 of law, if such service is covered by a retirement system
5 of the United States or of such instrumentality (which
6 system is established by or pursuant to any law of the
7 United States), or if such service is performed by the
8 President or Vice President of the United States or by
9 any member or employee of the legislative branch
10 of the Government; and (B) for purposes of eligi-
11 bility for any amount of benefits under subsection (k)
12 or (l) of section 201, service (other than service in the
13 active military or naval service of the United States),
14 performed in the employ of the United States or of
15 an instrumentality which (i) is wholly owned by the
16 United States, or (ii) is exempt from the contribution
17 imposed by section 1410 of the Internal Revenue Code
18 by virtue of any other provision of law;

19 “(5) Service (other than service included under
20 an agreement under section 204) performed in the
21 employ of a State or any political subdivision thereof,
22 or any instrumentality of any one or more of the fore-
23 going which is wholly owned by one or more States
24 or political subdivisions; and service (other than serv-
25 ice included under an agreement under section 204)

1 performed in the employ of any instrumentality of one
2 or more States or political subdivisions to the extent
3 that the instrumentality is, with respect to such service,
4 immune under the Constitution of the United States
5 from the contribution imposed by section 1410 of the
6 Federal Insurance Contributions Act;

7 “(6) Service performed by a duly ordained, com-
8 missioned, or licensed minister of a church in the exer-
9 cise of his ministry or by a member of a religious order
10 in the exercise of duties required by such order;

11 “(7) Service performed by an individual as an
12 employee or employee representative as defined in sec-
13 tion 1532 of the Internal Revenue Code;

14 “(8) (A) Service performed in any calendar
15 quarter in the employ of an organization exempt from
16 income tax under section 101 of the Internal Revenue
17 Code, if the remuneration for such service is less than
18 \$50;

19 “(B) Service performed in any calendar quarter
20 in the employ of a school, college, or university if such
21 service is performed by a student who is enrolled and
22 is regularly attending classes at such school, college,
23 or university, and the remuneration for such service
24 (exclusive of room, board, and tuition) is less than \$50;

25 “(9) Service performed in the employ of a foreign

1 government (including service as a consular or other
2 officer or employee or a nondiplomatic representative) ;

3 “(10) Service performed in the employ of an
4 instrumentality wholly owned by a foreign government—

5 “(A) if the service is of a character similar
6 to that performed in foreign countries by employ-
7 ees of the United States or of an instrumentality
8 thereof; and

9 “(B) if the Secretary of State shall certify
10 to the Secretary of the Treasury that the foreign
11 government, with respect to whose instrumentality
12 and employees thereof exemption is claimed, grants
13 an equivalent exemption with respect to similar
14 services performed in the foreign country by
15 employees of the United States and of instrumen-
16 talities thereof;

17 “(11) Service performed in the employ of an inter-
18 national organization entitled to enjoy privileges,
19 exemptions, and immunities as an international organ-
20 ization under the International Organizations Immuni-
21 ties Act (59 Stat. 669) .

22 “(c) (1) With respect to service included as employ-
23 ment under this section which is performed in the employ
24 of the United States or in the employ of any instrumentality
25 which is wholly owned by the United States (including serv-

1 ice performed by a civilian employee, not compensated from
2 funds appropriated by the Congress, in the Army Exchange
3 Service, Army Motion Picture Service, Naval Ship's Service
4 Stores, Marine Corps post exchanges, or other activities con-
5 ducted by an instrumentality of the United States subject
6 to the jurisdiction of the Secretary of Defense at installations
7 of the National Military Establishment for the comfort,
8 pleasure, contentment, and mental and physical improvement
9 of personnel of such Establishment), the Federal Security
10 Administrator shall not make determinations as to whether
11 an individual has performed such service, the periods of such
12 service, the amounts of remuneration for such service which
13 constitute 'wages' under the provisions of this section, or the
14 periods in which or for which such wages were paid, but
15 shall accept the determinations with respect thereto of the
16 head of the appropriate Federal Agency or instrumentality,
17 and such agents as such head may designate, as evidenced
18 by returns filed by such head as an employer pursuant to the
19 Federal Insurance Contributions Act and certification made
20 pursuant to this subsection. Such determinations shall be
21 final and conclusive.

22 “(2) The head of any such agency or instrumentality is
23 authorized and directed, upon written request of the Federal
24 Security Administrator, to make certification to him with
25 respect to any matter determinable for the Administrator by

1 such head under this subsection, which the Administrator
2 finds necessary in administering this title.

3 “(3) With respect to service in the active military or
4 naval service of the United States, the term ‘wages’ shall
5 include allowances paid for the benefit of the individual per-
6 forming such service, but shall not include allowances
7 attributable to his dependents.

8 “(4) In any case in which any payment is made to or
9 with respect to an individual under any plan or system of
10 the military or naval forces of the United States on account
11 of active service in such forces, and on account of the death
12 or retirement (including retirement on account of disability)
13 of such individual, which plan or system is established by
14 any law of the United States, the wages received by such
15 individual for such active military or naval service shall not
16 be counted in determining entitlement to or amount of any
17 benefit payable, with respect to such individual’s wages or
18 self-employment income, for any month beginning with the
19 first month for which such payment under such plan or
20 system is paid.

21 “(5) For purposes of this section and section 201, the
22 term ‘active military or naval service of the United States’
23 includes active service as a member of the Coast Guard
24 (whose pay is governed by the Pay Readjustment Act of
25 1942 (37 U. S. C., ch. 2)) or as a commissioned officer of

1 the Coast and Geodetic Survey or the Public Health Service;
2 and the term 'military or naval forces of the United States'
3 includes the Coast Guard, Coast and Geodetic Survey, and
4 Public Health Service.

5 " (d) If the services performed during one-half or more
6 of any pay period by an employee for the person employing
7 him constitute employment, all the services of such employee
8 for such period shall be deemed to be employment; but if
9 the services performed during more than one-half of any such
10 pay period by an employee for the person employing him do
11 not constitute employment, then none of the services of such
12 employee for such period shall be deemed to be employment.
13 As used in this subsection, the term 'pay period' means a
14 period (of not more than thirty-one consecutive days) for
15 which a payment or remuneration is ordinarily made to the
16 employee by the person employing him. This subsection
17 shall not be applicable with respect to services performed in
18 a pay period by an employee for the person employing him,
19 where any of such service is excepted by paragraph (7) of
20 subsection (b).

21 " (e) The term 'farm' includes stock, dairy, poultry,
22 fruit, fur-bearing animal, and truck farms, plantations,
23 ranches, nurseries, ranges, greenhouses or other similar struc-
24 tures used primarily for the raising of agricultural or horti-
25 cultural commodities, and orchards.

1 “(f) The term ‘American vessel’ means any vessel
 2 documented or numbered under the laws of the United States
 3 and includes any vessel which is neither documented nor
 4 numbered under the laws of the United States nor docu-
 5 mented under the laws of any foreign country, if its
 6 crew is employed solely by one or more citizens or residents
 7 of the United States or corporations organized under the
 8 laws of the United States or of any State; and the term
 9 ‘American aircraft’ means an aircraft registered under the
 10 laws of the United States.

11 “(g) The term ‘American employer’ means (1) the
 12 United States, (2) an individual who is a resident of the
 13 United States, (3) a partnership composed solely of persons
 14 who are residents of the United States, (4) a trust, all of the
 15 trustees of which are residents of the United States, (5) a
 16 corporation organized under the laws of the United States or
 17 of any State, or (6) a corporation doing business within the
 18 United States.

19 “VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND

20

LOCAL EMPLOYEES

21 “SEC. 204. (a) The Administrator shall, at the re-
 22 quest of any State, enter into an agreement with such State,
 23 as provided in this section, for the purpose of extending the
 24 protection of the retirement, survivors, and disability insur-

1 ance system to services performed by individuals as em-
2 ployees of such State or any political subdivision thereof, or
3 of any instrumentality of any one or more of the foregoing,
4 which are not included as employment under this title solely
5 by reason of section 203 (b) (5).

6 “(b) Each such agreement may contain such provi-
7 sions as the Administrator and the State shall agree upon,
8 but shall provide—

9 “(1) that benefits will be provided for the em-
10 ployees whose services are covered by the agreement
11 (and their dependents and survivors) on the same basis
12 as though such services constituted employment as de-
13 fined in section 203 of this Act;

14 “(2) that the State will pay to the Secretary of
15 the Treasury, at such time or times as the Adminis-
16 trator may by regulation prescribe, amounts equivalent
17 to the sum of the contributions which would be required
18 by sections 1400 and 1410 of the Federal Insurance
19 Contributions Act if the services of employees covered
20 by the agreement constituted employment as defined
21 in section 1426 of such Act;

22 “(3) that the State will comply with such regula-
23 tions relating to payments and reports as the Admin-
24 istrator may prescribe to carry out the purposes of this
25 section;

1 “(4) that such agreement shall be effective with
2 respect to services performed after a date specified
3 therein, but in no case prior to January 1, 1950, and in
4 no case (other than in the case of an agreement entered
5 into prior to January 1, 1952) prior to the first day
6 of the calendar year in which such agreement is entered
7 into;

8 “(5) that the State may terminate the agreement
9 at the end of any calendar quarter in its entirety, or
10 with respect to its own employees, or with respect to
11 the employees of any political subdivision or instru-
12 mentality, upon giving two years' advance notice in
13 writing to the Administrator, but only if the agreement
14 with the State has been in effect for not less than five
15 years prior to the receipt of such notice;

16 “(6) in case such agreement includes the services
17 of any employees of the State, that the services per-
18 formed in the employ of the State by all employees
19 thereof, other than those whose services are excluded
20 pursuant to subsection (c) of this section, shall be in-
21 cluded under such agreement;

22 “(7) in case such agreement includes the services
23 of any employees of a political subdivision of the State,
24 that the services performed in the employ of such sub-
25 division by all employees thereof, other than those whose

1 services are excluded pursuant to subsection (c) of this
2 section, shall be included under such agreement;

3 “(8) in case such agreement includes the services
4 of any employees of an instrumentality of the State, or
5 of a political subdivision thereof, or of an instrumentality
6 of any two or more of the foregoing, that the services
7 performed in the employ of such instrumentality by all
8 employees thereof, other than those whose services are
9 excluded pursuant to subsection (c), shall be included
10 under such agreement.

11 “(c) (1) Such agreement shall provide, if the State
12 requests it, for the exclusion of services performed, by em-
13 ployees of the State or any political subdivision thereof, or
14 of any instrumentality of any one or more of the foregoing,
15 in positions covered by a pension, annuity, retirement, or
16 similar fund or system established by the State, or by such
17 subdivision or instrumentality. Such agreement shall not
18 provide for the inclusion of (A) any such services, if per-
19 formed by an individual in the course of his employment as
20 a policeman or fireman, or (B) any other services in posi-
21 tions covered by such a fund or system unless the State cer-
22 tifies that the employees performing such services have had
23 an opportunity, not more than one year prior to the effective
24 date of the agreement, to express their desires to be excluded

1 from or included under the agreement in a written refer-
2 endum.

3 “(2) Such agreement shall also provide, if the State
4 requests it, for the exclusion, in the case of employees of
5 the State or any political subdivision thereof, or of any
6 instrumentality of any one or more of the foregoing, of
7 services in any class or classes of elective positions, part-
8 time positions, or positions the compensation for which is
9 on a fee basis or of any services of an emergency nature.

10 “(3) Notwithstanding the provisions of paragraph (2),
11 the Administrator shall, at the request of a State, modify the
12 agreement with such State to include, in the case of em-
13 ployees of the State or any political subdivision thereof, or
14 of any instrumentality of any one or more of the foregoing,
15 services (previously excluded) in any class or classes of
16 elective positions, part-time positions, or positions the com-
17 pensation for which is on a fee basis or any services of an
18 emergency nature.

19 “(4) The Administrator shall, at the request of a State,
20 modify the agreement with such State to include services
21 excluded from the agreement (other than those excluded
22 from the agreement pursuant to paragraph (1) or (2)
23 hereof) because it did not previously apply to employees
24 of the State or because such services were performed by

1 employees of a political subdivision or instrumentality to
2 which such agreement did not previously apply.

3 “(5) The Administrator shall, at the request of a State,
4 modify the agreement with such State to include all the
5 services excluded under paragraph (1) which are covered
6 by any one retirement, pension, annuity, or similar fund
7 (other than services included in clause (A) thereof), but
8 only if the referendum referred to in such paragraph is
9 held not more than one year prior to the effective date of
10 the modification.

11 “(6) Any modification of an agreement pursuant to
12 paragraph (3), (4), or (5) hereof shall be effective on
13 a date specified in such modification, but in no case prior
14 to January 1, 1950, and in no case (other than in the case
15 of a modification agreed to prior to January 1, 1952) prior
16 to the first day of the calendar year in which such modifica-
17 tion is agreed to by the Administrator and the State.

18 “(d) No agreement under this section with any State
19 shall be effective with respect to the services of any em-
20 ployees of any political subdivision thereof unless (1) such
21 subdivision has at least ten employees, other than those
22 whose services are excluded pursuant to subsection (c), or
23 (2) the services of not less than one-fourth of the employees
24 of all the political subdivisions of the State, other than those

1 whose services are excluded pursuant to subsection (c), are
2 included under the agreement.

3 “(e) If the Administrator, after reasonable notice and
4 opportunity for hearing to a State with whom he has entered
5 into an agreement pursuant to this section, finds that the
6 State has failed or is no longer legally able, to comply sub-
7 stantially with any provision of such agreement, he shall
8 notify such State that the agreement will be terminated in its
9 entirety, or with respect to the services of employees of the
10 State, of a political subdivision, or of an instrumentality, as
11 may be appropriate, at such time, not in excess of two years
12 from the date of such notice, as he deems appropriate unless,
13 prior to such time, he finds that there no longer is any such
14 failure or that the cause for such legal inability has been
15 removed.

16 “(f) In case any State does not make, at the time or
17 times due, the payments provided for under an agreement
18 pursuant to this section, there shall be added, as part of
19 the amounts due, interest at the rate of 6 per centum per
20 annum from the date due until paid, and the Administrator
21 may, in his discretion, deduct such amounts plus interest
22 from any amounts certified to the Secretary of the Treasury
23 for payment to such State under any other provision of

1 this Act. Amounts equal to the amounts so deducted are
2 hereby appropriated to the Trust Fund.

3 “(g) If any agreement entered into under this section
4 between the Administrator and a State is terminated in its
5 entirety or with respect to the services of the employees of
6 the State, any political subdivision, or any instrumentality,
7 the Administrator and such State may not again enter into
8 an agreement pursuant to this section, or may not thereafter
9 modify such agreement to include the services of any em-
10 ployees of the State or such subdivision or instrumentality,
11 as the case may be.

12 “(h) (1) All amounts received by the Secretary of
13 the Treasury under an agreement made pursuant to this
14 section shall be deposited in the Trust Fund.

15 “(2) If more or less than the correct amount due under
16 an agreement made pursuant to this section is paid with re-
17 spect to any payment of remuneration, proper adjustments
18 with respect to the amounts due under such agreement shall
19 be made, without interest, in such manner and at such times
20 as may be prescribed by regulations of the Administrator.

21 “(3) If an overpayment cannot be adjusted under para-
22 graph (2), the amount thereof and the time or times it
23 is to be paid shall be certified by the Administrator to the
24 Managing Trustee, and the Managing Trustee, through the
25 Fiscal Service of the Treasury Department and prior to any

1 action thereon by the General Accounting Office, shall make
2 payment in accordance with such certification. The Man-
3 aging Trustee shall not be held personally liable for any
4 payment or payments made in accordance with a certifica-
5 tion by the Administrator.

6 “(i) Regulations of the Administrator to carry out the
7 purposes of this section shall be designed to make the require-
8 ments imposed on States pursuant to this section the same,
9 so far as practicable, as those imposed on employers pur-
10 suant to the Federal Insurance Contributions Act.

11 “(j) In the case of an instrumentality of two or more
12 States, the Administrator is authorized to make such agree-
13 ment to carry out the purposes of this section as may be
14 satisfactory to all parties concerned. To the extent prac-
15 ticable, such agreement shall be consistent with the other
16 provisions of this section and such provisions shall be appli-
17 cable to the services included under such agreement.

18 “(k) The Administrator is authorized, pursuant to
19 agreement with the head of any Federal agency, to dele-
20 gate any of his functions under this section to any officer or
21 employee of such agency and otherwise to utilize the serv-
22 ices and facilities of such agency in carrying out such func-
23 tions, and payment therefor shall be in advance or by way
24 of reimbursement, as may be provided in such agreement.

25 “(l) For the purposes of this section the term ‘employee’

1 includes an officer of a State, political subdivision, or instru-
2 mentality.

3 "ELIGIBILITY FOR BENEFITS

4 "SEC. 205. (a) An individual shall be deemed to be
5 insured for purposes of retirement and survivors benefits
6 and lump-sum death payments if it appears to the satisfac-
7 tion of the Administrator that—

8 " (1) he had not less than one quarter of coverage
9 for each four of the quarters elapsing after 1936 or
10 after the quarter in which he attained age twenty-one,
11 whichever is later, and in no case less than six quarters
12 of coverage, excluding from such elapsed quarters (A)
13 (i) the quarter in which such individual attained the age
14 of sixty-five if a male, or the age of sixty if a female, and
15 any quarter thereafter, or (ii) if he died before attaining
16 such age, the quarter in which he died and any quarter
17 thereafter; and (B) any quarter in a period of extended
18 disability (as defined in section 208 (i) except the
19 initial quarter in such period if such quarter is a quarter
20 of coverage, or

21 " (2) he has at least forty quarters of coverage.

22 " (b) An individual shall also be deemed to be insured
23 for purposes of lump-sum death payments and survivors
24 benefits under subsection (c) or (e) of section 201 if it
25 appears to the satisfaction of the Administrator that he had

1 acquired not less than six quarters of coverage during the
2 period consisting of the quarter in which he died and the
3 twelve calendar quarters immediately preceding such quar-
4 ter, excluding from the count of such twelve quarters any
5 quarter in a period of extended disability except the initial
6 quarter in such a period if such quarter is a quarter of
7 coverage.

8 “(c) An individual shall be deemed to be insured for
9 purposes of benefits on account of extended disability under
10 section 201 (a) (2) if it appears to the satisfaction of the
11 Administrator that—

12 “(1) he had not less than six quarters of coverage
13 during the period consisting of (A) the quarter in which
14 his disability began, and (B) the twelve calendar quar-
15 ters immediately preceding such quarter; and

16 “(2) he had not less than twenty quarters of cover-
17 age during the forty calendar-quarter period which ends
18 with the quarter in which his disability began;

19 excluding from the count of the twelve calendar quarter
20 period in clause (1) and the forty calendar quarter period
21 in clause (2) any quarter in a period of extended disability
22 except the initial quarter of such period if that quarter is a
23 quarter of coverage.

24 “(d) (1) An individual shall be deemed to be insured
25 for purposes of weekly disability benefits under section

1 201 (k) if he has been paid wages during his base period
2 totaling not less than the amount in column F of the table
3 in section 202 (e) on the line on which, in column A,
4 there appears the wage interval which includes the amount
5 of his wages paid in that quarter of his base period in
6 which the total of his wages was highest; except that if any
7 individual has not been paid such an amount during his
8 base period he shall be deemed insured for purposes of such
9 benefits, but his weekly disability benefit shall be the
10 amount appearing in column B, C, D, or E, as is appro-
11 priate, on the line on which there appears, in column F,
12 the total of his wages in his base period or, if such total
13 falls between two amounts in such column F, on the line
14 on which there appears the lower of such two amounts in
15 such column. Notwithstanding the foregoing provisions of
16 this paragraph, an individual shall not be deemed to be
17 insured for purposes of such weekly disability benefits unless
18 he has been paid remuneration for employment in at least
19 two quarters of his base period.

20 “(2) An individual’s ‘base period’ means the four com-
21 pleted calendar quarters immediately preceding the fourth
22 calendar month prior to the month in which his benefit
23 year begins.

24 “(3) An individual’s ‘benefit year’ means the one-
25 year period beginning with the day as of which he first

1 files application under section 201 (k) on the basis of which
2 he can become entitled to benefits or receive credit for a
3 waiting week under such section, and thereafter the one-year
4 period beginning with the day as of which he next files such
5 an application for benefits under such section 201 (k)
6 after the end of his last preceding benefit year.

7 “(e) As used in this title, the term ‘quarter’ and the
8 term ‘calendar quarter’ mean a period of three calendar
9 months ending March 31, June 30, September 30, or Decem-
10 ber 31, and the term ‘quarter of coverage’ means a calendar
11 quarter in which the individual has been paid not less than
12 \$50 in wages and any other calendar quarter determined
13 to be a quarter of coverage under subsection (g) ; except that
14 no quarter in a period of extended disability (other than the
15 initial quarter of such period) may be a quarter of coverage.
16 When the number of elapsed quarters specified in subsection
17 (a) of this section is not a multiple of four, for purposes of
18 such subsection such number shall be reduced to the next
19 lower multiple of four. In any case where an individual in
20 a calendar year prior to 1950, has been paid \$3,000 or more
21 in wages, has derived self-employment income of \$3,000 or
22 more, or has been paid wages and has derived self-employ-
23 ment income which totals \$3,000 or more, and in any case
24 in which an individual in a calendar year after 1949, has been
25 paid \$4,800 or more in wages, has derived self-employment

1 income of \$4,800 or more, or has been paid wages and has
2 derived self-employment income which total \$4,800 or more,
3 each quarter of such year following his first quarter of cov-
4 erage shall be deemed a quarter of coverage, except any
5 quarter in such year succeeding the quarter in which he died
6 or became entitled to a primary insurance benefit under sec-
7 tion 201 (a) (1), and any quarter in a period of extended
8 disability (other than the initial quarter in such period).

9 “(f) With respect to wages paid to an individual in
10 the six-month periods commencing either January 1, 1937,
11 or July 1, 1937, (1) if wages of not less than \$100 were
12 paid in any such period, one-half of the total amount thereof
13 shall be deemed to have been paid in each of the calendar
14 quarters in such period; and (2) if wages of less than \$100
15 were paid in any such period, the total amount thereof
16 shall be deemed to have been paid in the latter quarter of
17 such period; except that, if in any such period the indi-
18 vidual attained age sixty-five, all of the wages paid in such
19 period shall be deemed to have been paid before such age
20 was attained.

21 “(g) An individual shall not be credited, for self-
22 employment income derived during a calendar year, with
23 any quarters of coverage if such income is less than \$200
24 but shall be credited with one quarter of coverage if such
25 income is not less than \$200 but is less than \$400; with

1 two quarters of coverage if such income is not less than
2 \$400 but is less than \$600; with three quarters of coverage
3 if such income is not less than \$600 but is less than \$800;
4 and with four quarters of coverage if such income is not
5 less than \$800; except that the sum of such quarters of
6 coverage and the quarters of coverage credited an individual
7 by reason of the receipt of wages may not exceed four in any
8 calendar year. In case the contribution year with respect
9 to which contributions are imposed under the Federal Self-
10 Employment Contributions Act on an individual's self-
11 employment income is not a calendar year, there shall, for
12 purposes of this title, be allocated to each calendar year a
13 portion of which is included in such contribution year the
14 same proportion of such income as the number of months
15 which are months both of such calendar year and such con-
16 tribution year bears to the number of months in such con-
17 tribution year; and for purposes of this title, income so
18 allocated to a year shall be deemed to have been derived
19 during such year. The Administrator shall by regulation
20 prescribe the method for determining the calendar quarters
21 of a year which shall be regarded as quarters of coverage
22 hereunder or to which self-employment income derived
23 during a year shall be allocated, except that such income
24 may not be allocated for any individual to any quarter fol-
25 lowing that in which he died or following the initial quarter

1 in a period of extended disability, nor may any quarter
2 following that in which he died or following the initial
3 quarter in a period of extended disability be regarded as
4 a quarter of coverage, and except that no allocation of
5 such income pursuant to this subsection to any calendar
6 quarter may be effective prior to the beginning of such
7 quarter.

8 “(h) Notwithstanding the provisions of section 202
9 and the preceding provisions of this section, any wages for
10 services to which the provisions of section 1412 of the In-
11 ternal Revenue Code, as amended, are applicable shall, for
12 purposes of entitlement to and amount of any benefits under
13 this title, be reduced by one-half except to the extent that
14 payments are made with respect to such wages pursuant to
15 such section 1412.

16 “REDUCTION OF BENEFITS

17 “SEC. 206. (a) Whenever the total of monthly bene-
18 fits under section 201, payable for a month with respect to
19 the wages or self-employment income of an individual, ex-
20 ceeds \$150, or exceeds 80 per centum of his average monthly
21 wage (as defined in section 202 (b) (2)), such total of
22 benefits shall, prior to any deductions under this section, be
23 reduced to \$150 or to 80 per centum of his average monthly
24 wage, whichever is the lesser. Whenever a decrease of the
25 total of benefits for a month is made under this subsection,

1 each benefit, except the primary insurance benefit, shall be
2 proportionately decreased.

3 “(b) Deductions, in such amounts and at such time or
4 times as the Administrator shall determine, shall be made
5 from any payment or payments to which an individual is
6 entitled under this title, until the total of such deductions
7 equals such individual’s benefit or benefits under subsection
8 (a) (1), (b), (c) (1), (d), (e), or (f) of section 201
9 for any month in which such individual—

10 “(1) (A) rendered services in employment (as
11 defined in section 203 (b)) for remuneration of more
12 than \$50; or

13 “(B) engaged in self-employment resulting in net
14 earnings of more than \$50; or

15 “(C) rendered services in employment for remuneration of \$50 or less and engaged in self-employment
16 resulting in net earnings which, when added to such
17 remuneration, totals more than \$50; or

18
19 “(2) if a wife under age sixty entitled to a wife’s
20 insurance benefit, did not have in her care (indi-
21 vidually or jointly with her husband) a child of her
22 husband entitled to receive a child’s insurance benefit; or

23 “(3) if a widow entitled to a mother’s insurance

1 benefit, did not have in her care a child of her deceased
2 husband entitled to receive a child's insurance benefit; or

3 " (4) if a former wife divorced entitled to a mother's
4 insurance benefit, did not have in her care a child of
5 her deceased former husband who (A) is her son,
6 daughter, or legally adopted child and (B) is entitled
7 to receive a child's insurance benefit with respect to
8 the wages or self-employment income of her deceased
9 former husband.

10 For purposes of paragraph (1) of this subsection, the Ad-
11 ministrator shall by regulation prescribe the methods and
12 criteria for determining whether individuals have engaged
13 in a month in self-employment and for allocating net earn-
14 ings therefrom to months of a calendar year; and for pur-
15 poses of such paragraph, net earnings from self-employment
16 means self-employment income as computed in accordance
17 with section 203 (a) (2), but without regard to the pro-
18 visions of subparagraphs (v) and (vi) of paragraph (B)
19 thereof.

20 " (c) (1) Deductions, in such amounts and at such time
21 or times as the Administrator shall determine, shall be made
22 from any payment or payments under this title to which
23 an individual is entitled until the total of such deductions
24 equals such individual's benefit or benefits under subsection
25 (a) (2), (c) (2), (h), or (i) of section 201 for any month

1 in which such individual rendered services for income of
2 more than \$50: *Provided*, That for any month which oc-
3 curs in a continuous period of entitlement to such benefits
4 under subsection (a) (2) or (c) (2) and prior to the
5 month in which such individual attains the age of sixty-
6 five if a male, or the age of sixty if a female, and during
7 which such individual is following an approved plan of re-
8 habilitation, the Administrator, pursuant to regulations, may,
9 if in his judgment it will aid in the process of rehabilitation,
10 (A) relieve such individual from the deductions prescribed
11 by the preceding provisions of this subsection (and in the
12 case of an individual entitled to benefits under such subsec-
13 tion (a) (2), relieve his spouse or child from the deduc-
14 tions prescribed by subsection (d) of this section unless the
15 income for the services rendered by such individual in such
16 month is substantially more (as determined by the Admin-
17 istrator) than is permitted by such provisions, and (B)
18 otherwise suspend or modify the operation of this subsection
19 and subsection (d) of this section, as he may find desirable
20 in the interest of aiding the process of rehabilitation, but not
21 for any month after the eleventh month following the first
22 month for which such suspension or modification is applicable.

23 “(2) As used in this subsection, the term ‘income’
24 means remuneration for any services (whether or not such
25 services constitute employment as defined in section 203),

1 and includes net earnings from self-employment determined
2 as provided in subsection (b) of this section.

3 “(d) Deductions shall be made from any wife’s, dis-
4 abled husband’s, child’s or disabled child’s insurance benefit
5 to which a wife, husband, or child is entitled, until the
6 total of such deductions equals such wife’s, disabled hus-
7 band’s, or child’s or disabled child’s insurance benefit or
8 benefits for any month in which the individual, with respect
9 to whose wages or self-employment income such benefit
10 was payable, rendered services or engaged in self-employ-
11 ment as the result of which he suffers a deduction under
12 subsection (b) (1) or (c).

13 “(e) If more than one event occurs in any one month
14 which would occasion deductions equal to a benefit for such
15 month, only an amount equal to such benefit shall be
16 deducted.

17 “(f) Any individual in receipt (on behalf of himself
18 or another individual) of benefits subject to deduction under
19 subsection (b), (c), or (d), because of the occurrence of
20 an event enumerated therein, shall report such occurrence
21 to the Administrator prior to the receipt and acceptance of
22 an insurance benefit for the second month following the
23 month in which such event occurred. Any such individual
24 having knowledge thereof, who fails to report any such
25 occurrence, shall suffer an additional deduction equal to that

1 imposed under subsection (b), (c), or (d), except that
2 the first additional deduction imposed by this subsection in
3 the case of any individual shall not exceed an amount equal
4 to one month's benefit even though the failure to report is
5 with respect to more than one month.

6 “(g) Deductions, in such amounts and at such time or
7 times as the Administrator shall determine, shall be made
8 from any wife's, child's or disabled child's, or disabled hus-
9 band's benefit to which a wife, child, or husband is entitled,
10 until the total of such deductions equals such benefit or bene-
11 fits for any month in which the individual with respect to
12 whose wages or self-employment income such benefit was
13 payable, if entitled to benefits under section 201 (a) (2)—

14 “(1) failed to submit himself for examination in
15 accordance with regulations of the Administrator, and
16 for any month thereafter until he does so submit himself
17 for examination; or

18 “(2) refused without good cause to accept re-
19 habilitation services after direction by the Adminis-
20 trator to do so, and for any month thereafter until he
21 does accept such services;

22 “(3) is outside the United States if the Adminis-
23 trator finds that adequate arrangements do not exist
24 for determining the existence of disability or extended
25 disability of such individual and for his rehabilitation.

1 “(h) Deductions, in such amounts and at such time or
2 times as the Administrator shall determine, shall be made
3 from any payment or payments to which an individual is
4 entitled under this title, until the total of such deductions
5 equals such individual’s benefit or benefits under subsection
6 (a) (2), (c) (2), (h), (i), or (k) of section 201 for
7 any month (or week in the case of subsection (k)) of en-
8 titlement to such benefits in which such individual—

9 “(1) failed to submit himself for examination in
10 accordance with regulations of the Administrator and for
11 any month (or week) thereafter until he does so submit
12 himself; or

13 “(2) refused without good cause to accept rehabili-
14 tation services after direction by the Administrator to
15 do so and for any month (or week) thereafter until he
16 does accept such service; or

17 “(3) is outside the United States if the Administra-
18 tor finds that adequate arrangements do not exist for
19 determining the existence of disability or extended dis-
20 ability of such individual and for his rehabilitation.

21 “(i) (1) Where a benefit or benefits under section 201
22 are payable with respect to the wages or self-employment
23 income of an individual entitled to benefits under subsection
24 (a) (2) thereof and a workmen’s compensation benefit or
25 benefits have been or are paid to or with respect to such

1 individual on account of the same disability for the same
2 period of time, the total of benefits payable under this title
3 for such month with respect to the wages or self-employment
4 income of such individual shall be reduced by one-half, or by
5 an amount equal to one-half of such workmen's compensa-
6 tion benefit or benefits, whichever is the smaller. In case
7 any reduction is made under this paragraph, each benefit
8 payable with respect to the individual's wages or self-
9 employment income (other than the primary insurance bene-
10 fit) shall be proportionately reduced, except that if the
11 reduction under the preceding sentence of this subsection
12 exceeds the total of the reductions in each of the benefits
13 under the preceding provisions of this sentence, the primary
14 insurance benefit shall be reduced by such excess.

15 “(2) Where, for any month, a benefit under subsection
16 (c) (2), (h), or (i) of section 201 is payable to an indi-
17 vidual and a workmen's compensation benefit has been or
18 is paid to or with respect to such individual on account of
19 the same disability for the same period of time, the benefit
20 under such subsection shall be reduced by one-half, or by
21 an amount equal to one-half of such workmen's compensa-
22 tion benefit, whichever is the smaller.

23 “(3) The adjustments under paragraphs (1) and (2)
24 shall be made after any reduction under subsection (a) but
25 prior to any deductions under this section and prior to any

1 adjustment under section 211, except that no adjustment
2 under paragraph (1) shall reduce to less than \$10 the total
3 of benefits payable under section 201 for a month with re-
4 spect to an individual's wages or self-employment income.
5 In case benefits under this title are not reduced as provided
6 in paragraph (1) or (2) because such benefits are paid
7 prior to the workmen's compensation benefits, the adjust-
8 ment shall be made by deductions, at such time or times
9 and in such amounts as the Administrator may determine,
10 from any other payments under this title with respect to
11 the wages or self-employment which were the basis of such
12 benefits under this title.

13 “(4) If the workmen's compensation benefit is payable
14 on other than a monthly basis (excluding a benefit payable
15 in a lump sum unless it is a commutation of, or a substitute
16 for, periodic payments), adjustment of benefits under this
17 subsection shall be made in such amounts as the Administra-
18 tor finds will approximate, as nearly as practicable, the ad-
19 justments prescribed in paragraph (1) or (2), as the case
20 may be.

21 “(5) In order to assure that the purposes of this sub-
22 section will be carried out, the Administrator may, as a con-
23 dition to certification for payment of benefits with respect to
24 the wages of an individual entitled to benefits under section
25 201 (a) (2) or of benefits payable to an individual under

1 subsection (c) (2), (h), or (i) of section 201 (if it ap-
2 pears to him that there is a likelihood that an individual en-
3 titled to such benefits may be eligible, as the result of dis-
4 ability, for a workmen's compensation benefit which would
5 give rise to an adjustment under this subsection), require
6 adequate assurance of reimbursement to the Trust Fund in
7 case workmen's compensation benefits, with respect to which
8 such an adjustment should be made, become payable to such
9 individual and such adjustment is not made. The Adminis-
10 trator is also authorized to enter into agreements with any
11 State under which the State will reimburse the Trust Fund
12 in cases where adjustments under paragraph (1) or (2)
13 should be, but are not, made.

14 “(6) For purposes of this subsection and section 201
15 (m), the term ‘workmen's compensation benefit’ means
16 a cash benefit, allowance, or compensation payable under
17 any workmen's compensation law or plan of the United
18 States or of any State.

19 “NATIONAL SOCIAL INSURANCE TRUST FUND

20 “SEC. 207. (a) There is hereby created on the books
21 of the Treasury of the United States a trust fund to be known
22 as the ‘National Social Insurance Trust Fund’. Such Trust
23 Fund shall consist of the assets of the Federal Old-Age and
24 Survivors Insurance Trust Fund on January 1, 1950, which
25 assets the Board of Trustees of the Federal Old-Age and

1 Survivors Insurance Trust Fund is authorized and directed
2 to transfer to the National Social Insurance Trust Fund;
3 and such other amounts as may be paid into or belong to
4 the Federal Old-Age and Survivors Insurance Trust Fund,
5 or paid into or belong to the National Social Insurance
6 Trust Fund, by virtue of any other provision of the law.
7 There are authorized to be appropriated to the Trust Fund
8 such additional amounts as may be required to finance the
9 benefits and payments authorized by this title.

10 “(b) There is hereby created a body to be known as
11 the Board of Trustees of the National Social Insurance Trust
12 Fund (hereafter called the ‘Board of Trustees’), composed
13 of the Secretary of the Treasury, the Secretary of Labor, and
14 the Federal Security Administrator, all ex officio. The
15 Secretary of the Treasury shall be the Managing Trustee
16 of the Board of Trustees (hereafter called the ‘Managing
17 Trustee’). It shall be the duty of the Board of Trustees to—

18 “(1) hold the Trust Fund;

19 “(2) report to the Congress not later than the
20 first day of March each year on the operation and
21 status of the Trust Fund during the preceding fiscal
22 year and on its expected operation and status during
23 the next ensuing five fiscal years;

24 “(3) report to the Congress whenever the Board
25 of Trustees is of the opinion that during the ensuing

1 period of five fiscal years the Trust Fund will be exces-
2 sive or unduly small.

3 The reports provided for in clauses (2) and (3) shall
4 include a statement of the assets of and the disbursements
5 made from the Trust Fund during the preceding fiscal year,
6 estimates of the expected future income to and disbursements
7 to be made from the Trust Fund during the next ensuing five
8 fiscal years, and a statement of the actuarial status of the
9 Trust Fund. Such report shall be printed as a House Docu-
10 ment of the session of the Congress to which the report is
11 made.

12 “(c) It shall be the duty of the Managing Trustee to
13 invest such portion of the Trust Fund as is not, in his judg-
14 ment required to meet current withdrawals. Such invest-
15 ments may be made only in interest-bearing obligations of
16 the United States or in obligations guaranteed as to both
17 principal and interest by the United States. For such pur-
18 pose such obligations may be acquired (1) on original issue
19 at par, or (2) by purchase of outstanding obligations at the
20 market price. The purposes for which obligations of the
21 United States may be issued under the Second Liberty Bond
22 Act, as amended, are hereby extended to authorize the
23 issuance at par of special obligations exclusively to the Trust
24 Fund. Such special obligations shall bear interest at a rate
25 equal to the average rate of interest, computed as to the end

1 of the calendar month next preceding the date of such issue,
2 borne by all interest-bearing obligations of the United States
3 then forming a part of the public debt; except that where
4 such average rate is not a multiple of one-eighth of 1 per
5 centum, the rate of interest of such special obligations shall
6 be the multiple of one-eighth of 1 per centum next lower
7 than such average rate. Obligations other than such special
8 obligations may be acquired for the Trust Fund only on
9 such terms as to provide an investment yield not less than
10 the yield which would be required in the case of special
11 obligations if issued to the Trust Fund upon the date of such
12 acquisition. Special obligations shall be issued only if the
13 Managing Trustee determines that the purchase of other
14 interest-bearing obligations of the United States, or of obli-
15 gations guaranteed as to both principal and interest by the
16 United States on original issue or at the market price, is not
17 in the public interest. Any obligations acquired by the Trust
18 Fund (except special obligations issued exclusively to the
19 Trust Fund) may be sold by the Managing Trustee at the
20 market price, and such special obligations may be redeemed
21 at par plus accrued interest. The interest on, and the pro-
22 ceeds from the sale or redemption of, any obligations held
23 in the Trust Fund shall be credited to and form a part of
24 the Trust Fund.

25 “(d) The Managing Trustee is directed to pay such

1 amounts as are authorized by the Congress to be expended
2 directly from the Trust Fund and to pay from time to time
3 from the Trust Fund into the Treasury such additional
4 amounts not authorized to be expended directly from the
5 Trust Fund which he and the Federal Security Administra-
6 tor estimate will be expended during a three-month period
7 by the Federal Security Agency and the Treasury Depart-
8 ment for the administration of the Federal Insurance Con-
9 tributions Act, the Federal Self-Employment Contributions
10 Act, and this title. Such additional payments shall be cov-
11 ered into the Treasury as miscellaneous receipts for the
12 reimbursement of expenses incurred in connection with the
13 administration of such Acts and such title; and such pay-
14 ments shall not be available for expenditures but shall be
15 carried to the surplus fund of the Treasury. If it subse-
16 quently appears that the estimates in any particular three-
17 month period were too high or too low, appropriate adjust-
18 ments shall be made by the Managing Trustee in future
19 payments.

20 “(e) All amounts credited to the Trust Fund shall be
21 available solely for making the payments required by this
22 title. In case any property purchased or paid for directly
23 or indirectly with money from the Trust Fund is sold by
24 the Administrator or is transferred by him to another Fed-
25 eral agency, or is used by the Federal Security Agency for

1 purposes other than those related to the administration of
2 this title or the Federal Insurance Contributions Act or the
3 Federal Self-Employment Contributions Act, any proceeds
4 from such sale, transfer, or use shall be deposited in the
5 Treasury of the United States and credited to the Trust
6 Fund; and there are hereby authorized to be appropriated
7 such sums as are determined by the Administrator to be
8 equal to the reasonable value of such property in the case
9 of such a transfer to another Federal agency or use by the
10 Federal Security Agency.

11 "OTHER DEFINITIONS

12 "SEC. 208. For purposes of this title—

13 "(a) The term 'wife' means the wife of an individual
14 who (1) is the mother of such individual's son or daughter,
15 or (2) was married to him for not less than three years
16 before the day on which her application is filed, or (3) in
17 the month prior to her marriage to such individual was
18 entitled, or would have been entitled on filing an applica-
19 tion in such month and attainment in such month of the
20 age required for such entitlement, to receive a widow's in-
21 surance benefit under section 201 (d) or a parent's in-
22 surance benefit under section 201 (f).

23 "(b) (1) The term 'widow' (except when used in
24 section 201 (g)) means the surviving wife of an individual
25 who (A) is the mother of such individual's son or daughter,

1 (B) legally adopted such individual's son or daughter while
2 she was married to such individual, (C) was married to
3 such individual at the time both of them legally adopted a
4 child, or (D) was married to such individual for not less
5 than one year before the day on which he died, or (E) in
6 the month prior to her marriage to such individual was en-
7 titled, or would have been entitled on filing an application
8 in such month and attainment in such month of the age
9 required for such entitlement, to receive a widow's insurance
10 benefit under section 201 (d) or a parent's insurance benefit
11 under section 201 (f).

12 “(2) The term ‘former wife divorced’ means a woman
13 divorced from an individual who (A) is the mother of such
14 individual's son or daughter, (B) legally adopted such
15 individual's son or daughter while she was married to such
16 individual, or (C) was married to such individual at the
17 time both of them legally adopted a child.

18 “(c) The term ‘husband’ means the husband of an in-
19 dividual who (1) is the father of such individual's son or
20 daughter, or (2) was married to her for not less than three
21 years before the day on which his application was filed, or
22 (3) in the month prior to his marriage to such individual
23 was entitled, or would have been entitled on filing an appli-
24 cation and attainment of age sixty-five in such month, to
25 receive a disabled widower's insurance benefit under section

1 201 (i) or a parent's insurance benefit under section
2 201 (f).

3 “(d) The term ‘widower’ (except when used in sec-
4 tion 201 (g)) means the surviving husband of an individ-
5 ual who (1) is the father of such individual's son or daugh-
6 ter, (2) legally adopted such individual's son or daughter
7 while he was married to such individual, (3) was married to
8 such individual at the time both of them legally adopted a
9 child, (4) was married to her for not less than one year
10 before the day on which she died, or (5) in the month prior
11 to his marriage to such individual was entitled, or would have
12 been entitled on filing an application and attainment of age
13 sixty-five in such month, to receive a disabled widower's in-
14 surance benefit under section 201 (i) or a parent's insurance
15 benefit under section 201 (f).

16 “(e) The term ‘child’ means (1) the son, daughter,
17 or legally adopted child of an individual; (2) in the case
18 of a living individual, a stepchild who has been such step-
19 child, or a child with respect to whom such individual has
20 stood in loco parentis, for not less than three years before
21 the day on which such child filed application for benefits;
22 or (3) in the case of a deceased individual, a stepchild
23 who has been such stepchild, or a child with respect to
24 whom such individual has stood in loco parentis, for not
25 less than one year before the day on which such individual

1 died: *Provided*, That there shall be included as time spent
2 in either relationship specified in clauses (2) and (3),
3 time spent in the other relationship specified therein.

4 “(f) (1) In determining whether an applicant is the
5 wife, husband, widower, or parent of an insured individual
6 the Administrator shall apply such law as would be applied
7 in determining such relationship by the courts of the State
8 in which such insured individual is domiciled at the time
9 such applicant files application, or, if such insured individual
10 is dead, by the courts of the State in which he was domi-
11 ciled at the time of his death, or, if such individual is or
12 was not so domiciled in any State, by the courts of the
13 District of Columbia. If under such law such relationship
14 does not exist, but the Administrator finds that such appli-
15 cant could, under the laws applied by such courts in deter-
16 mining the devolution of intestate personal property,
17 nevertheless take such property as a wife, husband, widow,
18 or parent of such insured individual, such applicant shall
19 be deemed to be such relative.

20 “(2) For the purpose of determining whether an in-
21 dividual has become entitled to monthly benefits or a lump-
22 sum death payment under this title, or whether entitlement
23 to monthly benefits has terminated, a man and a woman
24 shall be deemed to have been married in any case in which

1 (A) they are living in the same household in a relationship
2 in which they habitually recognize each other as husband
3 and wife and so hold each other out to the public, (B) have
4 so lived for a period of not less than three years, and (C)
5 there is under the law of the State of the domicile of the
6 man no legal impediment to their valid marriage; and
7 they shall be deemed to have been married on the first day
8 on which both of such conditions specified in clauses (A)
9 and (C) were satisfied and their marriage shall be deemed
10 to have terminated whenever either of such conditions ceased
11 to be satisfied. For purposes of section 201 (e) a woman
12 shall likewise be deemed to be the widow of a deceased
13 individual if the condition specified in clause (A) was
14 satisfied continuously for one year immediately preceding
15 the death of such deceased individual.

16 “(g) (1) A wife shall be deemed to be living with
17 her husband if they are both members of the same house-
18 hold, or she is receiving regular contributions from him
19 toward her support, or he has been ordered by any court
20 to contribute to her support; and a widow shall be deemed
21 to have been living with her husband at the time of his
22 death if they were both members of the same household on
23 the date of his death, or she was receiving regular contribu-
24 tions from him toward her support on such date, or he had
25 been ordered by any court to contribute to her support.

1 “(2) A husband shall be deemed to be living with his
2 wife if they are both members of the same household, or he
3 is receiving regular contributions from her toward his sup-
4 port; and a widower shall be deemed to have been living
5 with his wife at the time of her death if they were both
6 members of the same household on the date of her death,
7 or he was receiving regular contributions from her toward
8 his support on such date.

9 “(h) (1) The term ‘disability’ means inability of an
10 individual to perform his most recent, customary, or reason-
11 ably similar work (as determined in accordance with regu-
12 lations of the Administrator) by reason of any medically
13 demonstrable illness, injury, or other impairment.

14 “(2) The term ‘extended disability’ means (1) blind-
15 ness, or (2) inability to engage in any substantially gainful
16 work (as determined in accordance with regulations of the
17 Administrator) by reason of any medically demonstrable
18 illness, injury, or other impairment.

19 “(i) An individual’s ‘period of extended disability’
20 means a calendar quarter, or a period of consecutive calendar
21 quarters, for any month of which he was entitled to benefits
22 under subsection (a) (2), (c) (2), (h), or (i) of section
23 201 and, in the case of benefits under such subsection (a)
24 (2), the two quarters immediately preceding such quarter
25 or the two quarters immediately preceding the first quarter in

1 such period of consecutive calendar quarters, as the case
2 may be.

3 “(j) Except as provided in paragraph (3) of section
4 201 (a), no person shall be deemed to be under a disability
5 or extended disability for purposes of paragraph (2) of
6 such section for any period prior to the seventh month
7 before the month in which he becomes entitled to primary
8 insurance benefits under such paragraph (2). For such
9 purposes such disability or extended disability shall be
10 deemed to have begun in such seventh month.

11 “DETERMINATION OF DISABILITY AND REHABILITATION

12 “SEC. 209. (a) The Administrator shall make provision
13 for determinations of disability and extended disability and
14 redeterminations thereof at necessary intervals, and he shall
15 by regulation provide for such examinations of individuals
16 as he deems necessary for purposes of determining or rede-
17 termining disability and extended disability and entitlement
18 to benefits by reason thereof. In the case of any individual
19 submitting to such an examination, the Administrator may
20 pay, in accordance with regulations prescribed by him, the
21 necessary travel expenses of such individual in connection
22 with such examination. Fees for examinations made pur-
23 suant to this title by physicians who are not in the service
24 of the United States for such pupose shall be determined,
25 pursuant to agreement between the Administrator and such

1 physicians, without regard to the civil-service or classifica-
2 tion laws; and such fees shall be paid by the Managing
3 Trustee directly from the Trust Fund on certification by the
4 Administrator and prior to any action thereon by the General
5 Accounting Office.

6 “(b) The Congress hereby finds and declares that re-
7 habilitation of disabled individuals who are or may become
8 entitled to benefits for extended disability under section 201
9 serves at least three very desirable purposes—it promotes
10 the welfare of the individual, conserves the assets of the
11 National Social Insurance Trust Fund, and increases the
12 potential economic product of the Nation. It is, therefore,
13 the policy of the Congress that the Administrator, to the
14 greatest extent practicable, shall attempt to rehabilitate and
15 return to the labor market disabled persons who are or may
16 become entitled to benefits under section 201 by reason of
17 extended disability.

18 “(c) The Administrator shall make provision for fur-
19 nishing medical, surgical, training, and other rehabilitation
20 services to disabled individuals when it appears to his satis-
21 faction that such individuals are or may become entitled to
22 receive benefits for extended disability under section 201,
23 if he believes such services may aid in enabling such indi-
24 viduals to return to gainful work. Insofar as practicable,
25 the Administrator shall, in furnishing such services, utilize

1 the services and facilities of State agencies (or correspond-
2 ing agencies in the case of territories or possessions) coop-
3 erating with him in carrying out the purposes of the Voca-
4 tional Rehabilitation Act, as amended, and shall reimburse
5 such agencies for the cost thereof (other than so much of
6 such cost as is included under section 3 (a) (4) of such
7 Act). There is hereby authorized to be appropriated for
8 each fiscal year from the National Social Insurance Trust
9 Fund such amount as may be necessary for the purposes
10 of this subsection.

11 “(d) In any case in which an individual has refused
12 to submit himself for examination or reexamination in ac-
13 cordance with regulations of the Administrator, or has with-
14 out good cause refused to accept rehabilitation services after
15 being directed by the Administrator to do so, the Adminis-
16 trator may find, solely because of such refusal, that such
17 individual is not under a disability or extended disability,
18 or that his disability or extended disability, previously deter-
19 mined to exist, has ceased. The Administrator may find
20 that an individual is not under a disability or extended dis-
21 ability, or that a disability or extended disability previously
22 determined to exist has ceased, if such individual is outside
23 the United States and the Administrator finds that adequate
24 provisions do not exist for determining or redetermining

1 such individual's disability or extended disability, or for
2 rehabilitation of such individual.

3 "COOPERATION WITH PUBLIC AND PRIVATE AGENCIES AND
4 GROUPS

5 "SEC. 210. The Administrator is authorized to secure
6 the cooperation of appropriate agencies of the United States,
7 of States, or of the political subdivisions of States and the
8 cooperation of private medical, dental, hospital, nursing,
9 health, educational, social, and welfare groups or organiza-
10 tions, and where necessary to enter into working agreements
11 with any of such public or private agencies, organizations,
12 or groups in order that the advice and services of these vari-
13 ous agencies, organizations, and groups may be utilized in
14 the efficient administration of this title."

15 ADJUSTMENTS ON ACCOUNT OF ERRORS

16 SEC. 203. Subsection (a) of the section of the Social
17 Security Act redesignated as section 211 (by section 201 of
18 this Act) is amended to read:

19 "(a) Whenever the Administrator finds that more or
20 less than the correct amount has been paid to an individual
21 under this title or that amounts due an individual have not
22 been paid to him (which amounts shall include the amount
23 of any uncashed check), proper adjustment shall be made,
24 under regulations prescribed by the Administrator, as fol-

1 lows: (1) With respect to payments of more than the
2 correct amount the Administrator, in his discretion, shall
3 decrease any payment to which such individual is or becomes
4 entitled under this title or shall decrease any payments
5 payable under this title, either before or after the death
6 of such overpaid individual, to any other individual with
7 respect to the wages or self-employment income which were
8 the basis of any payment to such overpaid individual; (2)
9 with respect to payments of less than the correct amount
10 and with respect to amounts found to be due an individual
11 but not paid to him, the Administrator shall make pay-
12 ment thereof to the individual to whom such amount is
13 owing or, in the case of the death of such individual before
14 such adjustment is completed, the Administrator shall do
15 whichever of the following he deems will best carry out
16 the purposes of this title: refuse to make such payment,
17 make such payment to the estate of such underpaid indi-
18 vidual, or make such payment to any other individual or
19 individuals payment to whom the Administrator finds to
20 be in accordance with the purposes of this title.”

21

PENALTIES

22 SEC. 204. The section of the Social Security Act re-
23 designated as section 212 (by section 201 of this Act) is
24 amended to read:

"PENALTIES

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"SEC. 212. (a) Whoever—

"(1) makes or causes to be made any false statement of a material fact in any application for any payment under this title, or

"(2) makes or causes to be made and presents or causes to be presented to the Administrator, or to any officer or employee of the Federal Security Agency, any false statement, representation, affidavit, or document which is presented for use in determining rights to payments under this title, or

"(3) with intent to defraud the United States, negotiates or causes to be negotiated, or willfully retains, any check in payment of any benefit under this title knowing that the payee of such check has no lawful right thereto, or

"(4) having made application to receive payments under this title for the use of another and having received such payments, willfully expends them otherwise than for the benefit of such other person, or

"(5) transfers by sale, or otherwise, with intent to defraud the United States in any manner, an employee's social-security account number card, issued by the United States, or

1 “(6) willfully conceals or fails to disclose the oc-
2 currence of any event which he has agreed to disclose in
3 an application for payments under this title, and there-
4 after receives payments under this title as a result of
5 such concealment or failure to disclose, or

6 “(7) for the purpose of causing any entry of any
7 item to be made in the records of wages and self-employ-
8 ment income maintained by the Administrator under
9 this title or for the purpose of causing any revision in
10 or deletion of any entry in such records, or for the
11 purpose of causing any omission of any entry in such
12 records or for the purpose of preventing the correction or
13 revision of any entry in such records, makes or causes to
14 be made any false statement or representation to the
15 United States (including any false statement or repre-
16 sentation in connection with any matter arising under the
17 Federal Insurance Contributions Act or the Federal Self-
18 Employment Contributions Act) as to the amount of
19 any wages or remuneration paid or received, or the
20 period during which earned or paid, or the person to
21 whom or by whom paid, or as to the amount of any self-
22 employment income derived or the period during which
23 derived or the person by whom derived,

24 shall be guilty of a misdemeanor and upon conviction thereof

1 shall be fined not more than \$1,000 or imprisoned for not
2 more than one year, or both.

3 “(b) No person shall be prosecuted, tried, or punished
4 for any offense under this section unless the indictment is
5 found or the information is instituted within three years
6 after such offense is discovered by the Administrator.”

7 WAGE RECORDS AND APPLICATIONS

8 SEC. 205. (a) Subsection (b) of the section of the
9 Social Security Act redesignated as section 213 (by section
10 201 of this Act) is amended by striking out “wife, widow,
11 child, or parent,” and inserting in lieu thereof “wife, hus-
12 band, widow, widower, former wife divorced, child, or
13 parent,”.

14 (b) Subsection (c) of such section is amended to read:

15 “(c) (1) On the basis of information obtained by or
16 submitted to the Administrator, and after such verification
17 thereof as he deems necessary, the Administrator shall estab-
18 lish and maintain records of the amounts of wages paid to,
19 and the amount of self-employment income derived by, each
20 individual and of the periods in which such wages were paid
21 or such income derived and, upon request, shall inform any
22 individual or his survivor of the amounts of wages and self-
23 employment income of such individual and the periods dur-
24 ing which such wages were paid or such income derived, as

1 shown by such records at the time of such request. Such
2 records shall be evidence, for the purpose of proceedings be-
3 fore the Administrator or any court, of the amounts of such
4 wages and self-employment income and the periods in which
5 such wages were paid or such income derived, and the ab-
6 sence of an entry as to an individual's wages or self-employ-
7 ment income in such records for any period shall be evidence
8 that no wages were paid to or self-employment income de-
9 rived by such individual in such period.

10 “(2) For purposes of this subsection the term ‘account-
11 ing period’ means a calendar quarter in the case of wages
12 and a contribution year (within the meaning of the Federal
13 Self-Employment Contributions Act) in the case of self-
14 employment income; the term ‘time limitation’ means (A)
15 a period of one year and three months in the case of self-
16 employment income (except that for any contribution year
17 ending prior to January 1, 1952, it means the one year and
18 three months period following such year or the period end-
19 ing January 1, 1952, whichever is later), and (B) a period
20 of four years and one month in the case of wages; and the
21 term ‘survivor’ means an individual's spouse, former wife
22 divorced, child, or parent, who survives such individual.

23 “(3) Prior to the expiration of the time limitation fol-
24 lowing any accounting period in which wages were paid or
25 alleged to have been paid to an individual or in which self-

1 employment income was derived or alleged to have been
2 derived by an individual, the Administrator may revise his
3 records of the wages and self-employment income of such
4 individual for such period. After the expiration of the time
5 limitation following any accounting period the records of
6 the Administrator as to the wages paid or the self-employ-
7 ment income derived in such period, and the time during
8 which such wages were paid or such income was derived,
9 shall be conclusive for purposes of this title except as pro-
10 vided in paragraphs (4) and (5).

11 “(4) After the expiration of the time limitation fol-
12 lowing any accounting period in which wages were paid
13 or alleged to have been paid to an individual or in which
14 self-employment income was derived or alleged to have
15 been derived by an individual, the Administrator may revise
16 his records of the wages and self-employment income of
17 such individual for such period (A) if an application for
18 benefits or for a lump-sum death payment is filed within
19 such time limitation, or (B) if within the time limitation
20 a request for revision is made and it is alleged in writing
21 by the individual or his survivor that the records of his
22 wages or self-employment income for such accounting period
23 are in one or more respects erroneous, or (C) in accordance
24 with contribution returns or portions thereof filed within
25 the time limitation with the Commissioner of Internal Rev-

1 enue pursuant to the Federal Self-Employment Contribu-
2 tions Act, except that in no case may any revision be made
3 pursuant to clause (A) after a final decision upon the
4 application for benefits or lump-sum death payment, or
5 pursuant to clause (B) after a final decision upon the
6 request for revision. Written notice of the Administrator's
7 decision on any request for revision pursuant to clause (B)
8 shall be given to the individual concerned or his survivor.

9 “(5) After the expiration of the time limitation follow-
10 ing any accounting period in which wages were paid or
11 alleged to have been paid to an individual or in which self-
12 employment income was derived or alleged to have been
13 derived by an individual, the Administrator may also (A)
14 delete or reduce any entry with respect to wages or self-
15 employment income for such accounting period which is er-
16 roneous as a result of fraud or misrepresentation, or (B)
17 delete or reduce any entry with respect to self-employment
18 for such accounting period, if it appears to the Administra-
19 tor that such entry is in one or more respects erroneous,
20 except that no such deletion or reduction of self-employment
21 income may be made after the expiration of four years and
22 three months following such accounting period, or (C) revise
23 any entry with respect to wages in such accounting period
24 or include in his records of such accounting period any
25 omitted item of wages to conform his records to tax or con-

1 tribution returns or portions thereof (including information
2 returns and other statements) filed with the Commissioner
3 of Internal Revenue under the Federal Insurance Contribu-
4 tions Act, or title VIII of the Social Security Act or regula-
5 tions made under authority thereof, and to information re-
6 turns filed by a State pursuant to an agreement under section
7 204 or regulations of the Administrator thereunder, or (D)
8 correct errors made in the allocation to individuals or account-
9 ing periods of wages or self-employment income entered in
10 the records of the Administrator, or (E) correct errors ap-
11 parent on the face of the Administrator's records, or (F)
12 transfer items to records of the Railroad Retirement Board
13 in the event such items were credited under this title when
14 they should have been credited under the Railroad Retire-
15 ment Act or to include items transferred by the Railroad
16 Retirement Board which have been credited under the Rail-
17 road Retirement Act when they should have been credited
18 under this title, or (G) correct any entry with respect to
19 wages for such accounting period which has been deleted or
20 reduced pursuant to tax or contribution returns or portions
21 thereof (including information returns and other written
22 statements) filed with the Commissioner of Internal Revenue
23 under the Federal Insurance Contributions Act or title
24 VIII of the Social Security Act or regulations made under
25 authority thereof, or pursuant to information returns filed

1 by a State pursuant to an agreement under section 204 or
2 regulations of the Administrator thereunder, where such
3 deletion or reduction was erroneous and (if such returns were
4 filed within the limitation period) neither the individual
5 whose wage record is involved nor his survivor had knowl-
6 edge of such deletion or reduction within such time limitation.
7 Written notice of any correction or revision under this para-
8 graph and paragraphs (3) and (4) which results in a dele-
9 tion or reduction will be given to the individual whose record
10 is involved or his survivor, except that in the case of a dele-
11 tion or reduction with respect to any entry of wages such
12 notice shall be given only if such individual or his survivor
13 has previously been notified of the amount of such individual's
14 wages for the accounting period involved, as shown by the
15 Administrator's records prior to such correction or revision.

16 “(6) Upon request in writing, within such period after
17 any correction, revision, or refusal of a request for revision
18 of his records pursuant to this subsection as the Adminis-
19 trator may prescribe, opportunity for hearing with respect
20 to such correction, revision, or refusal shall be afforded to
21 any individual or his survivor. No evidence may be intro-
22 duced at any such hearing on any change of records pur-
23 suant to paragraph (5) hereof unless it relates to such
24 change or the authority of the Administrator to make it.
25 If a hearing is held pursuant to this paragraph, the Admin-

1 istrator shall make findings of fact and a decision based on
2 the evidence adduced at such hearing and shall revise his
3 records as may be required by such findings and decision.

4 “(7) Decisions of the Administrator under this sub-
5 section shall be reviewable by commencing a civil action in
6 the district court of the United States as provided in sub-
7 section (g) hereof.”

8 (c) Subsection (m) of such section is amended to
9 read:

10 “(m) No application for any benefit under paragraph
11 (2) of subsection (a) of section 201 filed prior to seven
12 months before the first month for which the applicant be-
13 comes entitled to receive such benefit shall be accepted
14 as an application for purposes of this title; and no applica-
15 tion for any benefit under subsection (a) (1), (b), (c),
16 (d), (e), (f), (h), or (i) of such section filed prior to
17 three months before the first month for which the applicant
18 becomes entitled to receive such benefit shall be accepted
19 as an application for purposes of this title.”

20 SPECIAL PROVISIONS IN CASES OF DECEASED WORLD WAR II

21

VETERANS

22 SECTION 206. Paragraphs (1), (2), and (3) of sub-
23 section (a) of the section of the Social Security Act re-

1 designated as section 216 (by section 201 of this Act) are
2 amended to read:

3 “(1) to have been insured under the provisions of
4 section 205 (a) when he died;

5 “(2) to have an average monthly wage of not less
6 than \$160; and

7 “(3) for the purposes of section 202, to have a
8 year of coverage for any year in which he had thirty
9 days or more of active service after September 16,
10 1940.”

11 **EFFECTIVE DATES**

12 **SEC. 207 (a)** For purposes of this section, an “amended”
13 clause, paragraph, subparagraph, subsection, or section means
14 a clause, paragraph, subparagraph, subsection, or section of
15 title II of the Social Security Act as amended (or renum-
16 bered) by this Act; and a “prior” clause, paragraph, sub-
17 paragraph, subsection, or section means a clause, paragraph,
18 subparagraph, subsection, or section of title II of the Social
19 Security Act as in effect prior to amendment (or renum-
20 bering) by this Act.

21 (b) The following provisions shall be effective as of
22 January 1, 1949:

23 (1) The amended section 203 (a) (2) and the
24 amended section 205 (g).

1 (2) The amended section 213 (c) (1), in lieu of the
2 prior section 205 (c) (1).

3 (3) The amended section 205 (e) (other than the
4 second sentence thereof), in lieu of so much of the provi-
5 sions of the prior section 209 (g) as follow subparagraph
6 (2) thereof (other than the second sentence following such
7 subparagraph (2)).

8 (c) The following provisions shall be effective July 1,
9 1949:

10 (1) So much of the provisions of the amended subsec-
11 tions (b) (1), (c) (1), (d) (1), (e) (1), and (f) (1)
12 of section 201 as relate to termination of entitlement to ben-
13 efits under such subsections, in lieu of so much of the pro-
14 visions of the prior subsections (b) (1), (c) (1), (d) (1),
15 (e) (1), and (f) (1) of section 202 as relate to termina-
16 tion of entitlement to benefits under such subsections.

17 (2) The amended section 201 (j), in lieu of the prior
18 section 202 (h), and the amended section 206 (f), in lieu
19 of the prior section 203 (g).

20 (3) So much of the provisions of the amended section
21 208 (f) (2) as relate to termination of entitlement to bene-
22 fits under title II of the Social Security Act.

23 (d) The following provisions shall be effective in the
24 case of applications for benefits under title II of the Social
25 Security Act filed after June 30, 1949;

1 (1) The amended section 201 (a) (1), in lieu of the
2 prior section 202 (a), and the amended section 213 (m),
3 in lieu of the prior section 205 (m).

4 (2) Except for the provisions included in paragraph
5 (1) of subsection (c) of this section, the amended subsec-
6 tions (b), (d), (e), and (f) of section 201, in lieu of
7 the prior subsections (b), (d), (e), and (f), respectively,
8 of section 202, the amended paragraphs (1) and (3) of
9 section 201 (c), in lieu of the prior paragraphs (1) and
10 (2), respectively of section 202 (c), and the amended
11 paragraphs (4), (5), (6), (7), and (8) of section 201
12 (c), in lieu of the prior paragraphs (3) and (4) of
13 section 202 (c).

14 (3) Except for the provisions included in paragraph
15 (3) of subsection (c) of this section, the amended para-
16 graphs (a), (b), (e), and (f) of section 208, in lieu of
17 the prior paragraphs (i), (j), (k), and (m) of section 209.

18 (4) Except for the provisions included in paragraph
19 (3) of subsection (b) of this section, the amended sub-
20 sections (a) and (e) of section 205, in lieu of the prior
21 paragraph (g) of section 209.

22 (5) The amended section 205 (b), in lieu of the
23 prior section 209 (h), the amended section 216 (a) (1),
24 in lieu of the prior section 210 (c) (1), and the amended
25 section 202 (g), in lieu of the prior section 209 (q).

1 (e) The amended section 201 (g), in lieu of the prior
2 section 202 (g), shall be effective in the case of applications
3 filed with respect to the wages or self-employment income of
4 an individual who dies after June 30, 1949.

5 (f) (1) The amended paragraphs (2), (3), and (4)
6 of section 206 (b), in lieu of the prior paragraph (3) of
7 section 203 (d), shall be effective in the case of benefits
8 payable under title II of the Social Security Act for any
9 month after June 1949.

10 (2) The amended section 206 (a), in lieu of the prior
11 section 203 (a), shall be effective in the case of benefits
12 (other than benefits included under section 208 of this Act)
13 payable under title II of the Social Security Act for any
14 month after June 1949.

15 (g) The following provisions shall be effective in the
16 case of monthly benefits payable for any month after June
17 1949, and lump-sum death payments payable after such
18 date, under title II of the Social Security Act with respect
19 to the wages or self-employment income of an individual
20 (1) who becomes entitled to primary insurance benefits on
21 the basis of an application filed after June 30, 1949, or
22 (2) who died after such date and was not entitled to a
23 primary insurance benefit for any month prior to July 1,
24 1949, or (3) who died prior to July 1, 1949, if no monthly
25 benefits and no lump-sum death payment are payable with

1 respect to his wages or self-employment income prior to
2 such date:

3 (A) The amended subsections (a), (b), (c), (d),
4 and (h) of section 202, in lieu of the prior paragraphs
5 (e) and (f) of section 209;

6 (B) The amended paragraph (3) of section 216
7 (a), in lieu of the prior paragraph (3) of section
8 210 (a).

9 Notwithstanding the provisions of subsection (e) of this sec-
10 tion and clause (3) of this subsection, if application for a
11 lump-sum death payment is filed after June 30, 1949, with
12 respect to the wages or self-employment income of any in-
13 dividual who died prior to July 1, 1949, the amount of such
14 payment shall be determined in accordance with the provi-
15 sions of the amended section 201 (g) and the amended
16 subsections (a), (b), (c), and (d) of section 202.

17 (h) The following provisions shall be effective in the
18 case of services rendered and in the case of engaging in
19 self-employment after June 30, 1949:

20 (1) The amended paragraph (1) of section 206 (b),
21 in lieu of the prior paragraph (1) of section 203 (d).

22 (2) The amended subsection (d) of section 206, in
23 lieu of the prior subsection (e) of section 203.

24 (i) The amended section 211 (a) shall be effective, in
25 lieu of the prior section 204 (a), in the case of findings

1 by the Federal Security Administrator, made after the date
2 of enactment of this Act, that more or less than the correct
3 amount has been paid to an individual under title II of the
4 Social Security Act.

5 (j) The additional one-fourth of a primary insurance
6 benefit (in the case of death of the insured individual) under
7 the provisions of the amended section 201 (c) (3) and the
8 substitution of three-fourths of a primary insurance benefit
9 in the amended paragraphs (1) and (2) of section 201 (f)
10 for one-half of such a benefit in the prior paragraphs (1)
11 and (2) of section 202 (f) shall be applicable in the case
12 of child's or disabled child's insurance benefits and parent's
13 insurance benefits, respectively, payable for any month after
14 June 1949.

15 (k) The remaining provisions of the amended sec-
16 tions, in lieu of the remaining provisions of the prior sec-
17 tions, shall be effective January 1, 1950.

18 (l) (1) Any individual entitled, prior to July 1, 1949,
19 to widow's current insurance benefits under the prior sec-
20 tion 202 (e) who would, but for the enactment of this
21 Act, be entitled to such benefits for July 1949 shall be
22 deemed to be entitled to mother's insurance benefits under
23 the amended section 201 (e) to the same extent as though
24 she became entitled to such mother's insurance benefits in
25 July 1949.

1 (2) Any individual entitled, prior to July 1, 1949, to
2 any other monthly insurance benefits under the prior sec-
3 tion 202 who would, but for the enactment of this Act,
4 be entitled to such benefits for July 1949 shall be deemed
5 to be entitled to such benefits under the amended section 201
6 to the same extent as though such individual became en-
7 titled to such benefits under such amended section in July
8 1949.

9 (3) There shall be no recomputation of the benefits
10 under title II of the Social Security Act of individuals in-
11 cluded in paragraph (1) or (2) of this subsection except
12 as provided under the amended section 202 (g), under
13 subsection (j) of this section, or under section 208 of this
14 Act.

15 (m) In the case of any individual (1) who died after
16 December 1939 but prior to the date of enactment of this
17 Act, (2) who was not a fully insured individual under the
18 prior section 209 (g) as in effect at the time of his death,
19 and (3) who is insured under the provisions of the amended
20 section 205 (a), a parent of such individual shall be deemed
21 to have met the requirement, in the amended section 201
22 (f) (1) (E), of filing proof of support within two years
23 of the date of such individual's death if such proof is filed
24 within two years of the date of such enactment.

1 INCREASE IN BENEFITS IN FORCE BEFORE JULY 1, 1949
 2 SEC. 208. (a) Except as provided in subsection (d) the
 3 amount of any monthly benefit payable under title II of the
 4 Social Security Act for any month after June 30, 1949,
 5 with respect to the wages or self-employment income of any
 6 individual who became entitled to primary insurance benefits
 7 or died prior to July 1, 1949, shall be increased, the amount
 8 of such increase to be determined by use of the following
 9 table:

TABLE

A Present primary insurance benefit	B Increased primary insurance benefit	C Total of benefits payable on new primary insurance benefit
\$10.00	\$25.00	\$40.00
\$11.00	28.60	43.70
\$12.00	31.20	47.60
\$13.00	33.20	50.50
\$14.00	34.90	53.00
\$15.00	36.40	55.10
\$16.00	37.70	56.90
\$17.00	38.90	58.70
\$18.00	40.00	60.80
\$19.00	40.70	63.60
\$20.00	41.60	67.50
\$21.00	42.80	73.00
\$22.00	44.50	80.80
\$23.00	47.00	92.60
\$24.00	49.10	102.60
\$25.00	50.90	110.60
\$26.00	52.50	117.20
\$27.00	54.00	123.20
\$28.00	55.40	128.80
\$29.00	56.70	134.20
\$30.00	58.00	139.60
\$31.00	59.30	145.40
\$32.00	60.60	150.00
\$33.00	61.90	150.00
\$34.00	63.10	150.00

TABLE—Continued

A Present primary insurance benefit	B Increased primary insurance benefit	C Total of benefits payable on new primary insurance benefit
\$35.00-----	\$64.30	\$150.00
\$36.00-----	65.50	150.00
\$37.00-----	66.70	150.00
\$38.00-----	67.80	150.00
\$39.00-----	68.70	150.00
\$40.00-----	69.50	150.00
\$41.00-----	70.20	150.00
\$42.00-----	70.80	150.00
\$43.00-----	71.30	150.00
\$44.00-----	71.70	150.00
\$45.00-----	72.00	150.00
\$46.00-----	72.20	150.00

1 (b) (1) The amount of the primary insurance benefit
 2 of any such individual referred to in subsection (a) which
 3 appears in column A of the table shall be increased to the
 4 amount which appears on the same line in column B of
 5 such table; (2) the amount of any monthly benefit (other
 6 than the primary insurance benefit) payable with respect
 7 to the wages or self-employment income of such individual
 8 and of any lump-sum death payment payable with respect
 9 to the wages or self-employment income of such individual
 10 who died after June 30, 1949, shall, subject to the pro-
 11 visions of clause (3) hereof, be such percentage of his in-
 12 creased primary insurance benefit as is provided for such
 13 other benefit in section 201 of the Social Security Act, as
 14 amended by this Act; (3) if the total of the benefits pay-

1 able for any month (after increase pursuant to clauses (1)
2 and (2) hereof) with respect to the wages or self-employ-
3 ment income of an individual exceeds the amount which
4 appears in column C on the line on which there appears in
5 column B the amount of his increased primary insurance
6 benefit, such total for such month shall be reduced to such
7 amount which appears in column C: *Provided*, That the
8 amount of any benefit payable with respect to the wages or
9 self-employment income of any such individual which, after
10 the reductions under clause (3) have been made, is not a
11 multiple of \$0.10 shall be raised to the next higher multiple
12 of \$0.10, and such increase shall not be limited by the pro-
13 visions of such clause (3).

14 (c) If the amount of the primary insurance benefit of
15 any such individual referred to in subsection (a) falls be-
16 tween the amounts on any two consecutive lines in column
17 A the amount of such benefit shall be increased, and the
18 amounts of the benefits payable on the basis of his wages or
19 self-employment income shall be determined, in accordance
20 with regulations of the Administrator designed to obtain
21 results consistent with those obtained pursuant to subsec-
22 tion (b).

23 (d) The foregoing provisions of this section shall not
24 be applicable to any case to which the provisions of section
25 207 (g) of this Act are applicable.

1 TITLE III—AMENDMENTS TO THE INTERNAL
2 REVENUE CODE

3 RATE OF EMPLOYMENT CONTRIBUTION

4 SEC. 301. Section 1400 of the Internal Revenue Code
5 is amended to read:

6 “SEC. 1400. RATE OF CONTRIBUTION.

7 “In addition to other taxes, there shall, for the purpose
8 of providing funds for the payment of benefits under title II
9 of the Social Security Act, be levied, collected, and paid upon
10 the income of every individual a compulsory contribution
11 equal to the following percentages of the wages (as defined
12 in section 1426 (a)) received by him after December 31,
13 1936, with respect to employment (as defined in section
14 1426 (b)) after such date:

15 “(a) With respect to wages received during the
16 calendar years 1939 to 1948, both inclusive, and wages
17 received during the period beginning January 1, 1949,
18 and ending June 30, 1949, the rate shall be 1 per cen-
19 tum;

20 “(b) With respect to wages received during the
21 period beginning July 1, 1949, and ending December
22 31, 1949, the rate shall be $1\frac{1}{2}$ per centum;

23 “(c) With respect to wages received after Decem-
24 ber 31, 1949 (other than for service in the employ of
25 the United States, or of an instrumentality thereof which

1 (1) is wholly owned by the United States, or (2) is
2 exempt from the contributions imposed by section 1410
3 by reason of any other provision of law), the rate shall
4 be 2 per centum;

5 “(d) With respect to wages received after Decem-
6 ber 31, 1949, and not included in subsection (c) hereof,
7 the rate shall be $1\frac{1}{2}$ per centum.”

8 DEDUCTION OF EMPLOYEE CONTRIBUTIONS AND SPECIAL
9 REFUNDS

10 SEC. 302. (a) Section 1401 (a) of the Internal Rev-
11 enue Code is amended to read:

12 “(a) REQUIREMENT.—The contribution imposed by
13 section 1400 shall be paid by the employer, or collected by
14 him of the employee by deducting the amount of the con-
15 tribution from the wages as and when paid.”

16 (b) Section 1401 (b) of the Internal Revenue Code
17 is amended to read:

18 “(b) INDEMNIFICATION OF EMPLOYER.—Every em-
19 ployer shall be liable for payment of the contributions re-
20 quired under section 1400 of individuals in his employ,
21 whether or not he deducts such contributions from wages.
22 If he makes such deductions, he shall be indemnified against
23 the claims and demands of any person for the amount of
24 the contributions paid by such employer.”

1 (c) Section 1401 (d) (2) of the Internal Revenue
2 Code is amended to read:

3 “(2) WAGES RECEIVED AFTER 1946.—If by reason
4 of an employee receiving wages from more than one
5 employer during the calendar year 1947, 1948, or 1949,
6 the wages received by him during such year exceed
7 \$3,000, or if by reason of an employee receiving wages
8 from more than one employer during any calendar year
9 after the calendar year 1949, the wages received by
10 him during such year exceeded \$4,800, the employee
11 shall be entitled to a refund of any amount of tax or
12 contribution, with respect to such wages, imposed by
13 section 1400 and deducted from the employee’s wages
14 (whether or not paid to the collector), which exceeds
15 the tax or contribution with respect to the first \$3,000
16 of such wages for the calendar year 1947, 1948, or
17 1949, or the first \$4,800 of such wages for any calendar
18 year after 1949. Refund under this section may be
19 made in accordance with the provisions of law appli-
20 cable in the case of erroneous or illegal collection of the
21 tax or contribution; except that no such refund shall be
22 made unless (A) the employee makes a claim, estab-
23 lishing his right thereto, after the calendar year in which
24 the wages were received with respect to which the re-
25 fund is claimed, and (B) such claim is made within two

1 years after the calendar year in which such wages were
2 received. No interest shall be allowed or paid with
3 respect to any such refund. For the purposes of this
4 paragraph and paragraph (3), in the case of remunera-
5 tion received during any calendar year after the calendar
6 year 1949, the term 'wages' includes remuneration for
7 services covered by an agreement made pursuant to
8 section 204 of the Social Security Act, as amended;
9 the term 'employer' includes a State or any political
10 subdivision thereof, or any instrumentality of any one
11 or more of the foregoing; the term 'tax' or 'contribution'
12 includes, in the case of services covered by an agree-
13 ment made pursuant to section 204 of the Social Se-
14 curity Act, as amended, an amount equivalent to the tax
15 or contribution which would be imposed by section
16 1400, if such services constituted employment as de-
17 fined in section 1426; and the provisions of this para-
18 graph shall apply whether or not any amount deducted
19 from the employee's remuneration pursuant to section
20 204 of the Social Security Act, as amended, has been
21 paid to the Secretary of the Treasury."

22 (d) Section 1401 (d) of the Internal Revenue Code
23 is further amended by inserting at the end thereof the fol-
24 lowing new paragraph:

25 "(3) CLAIM FOR SPECIAL REFUND.—In accord-

1 ance with regulations made under this subchapter, a
2 statement from the Federal Security Administrator of
3 the wages paid an employee in any calendar year after
4 the calendar year 1949 may be submitted by such
5 employee and, together with such other proof as the
6 Commissioner may require, shall be accepted in sup-
7 port of a claim for refund under paragraph (2) of this
8 section with respect to such year.”

9 **RATE OF EMPLOYER CONTRIBUTIONS**

10 **SEC. 303.** Section 1410 of the Internal Revenue Code
11 is amended to read:

12 **“SEC. 1410. RATE OF CONTRIBUTION.**

13 “In addition to other taxes, every employer shall, for
14 the purpose of providing funds for the payment of benefits
15 under title II of the Social Security Act, pay a compulsory
16 contribution with respect to having individuals in his em-
17 ploy, equal to the following percentages of the wages (as
18 defined in section 1426 (a), but excluding wages for serv-
19 ice to which the provisions of section 1412 are appli-
20 cable) paid by him after December 31, 1936, with respect
21 to employment (as defined in section 1426 (b)) after such
22 date:

23 “(a) With respect to wages paid during the calendar
24 years 1939 to 1948, both inclusive, and wages paid during

1 the period beginning January 1, 1949, and ending June 30,
2 1949, the rate shall be 1 per centum;

3 “(b) With respect to wages paid during the period
4 beginning July 1, 1949, and ending December 31, 1949, the
5 rate shall be $1\frac{1}{2}$ per centum;

6 “(c) With respect to wages paid after December 31,
7 1949 (other than for service in the employ of the United
8 States, or of an instrumentality thereof which (1) is wholly
9 owned by the United States, or (2) is exempt from the con-
10 tribution imposed by this section by virtue of any other
11 provision of law), the rate shall be 2 per centum;

12 “(d) With respect to wages paid after December 31,
13 1949, and not included in paragraph (c) hereof, the rate
14 shall be $1\frac{1}{2}$ per centum.”

15 (b) Part II of subchapter A of chapter 9 of the Internal
16 Revenue Code is further amended by adding after section
17 1411 the following new section:

18 **“SEC. 1412. PAYMENTS WITH RESPECT TO NONPROFIT**
19 **EMPLOYMENT.**

20 “In the case of any service performed in the employ of
21 a corporation, community chest, fund, or foundation, or-
22 ganized and operated exclusively for religious, charitable,
23 scientific, literary, or educational purposes, or for the pre-

1 vention of cruelty to children or animals, no part of the net
2 earnings of which inures to the benefit of any private share-
3 holder or individual, and no substantial part of the activities
4 of which is carrying on propaganda, or otherwise attempting,
5 to influence legislation, the employer for whom such service
6 is performed may pay, at such time or times and subject to
7 such terms and conditions as may be prescribed in regulations
8 under this subchapter, amounts equivalent to the contribu-
9 tions which would be imposed under section 1410 on such
10 employer, with respect to the wages paid for such service, but
11 for the exclusion of such wages from the provisions of such
12 section.”

13 **COLLECTION OF CONTRIBUTIONS**

14 **SEC. 304.** Section 1420 (a) of the Internal Revenue
15 Code is amended to read:

16 “(a) **ADMINISTRATION.**—The contributions imposed by
17 this subchapter shall be collected by the Bureau of Internal
18 Revenue under the direction of the Secretary and shall be
19 paid (together with interest, penalties, and additions to the
20 contributions) into the National Social Insurance Trust
21 Fund.”

22 **ERRONEOUS PAYMENTS**

23 **SEC. 305.** Section 1422 of the Internal Revenue Code
24 is amended to read:

1 **“SEC. 1422. ERRONEOUS PAYMENTS.**

2 “Any contribution paid under this subchapter by a per-
3 son with respect to any period with respect to which he is
4 not liable for the contribution under this subchapter shall
5 be credited against the tax, if any, imposed by subchapter
6 B upon such person, and the balance, if any, shall be
7 refunded.”

8 **DEPOSITS BY THE POSTMASTER GENERAL**

9 **SEC. 306.** Section 1423 (c) of the Internal Revenue
10 Code is amended to read:

11 “(c) **DEPOSIT OF RECEIPTS.**—The Postmaster General
12 shall at least once a month transfer to the Treasury for de-
13 posit in the National Social Insurance Trust Fund all receipts
14 so deposited.”

15 **DEFINITION OF WAGES**

16 **SEC. 307.** Section 1426 (a) of the Internal Revenue
17 Code is amended to read:

18 “(a) **WAGES.**—The term ‘wages’ means all remunera-
19 tion for employment, including the cash value of all re-
20 munerations paid in any medium other than cash and includ-
21 ing gratuities received after 1949 by an employee in the
22 course of his employment from persons other than the per-
23 son employing him; except that such term shall not
24 include—

1 “(1) that part of the remuneration paid prior to
2 January 1, 1950, which would be excluded under the
3 provisions of this section as in effect prior to the Social
4 Security Amendments of 1949;

5 “(2) that part of the remuneration which, after
6 remuneration equal to \$4,800 with respect to employ-
7 ment has been paid to an individual by an employer
8 during any calendar year after 1949, is paid to such
9 individual by such employer during such calendar year;

10 “(3) the amount of any payment under an insur-
11 ance policy or from a trust fund, or from such other
12 separate funded account as may be determined by reg-
13 ulations under this subchapter, made after December
14 31, 1949, to, or on behalf of, an employee under a plan
15 or system established or agreed to by an employer
16 which makes provision for his employees generally or
17 for a class or classes of his employees (including any
18 amount paid after such date by an employer for insur-
19 ance or annuities, or into a fund, to provide for any such
20 payment) (A) on account of death, but only if the
21 employee (i) has not the option to receive, instead of
22 provision for such death benefit, any part of such pay-
23 ment or, if such death benefit is insured, any part of the
24 premiums (or contributions to premiums) paid by his
25 employer, and (ii) has not the right, under the provi-

1 sions of the plan or system or policy of insurance pro-
2 viding for such death benefit, to assign such benefit, or
3 to receive a cash consideration in lieu of such benefit
4 either upon his withdrawal from the plan or system
5 providing for such benefit or upon termination of such
6 plan or system or policy of insurance or of his employ-
7 ment with such employer, or (B) on account of sickness
8 or accident disability, or medical and hospitalization ex-
9 penses in connection with sickness or accident disability;
10 “ (4) payments made after December 31, 1949,
11 to an employee (including any amount paid after such
12 date by an employer for insurance or annuities, or into
13 a fund, to provide for any such payment) on account
14 of retirement;
15 “ (5) payments (other than those specified in sub-
16 paragraph (3)) made after December 31, 1949, by
17 an employer for sickness or accident disability, or
18 medical and hospitalization expenses in connection with
19 sickness or accident disability, after the expiration of
20 six months following the month in which the employee
21 stopped rendering services for such employer;
22 “ (6) the payment made after December 31, 1949,
23 by an employer (without deduction from the remunera-
24 tion of the employee) of any tax or contribution re-

1 quired from an employee under any Federal or State
2 social insurance law;

3 “ (7) the value of services exchanged after De-
4 cember 31, 1949, for other services;

5 “ (8) remuneration paid in any quarter after De-
6 cember 31, 1949, to an employee by an employer for
7 service performed by such employee for such employer
8 in connection with the employer's operation of a farm
9 or not in the course of the employer's trade or business,
10 if such remuneration is less than \$25.”

11 DEFINITION OF EMPLOYMENT

12 SEC. 308. (a) That part of subsection (b) of sec-
13 tion 1426 of the Internal Revenue Code which precedes
14 paragraph (1) thereof is amended to read:

15 “ (b) EMPLOYMENT.—The term ‘employment’ means
16 any service performed prior to January 1, 1940, which was
17 employment as defined in this section prior to such date,
18 and any service performed after December 31, 1939, and
19 prior to January 1, 1950, which was employment as de-
20 fined in this section as in effect at the time the service was
21 performed, and any service, of whatever nature, performed
22 after December 31, 1949, either (A) by an employee for
23 the person employing him, irrespective of the citizenship or
24 residence of either, (i) within the United States, or (ii)
25 on or in connection with an American vessel or American

1 aircraft under a contract of service which is entered into
2 within the United States or during the performance of which
3 the vessel or aircraft touches a point in the United States;
4 if the employee is employed on and in connection with such
5 vessel or aircraft when outside the United States, or (B)
6 outside the United States by a citizen or resident of the
7 United States as an employee for an American employer,
8 except——”.

9 (b) Such section 1426 (b) is further amended by
10 striking out paragraphs (1), (2), (3), (13), (14), and
11 (15) and by redesignating paragraphs (4), (5), (6), (7),
12 (8), (9), (10), (11), (12), and (16) as paragraphs
13 (1), (2), (4), (5), (6), (7), (8), (9), (10), and
14 (11), respectively.

15 (c) Such section 1426 (b) is further amended by in-
16 serting after the paragraph herein redesignated as paragraph
17 (2) the following new paragraph:

18 “(3) Service performed on or in connection with an air-
19 craft not an American aircraft, by an employee, if the em-
20 ployee is employed on and in connection with such air-
21 craft when outside the United States;”.

22 (d) The paragraphs of such section 1426 (b) herein
23 redesignated as paragraphs (4), (5), (6), (7), and (8)
24 are amended to read:

25 “(4) Service in the employ of the United States (other

1 than service in the active military or naval service of the
2 United States), or in the employ of an instrumentality of
3 the United States which (i) is wholly owned by the United
4 States or (ii) is exempt from the contribution imposed by
5 section 1410 by virtue of any other provision of law, if such
6 service is covered by a retirement system of the United
7 States or of such instrumentality (which system was estab-
8 lished by or pursuant to any law of the United States), or
9 if such service is performed by the President or Vice Presi-
10 dent of the United States or by any member or employee of
11 the legislative branch of the Government;

12 “(5) Service performed in the employ of a State or any
13 political subdivision thereof, or any instrumentality of any
14 one or more of the foregoing which is wholly owned by one
15 or more States or political subdivisions; and service per-
16 formed in the employ of any instrumentality of one or more
17 States or political subdivisions, to the extent that the instru-
18 mentality is, with respect to such service, immune under
19 the Constitution of the United States from the contribution
20 imposed by section 1410;

21 “(6) Service performed by a duly ordained, com-
22 missioned, or licensed minister of a church in the exercise
23 of his ministry or by a member of a religious order in the
24 exercise of duties required by such order;

1 “(7) Service performed by an individual as an employee
2 or employee representative as defined in section 1532;

3 “(8) (A) Service performed in any calendar quarter
4 in the employ of an organization exempt from income tax
5 under section 101, if the remuneration for such service is
6 less than \$50;

7 “(B) Service performed in any calendar quarter in
8 the employ of a school, college, or university if such service
9 is performed by a student who is enrolled and is regularly
10 attending classes at such school, college, or university and
11 the remuneration for such service (exclusive of room, board,
12 and tuition) is less than \$50”.

13 (e) Section 1426 (c) of the Internal Revenue Code
14 is amended by striking out “(9)” and inserting in lieu
15 thereof “(7)”.

16 (f) Section 1426 (g) is amended to read:

17 “(g) AMERICAN VESSEL AND AIRCRAFT.—The term
18 ‘American vessel’ means any vessel documented or numbered
19 under the laws of the United States; and includes any vessel
20 which is neither documented or numbered under the laws
21 of the United States nor documented under the laws of any
22 foreign country, if its crew is employed solely by one or
23 more citizens or residents of the United States or corpora-
24 tions organized under the laws of the United States or of

1 any State; and the term 'American aircraft' means an air-
2 craft registered under the laws of the United States."

3 (g) Section 1426 (h) of the Internal Revenue Code
4 is amended to read:

5 " (h) FARM.—The term 'farm' includes stock, dairy,
6 poultry, fruit, fur-bearing animal, and truck farms, planta-
7 tions, ranches, nurseries, ranges, greenhouses or other similar
8 structures used primarily for the raising of agricultural or
9 horticultural commodities, and orchards."

10 (h) Subsections (i) and (j) of section 1426 of the
11 Internal Revenue Code are amended to read:

12 " (i) AMERICAN EMPLOYER.—The term 'American
13 employer' means (1) the United States, (2) an individual
14 who is a resident of the United States, (3) a partnership
15 composed solely of persons who are residents of the United
16 States, (4) a trust all of the trustees of which are residents
17 of the United States, (5) a corporation organized under the
18 laws of the United States or of any State, or (6) a corpora-
19 tion doing business within the United States.

20 " (j) FEDERAL SERVICE.—With respect to any service
21 included as employment under this section which is per-
22 formed in the employ of the United States or in the employ
23 of any instrumentality which is wholly owned by the United
24 States, the determinations as to whether an individual has
25 performed such service, the periods of such service, the

1 amounts of remuneration for such service which constitutes
2 'wages' under the provisions of this section, or the periods
3 in which or for which such wages were paid shall be made
4 (subject to the provisions of this section) by the head of
5 the appropriate Federal agency or instrumentality, and such
6 agents as such head may designate; and such head is author-
7 ized and directed to comply with the provisions of the in-
8 ternal revenue laws as the employer of individuals whose
9 services are included under the provisions of this subsection,
10 except to the extent provided in section 1431. In the case
11 of service in the active military or naval service of the
12 United States, the term 'wages' shall include allowances
13 paid for the benefit of the individual performing such service,
14 but shall not include allowances attributable to his depend-
15 ents. For purposes of this subchapter (other than section
16 1431), service performed in the employ of the United States
17 shall include service performed by a civilian employee, not
18 compensated from funds appropriated by the Congress, in
19 the Army Exchange Service, Army Motion Picture Service,
20 Naval Ship's Service Stores, Marine Corps post exchanges,
21 or other activities, conducted by an instrumentality of the
22 United States subject to the jurisdiction of the Secretary of
23 Defense, at installations of the National Military Establish-
24 ment for the comfort, pleasure, contentment, and mental and
25 physical improvement of personnel of such establishment.

1 For such purposes, the term 'active military or naval service
2 of the United States' shall include active service as a mem-
3 ber of the Coast Guard (whose pay is governed by the Pay
4 Readjustment Act of 1942 (37 U. S. C., ch. 2)) or as a
5 commissioned officer of the Coast and Geodetic Survey or
6 the Public Health Service."

7 CONTRIBUTIONS FOR SERVICE IN THE EMPLOY OF THE
8 UNITED STATES

9 SEC. 309. Section 1431 of the Internal Revenue Code is
10 amended to read:

11 "SEC. 1431. CONTRIBUTIONS FOR SERVICE IN EMPLOY OF
12 THE UNITED STATES.

13 "The Secretary of Defense, the Federal Security Admin-
14 istrator, the Secretary of the Treasury, or the Secretary of
15 Commerce, as may be appropriate, shall not deduct the
16 amount of contributions imposed under section 1400 with
17 respect to service in the active military or naval service
18 of the United States, nor shall he or the head of any Fed-
19 eral agency pay the amount of contributions imposed under
20 section 1410 with respect to wages for service in the employ
21 of the United States which is included under the provi-
22 sions of section 1426 (j). There is hereby authorized to
23 be appropriated to the National Social Insurance Trust
24 Fund from time to time an amount equal to the sum of the
25 following:

26 "(a) The contributions imposed pursuant to section

1 1400 with respect to wages for service in the active
2 military or naval service of the United States;

3 “(b) The contributions imposed pursuant to sec-
4 tion 1410 with respect to wages for service in the
5 employ of the United States which is included under
6 the provisions of section 1426 (j) ; and

7 “(c) The additional cost incurred by treating
8 remuneration for such service in the active military
9 or naval service of the United States as wages for
10 purposes of insured status under section 205 (d) of
11 the Social Security Act and for purposes of the amount
12 of the benefit under section 202 (e) of such Act.

13 The amounts determined under subparagraph (a) or (b)
14 hereof shall from time to time be reduced to the extent deter-
15 mined by the Secretary of Defense, the Federal Security
16 Administrator, the Secretary of the Treasury, or the Secre-
17 tary of Commrce, as may be appropriate, to be equivalent
18 to the amounts which were paid with respect to wages to
19 which section 203 (c) (4) of the Social Security Act, as
20 amended, is applicable.”

21 TECHNICAL AMENDMENTS IN CHAPTER 9

22 SEC. 310. (a) The heading of chapter 9 of the In-
23 ternal Revenue Code is amended to read “EMPLOYMENT
24 CONTRIBUTIONS AND TAXES”.

1 (b) The headings of parts I and II of subchapter A
2 of such chapter 9 are each amended by striking out "TAX
3 ON" and inserting in lieu thereof "CONTRIBUTIONS BY".

4 (c) The heading of section 1401 of the Internal Reve-
5 nue Code is amended by striking out "TAX" and inserting
6 in lieu thereof "CONTRIBUTION".

7 (d) Section 1401 (c) of the Internal Revenue Code
8 is amended by striking out "tax" and "the tax" and inserting
9 in lieu thereof "the contribution".

10 (e) Section 1402 of the Internal Revenue Code is
11 amended by striking out "tax" and inserting in lieu
12 thereof "contribution" and by striking out "taxpayer" and
13 inserting in lieu thereof "employee"; and the heading thereof
14 is amended by striking out "TAX" and inserting in lieu
15 thereof "CONTRIBUTION".

16 (f) Section 1403 of the Internal Revenue Code is
17 amended by striking out "tax" and inserting in lieu thereof
18 "contributions".

19 (g) Section 1411 of the Internal Revenue Code is
20 amended by striking out "tax" and "the tax" and inserting
21 in lieu thereof "the contribution"; and the heading thereof
22 is amended by striking out "TAX" and inserting in lieu
23 thereof "CONTRIBUTION".

24 (h) Subsection (b), (c), and (d) of section 1420 of
25 the Internal Revenue Code are each amended by striking

1 out "tax" and inserting in lieu thereof "contribution", by
2 striking out "taxes" and inserting in lieu thereof "contribu-
3 tions", and by striking out "taxpayer" and inserting in lieu
4 thereof "person paying the contribution". The heading of
5 such subsection (b) is amended by striking out "TAX" and
6 inserting in lieu thereof "CONTRIBUTION"; and the head-
7 ing of such section 1420 is amended by striking out
8 "TAXES" and inserting in lieu thereof "CONTRI-
9 BUTIONS".

10 (i) Sections 1421, 1423 (a), and 1425 of the Internal
11 Revenue Code are each amended by striking out "tax" and
12 inserting in lieu thereof "contribution".

13 (j) Sections 1428 and 1430 of the Internal Revenue
14 Code are each amended by striking out "taxes" and inserting
15 in lieu thereof "contributions".

16 **SELF-EMPLOYMENT**

17 **SEC. 311.** Chapter 9 of the Internal Revenue Code is
18 further amended by adding the following new subchapter
19 at the end thereof:

20 **"SUBCHAPTER F—CONTRIBUTIONS BY SELF-**
21 **EMPLOYED INDIVIDUALS**

22 **"SEC. 1640. RATE OF CONTRIBUTION.**

23 "In addition to other taxes, there shall, for the purpose
24 of providing funds for the payment of benefits under title II
25 of the Social Security Act, be levied, collected, and paid

1 upon the self-employment income of every individual a com-
2 pulsory contribution, with respect to the carrying on of a
3 trade or business, equal to $2\frac{1}{4}$ per centum of the self-employ-
4 ment income of such individual for each contribution year
5 beginning after December 31, 1948.

6 **"SEC. 1641. DEFINITION OF SELF-EMPLOYMENT INCOME.**

7 "The term 'self-employment income' means (with the
8 exclusions and limitations provided in section 1642) the
9 gross income (as computed under section 22) derived by
10 an individual from a trade or business carried on within the
11 United States, less the deduction allowed in computing net
12 income by section 23 which are attributable to such trade
13 or business (other than the deduction allowed by section
14 23 (s)).

15 **"SEC. 1642. EXCLUSIONS AND LIMITATIONS.**

16 "(a) **EXCLUSIONS.**—In computing self-employment in-
17 come of an individual under this subchapter, the following
18 items shall not be included:

19 "(1) Rentals from real estate (unless received in
20 the course of such individual's trade or business as a
21 real-estate dealer, or received from the operation of a
22 rooming house or hotel which is operated primarily
23 for the production of income);

24 "(2) Gains from the sale or exchange of capital
25 assets (as defined in section 117), or of real property

1 used in such individual's trade or business, or of property,
2 other than capital assets, which is subject to the allow-
3 ance for depreciation provided in section 23 (1) ;

4 “(3) Income derived by an individual from the
5 performance of services as an employee;

6 “(4) Income derived by a duly ordained, com-
7 missioned, or licensed minister of a church in the exer-
8 cise of his ministry or by a member of a religious order
9 in the exercise of duties required by such order;

10 “(5) Income derived from a trade or business dur-
11 ing a twelve-month contribution year by an individual
12 whose gross income for such year as computed under
13 section 22 is less than \$500 or for whom the amount
14 computed under the preceding provisions of this sub-
15 chapter is less than \$200 for such year: *Provided*, That
16 the Secretary shall by regulation prescribe the minimum
17 gross income and the minimum amount computed under
18 such preceding provisions which are necessary for the
19 purposes of this subparagraph in the case of a contribu-
20 tion year of less than twelve months so that results con-
21 sistent with the foregoing provisions of this subparagraph
22 may be obtained;

23 “(6) That part of the amount computed under
24 the preceding provisions of this subchapter for a twelve-

1 month contribution year for an individual which, when
2 added to the wages paid to such individual during such
3 year, exceeds \$3,000 in the case of a contribution year
4 which begins prior to January 1, 1950, or \$4,800 in the
5 case of a contribution year which begins on or after
6 such date: *Provided*, That the Secretary shall by regu-
7 lation prescribe the maximum amount necessary for pur-
8 poses of this subparagraph in the case of a contribution
9 year of less than twelve months so that results consistent
10 with the foregoing provisions of this subparagraph may
11 be obtained.

12 “(b) ITEMS NOT DEDUCTIBLE.—In computing self-
13 employment income under this subchapter, no deduction
14 shall be allowed with respect to losses from the sale or ex-
15 change of capital assets (as defined in section 117), or of
16 real property used in an individual’s trade or business, or of
17 property, other than capital assets, which is subject to the
18 allowance for depreciation provided in section 23 (1).

19 “(c) HUSBAND AND WIFE.—In the case of a trade or
20 business carried on by a husband and his wife, or by either
21 of them, the income derived therefrom shall, regardless of the
22 treatment of such income under section 12 (d) or under
23 applicable State law, be treated as the income of the spouse
24 who has the management and control of such trade or
25 business. If both spouses have the management and control

1 of such trade or business (other than as partners), so much
2 of the income therefrom as is attributable to the services and
3 property of each spouse shall, regardless of the treatment of
4 such income under section 12 (d) or under applicable
5 State law, be treated as the income of such spouse.

6 **“SEC. 1643. OTHER LAWS APPLICABLE.**

7 “(a) All provisions of law, including penalties, appli-
8 cable with respect to the contributions imposed by subchap-
9 ter A shall, insofar as applicable and not inconsistent with
10 the provisions of this subchapter, be applicable with respect
11 to the contribution imposed by this subchapter, except that
12 the provisions of section 1401 (c) relating to adjustments,
13 section 1411 relating to adjustment of contribution, and sec-
14 tion 1422 relating to erroneous payments shall not be
15 applicable.

16 “(b) All provisions of law, applicable with respect to
17 the tax imposed by chapter 1, insofar as applicable and not
18 inconsistent with the provisions of this subchapter or with
19 the provisions applicable with respect to the contributions
20 imposed by subchapter A which are made applicable to this
21 subchapter by subsection (a), shall be applicable with re-
22 spect to the contribution imposed by this subchapter, except
23 that the provisions of sections 31, 32, 33, 35, 51 (b), 58,
24 59, 60, 103, 107, 131, 145, and 186, and Supplements L,
25 M, N, and O shall not be applicable.

1 **“SEC. 1644. NONDEDUCTIBILITY OF CONTRIBUTION FROM**
 2 **NET INCOME.**

3 “For purposes of the income tax imposed by chapter 1
 4 or by any Act of Congress in substitution therefor, the con-
 5 tribution imposed by this subchapter shall not be allowed as
 6 a deduction to the taxpayer in computing his net income.

7 **“SEC. 1645. CONTRIBUTION YEAR.**

8 “For purposes of this subchapter, the term ‘contribution
 9 year’ means ‘taxable year’ as defined in section 48.

10 **“SEC. 1646. ADMINISTRATION.**

11 “The contribution imposed by this subchapter shall be
 12 collected by the Bureau of Internal Revenue under the
 13 direction of the Secretary of the Treasury and shall be paid
 14 (together with interest, penalties, and additions to the con-
 15 tribution) into the National Social Insurance Trust Fund.

16 **“SEC. 1647. SHORT TITLE.**

17 “This subchapter may be cited as the ‘Federal Self-
 18 Employment Contributions Act’ ”.

19 **EFFECTIVE DATES**

20 **SEC. 312. (a)** The amendments made by section 311
 21 of this Act shall be effective with respect to contribution
 22 years beginning after December 31, 1948.

23 (b) The amendments made by sections 301 and 303
 24 (a) of this Act shall be effective January 1, 1949.

25 (c) The amendments made by the remaining sections

1 of this title shall be effective with respect to contribution
2 years beginning after December 31, 1949.

3 TITLE IV—MISCELLANEOUS AMENDMENTS

4 REPORTS TO CONGRESS

5 SEC. 401. (a) Subsection (c) of section 541 of the
6 Social Security Act is repealed.

7 (b) Section 704 of such Act is amended to read:

8 “REPORTS

9 “SEC. 704. The Administrator shall make a full report
10 to Congress, at the beginning of each regular session, of
11 the administration of the functions with which he is charged
12 under this Act. In addition to the number of copies of such
13 report authorized by other law to be printed, there is hereby
14 authorized to be printed not more than twenty-five hundred
15 copies of such report for use by the Administrator for dis-
16 tribution to Members of Congress and to State and other
17 public or private agencies or organizations participating in
18 or concerned with the social security program.”

19 OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

20 SEC. 402. (a) Section 701 of such Act is amended to
21 read:

22 “OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

23 “SEC. 701. There shall be in the Federal Security
24 Agency a Commissioner for Social Security, appointed by
25 the Administrator, who shall perform such functions relating

1 to social security as the Administrator shall assign to him.”

2 (b) Section 908 of the Social Security Act Amend-
3 ments of 1939 is repealed.

4 INCLUSION OF PUERTO RICO AND THE VIRGIN ISLANDS IN

5 TITLE II

6 SEC. 403. Paragraph (2) of section 1101 (a) is
7 amended by striking out the period at the end and inserting
8 in lieu thereof “and when used in title II includes Puerto
9 Rico and the Virgin Islands”.

10 ADMINISTRATOR DEFINED

11 SEC. 404. Section 1101 (a) of the Social Security Act
12 is further amended by adding at the end thereof the fol-
13 lowing new paragraph:

14 “(7) The term ‘Administrator’, except when the
15 context otherwise requires, means the Federal Security
16 Administrator.”

17 DELEGATION OF FUNCTIONS, FURNISHING OF INFORMA-

18 TION, AND ADVISORY COUNCILS

19 SEC. 405. Title XI of the Social Security Act is
20 amended by adding after section 1107 the following new
21 sections:

22 “DELEGATION OF FUNCTIONS

23 “SEC. 1108. The functions of the Administrator under
24 this Act shall be performed by him or under his direction

1 and control by officers and employees of the Federal Security
2 Agency as he may designate.

3 "FURNISHING OF WAGE RECORD AND OTHER
4 INFORMATION

5 "SEC. 1109. (a) (1) The Administrator is authorized,
6 at the request of any agency charged with the administra-
7 tion of a State unemployment compensation law (with re-
8 spect to which such State is entitled to payments under
9 section 302 (a) of this Act) and to the extent consistent
10 with the efficient administration of this Act, to furnish to
11 such agency, for use by it in the administration of such
12 law or a State temporary disability insurance law admin-
13 istered by it, information from or pertaining to wage rec-
14 ords, including account numbers, maintained by the Admin-
15 istrator in accordance with section 213 (c) of this Act.

16 "(2) At the request of any agency, person, or organi-
17 zation, the Administrator is authorized, to the extent con-
18 sistent with efficient administration of this Act and subject
19 to such conditions or limitations as he deems necessary, to
20 furnish special reports on the wage and employment records
21 of individuals and to conduct special statistical studies of, and
22 compile special data with respect to, any matters related to
23 the programs authorized by this Act.

24 "(b) Requests under subsection (a) shall be complied
25 with only if the agency, person, or organization making the

1 request agrees to make payment for the work or information
2 requested in such amount, if any (not exceeding the cost of
3 performing the work or furnishing the information), as may
4 be determined by the Administrator. A State agency may
5 make the payments for information furnished pursuant to
6 paragraph (1) of subsection (a) by authorizing deductions
7 from amounts certified by the Administrator under section
8 302 (a) of this Act for payment to such State. Payments
9 for work performed or information furnished pursuant to this
10 section, including deductions authorized to be made from
11 amounts certified under section 302 (a), shall be made in
12 advance or by way of reimbursement, as may be requested
13 by the Administrator, and shall be deposited in the Treas-
14 ury as a special deposit to be used to reimburse the appro-
15 priations (including authorizations to make expenditures
16 from the National Social Insurance Trust Fund) for the
17 unit or units of the Federal Security Agency which per-
18 formed the work or furnished the information.

19 “(c) No information shall be furnished pursuant to this
20 section in violation of section 1106 or regulations prescribed
21 thereunder.

22 “NATIONAL SOCIAL SECURITY ADVISORY COUNCIL

23 “SEC. 1110. (a) There is hereby established a Na-
24 tional Social Security Advisory Council (hereinafter called
25 ‘the Council’) for the purpose of consulting with the Ad-

1 administrator, making findings, suggesting policies, studying
2 administrative operations, and discussing problems relating
3 to social security, and to insure impartiality, neutrality, and
4 freedom from political influence in the solution of such
5 problems. The Council shall consist of the Administrator
6 who shall serve as Chairman, and twelve persons appointed
7 by the Administrator without regard to the civil-service
8 laws. Such appointed members shall, to the extent possible,
9 represent employers and employees in equal numbers and
10 the public. The annual report of the Administrator shall
11 include a record of consultations with the Council, findings
12 and recommendations of the Council, and comments thereon.

13 “(b) Each appointed member shall hold office for a
14 term of three years, except that any member appointed to
15 fill a vacancy occurring prior to the expiration of the term
16 for which his predecessor was appointed shall be appointed
17 for the remainder of that term, except that, of the members
18 first appointed, four shall hold office for a term of one year,
19 four shall hold office for a term of two years, and four shall
20 hold office for a term of three years, as designated by the
21 Administrator at the time of appointment. The Council
22 is authorized to appoint such special advisory technical or
23 professional committees as may be useful in carrying out its
24 functions, and the members of such committees may be
25 members of the Council, or other persons, or both. Ap-

1 pointed members of the Council and members of technical
2 or professional committees, while serving on business of the
3 Council (inclusive of travel time), shall receive compensa-
4 tion at rates fixed by the Administrator, but not exceeding
5 \$50 per day; and shall be entitled to receive actual and
6 necessary traveling expenses and per diem in lieu of sub-
7 sistence while so serving away from their places of residence.
8 The Council, its appointed members, and its committees,
9 shall be provided by the Administrator with such secretarial,
10 clerical, or other assistance as may be required for carrying
11 out their respective functions. The Council shall meet as
12 frequently as the Administrator deems necessary, but not
13 less than twice a year. Upon request by not less than one-
14 third of the members, it shall be the duty of the Chairman
15 to call a meeting of the Council.

16 "NATIONAL SOCIAL SECURITY LEGISLATIVE ADVISORY
17 COMMITTEE

18 "SEC. 1111. (a) The Congress hereby finds that there
19 is a need to study and reevaluate at regular intervals the
20 operations of the Federal social-security program to ascertain
21 whether and to what extent it is currently furnishing ade-
22 quate protection for all segments of the population against
23 the most important or common economic risks which it
24 was designed to meet and to recommend changes in the
25 program in accordance with changing needs and expe-

1 rience. The Congress believes that such regular study and
2 reevaluation in preparation for a general legislative recon-
3 sideration of the social-security program should be regularly
4 undertaken at six-year intervals by an impartial committee
5 of outstanding citizens.

6 “(b) To effectuate the policy set forth in subsection
7 (a), the Speaker of the House of Representatives and the
8 President of the Senate are hereby directed to appoint at
9 six-year intervals a National Social Security Legislative
10 Advisory Committee (hereinafter called ‘the Committee’)
11 to study and report on problems relating to social security,
12 and to recommend any legislative changes needed for the
13 proper operation and continued sound development of the
14 program. The first such Committee shall be appointed by
15 the Eighty-fourth Congress and shall report to that Congress
16 as early as is practicable. Subsequent Committees shall be
17 appointed at six-year intervals.

18 “(c) The Committee shall consist of eight persons
19 selected by the Speaker of the House of Representatives
20 after consulting with the Committee on Ways and Means,
21 and eight persons selected by the President of the Senate
22 after consulting with the Committee on Finance. To insure
23 a representative approach, the Speaker of the House of
24 Representatives and the President of the Senate shall, in
25 selecting members of the Committee, choose persons repre-

1 sentative of employees, employers, the self-employed, and
2 the general public.

3 “(d) The Committee shall select its own Chairman.
4 The Committee is authorized to appoint such technical or
5 professional staff as may be useful in carrying out its func-
6 tions and the members of such staff may be members of
7 the Committee, or other persons, or both. Members of the
8 Committee and members of its technical or professional staff,
9 while serving on business of the Committee (inclusive of
10 travel time), shall receive compensation at rates fixed by
11 the Chairman of the Committee, but not exceeding \$50 per
12 day; and shall be entitled to receive actual and necessary
13 travel expenses and per diem in lieu of subsistence while
14 so serving at places away from their residence. The Com-
15 mittee and its staff shall be provided with such secretarial,
16 clerical, or other assistance as may be required for carrying
17 out their respective functions. The Committee, or a duly
18 constituted subcommittee, is authorized to request the use of
19 the services, information, facilities, and personnel of the de-
20 partments and agencies in the executive branch of the
21 Government in the performance of its duties under this
22 section.

23 “(e) There is hereby authorized to be appropriated
24 from the National Social Insurance Trust Fund such sums as
25 are necessary for the expenses of the Committee and its staff.

1 “(f) The Committee shall include in its reports to the
2 Congress recommendations on all aspects of the social-security
3 program, particularly concerning (1) the coverage of the
4 program; (2) the risks against which protection is or should
5 be afforded; (3) the adequacy of benefits provided under
6 such program in relation to wage levels, cost of living, and
7 employment, taking into account the costs of any suggested
8 alternatives and other relevant factors; (4) methods of fi-
9 nancing such program; and (5) methods of providing incen-
10 tives to beneficiaries, particularly disabled persons, for
11 rehabilitation and employment.”

12 AMENDMENT TO FARM LOAN ACT

13 SEC. 406. The first paragraph of section 26 of the Fed-
14 eral Farm Loan Act (12 U. S. C. 931) is amended by
15 striking out the period at the end of the first sentence thereof
16 and inserting in lieu of such period the following: “; and
17 except, in the case of, national farm loan association, the
18 contributions imposed by section 1410 of the Federal Insur-
19 ance Contrubtions Act with respect to wages paid after De-
20 cember 31, 1949, for employment after such date (other
21 than service performed by an individual to whom the Act
22 of May 29, 1930 (46 Stat. 468), as amended, applies).”

23 AMENDMENT TO FEDERAL CREDIT UNION ACT

24 SEC. 407. Section 18 of the Federal Credit Union Act,
25 as amended (12 U. S. C. 1768), is amended by striking out

1 the period at the end of the first sentence thereof and in-
 2 serting in lieu of such period the following: “; and except
 3 that Federal credit unions shall be subject to the contribu-
 4 tions imposed by section 1410 of the Federal Insurance Con-
 5 tributions Act with respect to wages paid after December
 6 31, 1949, for employment after such date (other than serv-
 7 ice performed by an individual to whom the Act of May 29,
 8 1930 (46 Stat. 468), as amended, applies).”

9 AMENDMENTS TO SOCIAL SECURITY ACT AMENDMENTS

10 OF 1946

11 SEC. 408. Section 415 of the Social Security Amend-
 12 ments of 1946 is amended, as of August 10, 1946, by strik-
 13 ing out “section 204” and inserting in lieu thereof “section
 14 203”.

15 REPEAL OF PUBLIC LAW 642 (EIGHTIETH CONGRESS)

16 SEC. 409. (a) Sections 1 and 2 of Public Law 642 of
 17 the Eightieth Congress, entitled “Joint resolution to main-
 18 tain the status quo in respect of certain employment taxes
 19 and social-security benefits pending action by Congress on
 20 extended social-security coverage”, are hereby repealed as
 21 of June 14, 1948 (the date of the enactment of such public
 22 law).

23 (b) No tax or contribution shall be collected under the
 24 Federal Insurance Contributions Act or the Federal Un-
 25 employment Tax Act, with respect to wages paid, prior to

1 the first day of the second calendar quarter which begins
2 after the date of the enactment of this Act, to an individual
3 who in the performance of the services for which such wages
4 were paid would not be an employee (as defined in such
5 Contributions or Tax Act) were it not for the enactment
6 of subsection (a) of this section.

7 (c) Every employer of an individual referred to in
8 subsection (b) shall, at such time or times and in such
9 manner as may be prescribed by regulations made by the
10 Commissioner of Internal Revenue with the approval of
11 the Secretary of the Treasury, furnish to the Commissioner
12 of Internal Revenue such information with respect to the
13 wages paid to every such individual after December 31,
14 1944, and prior to the first day of the second calendar
15 quarter which begins after the date of the enactment of this
16 Act, as may be required by such regulations, to the extent
17 that such wage information is obtainable.

81st CONGRESS
1st Session

H. R. 2893

A BILL

To extend and improve the old-age and survivors insurance system, to add protection against disability, and for other purposes.

By Mr. DOUGHTON

FEBRUARY 21, 1949

Referred to the Committee on Ways and Means

GPO 861-630

SUMMARY OF PRINCIPAL CHANGES IN
THE SOCIAL SECURITY ACT

UNDER

H. R. 2892 AND H. R. 2893



MARCH 23, 1949

Prepared for the use of the Committee on Ways and Means
by its staff

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COMPARISON OF PRINCIPAL CHANGES IN STATE-FEDERAL PUBLIC ASSISTANCE AND WELFARE SERVICE PROGRAMS UNDER H. R. 2892, WITH EXISTING PROGRAMS UNDER SOCIAL SECURITY ACT

(NOTE.—Under the bill Federal grants-in-aid to the States under titles I, IV, and X and part 3 of title V of the Social Security Act would be prohibited after June 30, 1951.)

I. CASH ASSISTANCE

EXISTING LAW

Three categories defined for assistance purposes as needy persons—(1) 65 years of age and over, (2) blind, and (3) children under 16 years of age and children 16 to 18 years of age, if they are regularly attending school.

PROPOSED CHANGES

States may extend assistance to all needy persons and may continue, modify or abolish categories.

II. MEDICAL ASSISTANCE

Federal sharing in costs of medical care limited to amounts paid to recipients that can be included within the monthly maximums on individual payments of \$50 for aged and blind, and \$27 for first child and \$18 for each additional child in an aid to dependent children family. No State-Federal assistance provided persons in public institutions unless they are receiving temporary medical care in such institutions.

Federal Government will share in medical assistance costs for needy persons on same matching basis as for cash assistance, up to an average of \$6 per month for each adult and \$3 per month for each child on the assistance rolls. Medical care may be provided in public medical institutions as well as in private institutions. Payments for medical care may be made direct to suppliers of such care—doctors, hospitals, group hospitalization plans, etc. Medical assistance not provided for patients in institutions for tuberculosis or mental disease.

III. WELFARE SERVICES

Adult welfare services available only to recipients of cash assistance and to a limited extent to applicants for assistance. Cost of such services are now shown as administrative costs, one-half of which is paid by Federal Government. Child-welfare services available in rural areas or areas of special need without regard to whether or not children receiving service are recipients of cash assistance. Current authorization for appropriations for child-welfare service—\$3,500,000 per year, which is allotted to the States with approved plans as follows: \$20,000 to each State and the remainder on basis of rural population of the respective States.

Adult welfare services and child welfare services, available to recipients of assistance and to persons not in need of assistance, to be provided on a State-wide basis, as trained personnel become available. Appropriation of \$12,000,000 authorized for adult welfare services and same amount for child welfare services for fiscal year ending June 1950—thereafter no limitation on appropriation. Appropriations for welfare services allotted to each State on the basis of (1) population, (2) financial resources, (3) extent of particular welfare problems. State money required to claim Federal funds allocated to a State is determined under same matching formula as for assistance (see V below).

PROPOSED CHANGES IN SOCIAL SECURITY ACT

IV. PERSONNEL TRAINING AND DEMONSTRATION PROJECTS

EXISTING LAW

No specific statutory provisions for training personnel or for demonstration projects. The States have been authorized to do both as part of child-welfare-service programs under the broad language of part 3 of title V of the Social Security Act. The Federal Government shares in the cost of training personnel for the State-Federal public-assistance programs as such costs are chargeable as administrative expenses for old-age assistance, aid to the blind, and aid to dependent children.

PROPOSED CHANGES

Appropriations to Federal Security Administrator authorized for training of personnel and for conduct of demonstration projects in connection with public-welfare programs in cooperation with State agencies.

V. FEDERAL SHARE OF EXPENDITURES

Federal share for old-age assistance and aid to blind is three-fourths of first \$20 of a State's average monthly payment plus one-half of the remainder within maximums of \$50; for aid to dependent children, three-fourths of the first \$12 of the average monthly payment per child, plus one-half the remainder within maximums of \$27 for the first child and \$18 for each additional child in a family. Administrative costs shared 50 percent by Federal Government and 50 percent by States. Federal funds for child-welfare services provided without statutory requirement as to the amount of the State share of the cost of such services. Puerto Rico and the Virgin Islands receive Federal funds for child-welfare services but not for the public-assistance programs.

Federal percentage for assistance, welfare services, and administration is to range from 75 to 40, depending upon the relationship between a State's per capita income and the national per capita income. The Federal percentage for Alaska and Hawaii is 55 percent, and for Puerto Rico and Virgin Islands, which become eligible for grants-in-aid for all programs, 75 percent. Maximum matchable payments \$50 for each of the first two needy persons in a family and \$20 for each additional person.

VI. REQUIREMENTS FOR APPROVAL OF STATE PLANS

A. SINGLE AGENCY

Single State agency requirement applies to each program, so different agencies in a State may administer or supervise old-age assistance, aid to blind, etc.

Not more than one State agency may supervise or administer the plan; only one agency of a local subdivision of the State may administer the total plan.

B. STATE-WIDE OPERATIONS

Same, as proposed in the bill, for assistance programs but no requirement for progressive development of child welfare services on a State-wide basis. (Adult welfare services not specifically provided for in the act.)

Plan for assistance must be in effect in all political subdivisions of a State; as to adult and child-welfare services, there shall be progressive development of a State-wide program as trained personnel become available.

C. STATE FINANCIAL PARTICIPATION TO ASSURE EQUITABLE TREATMENT

State must participate financially in the assistance plans but no specific provision regarding equitable treatment of needy individuals.

State must participate financially in the plan and distribute funds within the State to assure equitable treatment of needy individuals.

D. STATE-WIDE STANDARDS

EXISTING LAW

No specific provision relating to State-wide standards. Requirement for income and resources same as proposed in the bill.

PROPOSED CHANGES

State must establish State-wide standards necessary to the operation of the plan and such standards must be directed toward enabling each needy individual to secure the essentials of living. Income and resources of an individual claiming assistance must be taken into consideration in determining need.

E. BASIS FOR CATEGORIES

Categories are mandatory.

If assistance is to be administered by categories, State must provide a reasonable basis for establishing such categories.

F. ASSISTANCE TO BE FURNISHED PROMPTLY

No specific provision relating to opportunity to apply for assistance and furnishing of assistance promptly.

Opportunity must be afforded all individuals to apply for assistance and such assistance must be furnished promptly.

G. FAIR HEARING

Fair hearing must be provided individual whose claim for assistance is denied. No specific provision for individual whose claim is not acted upon within a reasonable time. No statutory provision for fair hearing for child-welfare program.

Fair hearing must be provided by State agency to individual whose claim for assistance or welfare services is denied or not acted upon within reasonable time.

H. EQUAL PROTECTION OF THE LAWS

No specific provision relating to assuring individuals equal protection of the laws.

Determinations of eligibility for assistance or welfare services must be made so as to assure to every individual the equal protection of the laws.

I. METHODS OF ADMINISTRATION AND TRAINING

Same for the assistance programs as proposed in the bill, except there is no specific provision in the act requiring a training program for personnel.

Methods of administration necessary for the proper and efficient administration of the plan, including a merit system and a training program for personnel, must be provided.

J. CONFIDENTIAL NATURE OF INFORMATION

Safeguards to protect the confidential nature of information, similar to those proposed in the bill, are required for the assistance programs. The use of such information is restricted to purposes directly connected with the administration of the program. No statutory provision relating to confidential nature of information for child-welfare service.

Safeguards must be established to protect the confidential nature of information about applicants or recipients. Use of such information is restricted "to purposes directly connected with the assistance or services which the individual is applying for or receiving under the plan."

K. STANDARDS FOR INSTITUTIONS

No provision requiring a State authority to establish and maintain standards for institutions.

If the plan provides for assistance to persons in private or public institutions, the State, after July 1, 1953, must have a State authority to establish and maintain standards for such institutions.

PROPOSED CHANGES IN SOCIAL SECURITY ACT

L. CITIZENSHIP

EXISTING LAW

PROPOSED CHANGES

<p>Assistance may be denied persons who are not citizens of the United States.</p>	<p>No citizenship requirement may be imposed by a State as a condition of eligibility for assistance or welfare services.</p>
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M. RESIDENCE

<p>For old-age assistance and aid to the blind, a State may not require, as a condition of eligibility, residence in a State for more than 5 of the 9 years immediately preceding application and one continuous year before filing the application. For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than a year old, birth in the State and continuous residence by the mother in the State for 1 year preceding the birth.</p>	<p>No residence requirement may be imposed by a State, as a condition of eligibility, which excludes any individual who resides in the State.</p>
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N. TRANSFER OF PROPERTY

<p>No provision limiting State from requiring transfer of property to State.</p>	<p>State may not require that property of applicant or recipient be transferred to State during the lifetime of the applicant or recipient.</p>
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COMPARISON OF PRINCIPAL CHANGES IN THE OLD-AGE AND SURVIVORS SYSTEM UNDER H. R. 2893 WITH EXISTING LAW

(NOTE.—All changes effective on July 1, 1949 unless otherwise noted.)

(1) BENEFITS PAYABLE TO—

EXISTING LAW	CHANGES IN H. R. 2893
(a) Insured worker, age 65 or over.	Age requirement reduced to 60 for insured women.
(b) Wife, age 65 or over, of insured worker.	Age requirement reduced to 60 and certain minor liberalizations of definition of "wife." No age requirement if children under 18 are present. Benefits also payable to disabled husband, age 65 or over.
(c) Widow, age 65 or over, of insured worker.	Age requirement reduced to 60. Benefits also payable to disabled widower, age 65 or over.
(d) Children under 18 of retired worker and children of deceased worker, and in latter case widows regardless of age.	Certain dependency and relationship requirements liberalized, especially in regard to dependency on married insured women. Child gets benefit continued beyond 18 if disabled.
(e) Dependent parents, age 65 or over, of deceased worker if no surviving widow or child who could have received benefits.	Age requirement reduced to 60 for women (i. e. mother of worker).
(f) Lump-sum death payment where no monthly benefits immediately payable.	Lump-sum for all insured deaths.
(2) INSURED STATUS (BASED ON "QUARTERS OF COVERAGE," NAMELY CALENDAR QUARTERS WITH \$50 OR MORE OF COVERED WAGES)	
(a) Fully insured (eligible for all benefits) requires one quarter of coverage for each two quarters after 1936 and before minimum retirement age (or death if earlier). In no case more than 40 quarters of coverage required.	Requirement reduced to one quarter of coverage for each four elapsed quarters. Special provision for converting annual self-employment income into "quarters of coverage."
(b) Currently insured (eligible only for child, widowed mother, and lump-sum survivor benefits) requires 6 quarters of coverage out of 13 quarters preceding death.	No change.

PROPOSED CHANGES IN SOCIAL SECURITY ACT

(3) WORKER'S MONTHLY BENEFIT AMOUNT (CALLED "PRIMARY BENEFIT")

EXISTING LAW

CHANGES IN H. R. 2893

(a) Average monthly wage based on period from 1937 to age 65 (or death if earlier) regardless of whether in covered employment in all such years.

Average monthly wage based on highest 5 years of coverage.

(b) Monthly amount is 40 percent of first \$50 of average wage plus 10 percent of next \$200, all increased by 1 percent for each year of coverage.

Monthly amount is 50 percent of first \$75 of average wage plus 15 percent of next \$325, increased by 1 percent for each year of coverage, and unless in covered employment in entire period reduced by percentage of time out of covered employment since 1936 or 1949 whichever gives smaller reduction. Benefits of present beneficiaries increased in July 1949 by table which gives effect to new benefit formula and new average wage concept; on the average, benefits will be doubled, with somewhat greater relative increases for those receiving smallest amounts.

(c) Minimum primary benefit, \$10.

\$25.

(d) Maximum family benefit, \$85 or 80 percent of average wage or twice the primary benefit, whichever is less.

\$150, or 80 percent of average wage if less.

(e) Illustrative primary benefits for 10 years of coverage, no period of non-coverage:

Level monthly wage	Present monthly benefit	Proposed monthly benefit
\$100.....	\$27.50	\$45.38
\$150.....	33.00	53.63
\$200.....	38.50	61.88
\$250.....	44.00	70.13
\$300.....	44.00	78.38
\$350.....	44.00	86.63
\$400.....	44.00	94.88

(f) Illustrative primary benefits for 40 years of coverage, no periods of non-coverage.

Level monthly wage	Present monthly benefit	Proposed monthly benefit
\$100.....	\$35.00	\$57.75
\$150.....	42.00	68.25
\$200.....	49.00	78.75
\$250.....	56.00	89.25
\$300.....	56.00	99.75
\$350.....	56.00	110.25
\$400.....	56.00	120.75

(g) Illustrative primary benefits for 5 years of coverage, 5 years of noncoverage, all after 1949 (or alternatively all after 1936):

Level monthly wage while working	Present monthly benefit	Proposed monthly benefit
\$100.....	\$21.00	\$22.69
\$150.....	25.63	26.82
\$200.....	26.25	30.94
\$250.....	28.88	35.07
\$300.....	31.50	39.19
\$350.....	31.50	43.32
\$400.....	31.50	47.44

PROPOSED CHANGES IN SOCIAL SECURITY ACT

(h) Illustrative primary benefits for 10 years of coverage, 30 years of noncoverage, all after 1949:

Level monthly wage while working	Present monthly benefit	Proposed monthly benefit
\$100.....	\$11.00	\$14.44
\$150.....	16.50	17.06
\$200.....	22.00	19.69
\$250.....	23.38	22.31
\$300.....	23.38	24.94
\$350.....	23.38	27.56
\$400.....	23.38	30.19

(i) Illustrative primary benefits for 30 years of coverage, 10 years of noncoverage, all after 1949, varying wage assumption:

Assumed monthly wage during period of coverage			Present monthly benefits	Proposed monthly benefits
First 10 years	Next 10 years	Last 10 years		
\$100.....	\$150.....	\$200.....	\$34.13	\$59.06
\$100.....	\$150.....	\$300.....	35.75	74.81
\$100.....	\$150.....	\$400.....	35.75	90.56
\$100.....	\$200.....	\$200.....	35.75	59.06
\$100.....	\$200.....	\$300.....	37.38	74.81
\$100.....	\$200.....	\$400.....	37.38	90.56
\$200.....	\$200.....	\$300.....	40.63	74.81
\$200.....	\$200.....	\$400.....	40.63	90.56
\$200.....	\$300.....	\$400.....	42.25	90.56

(4) BENEFIT AMOUNTS OF DEPENDENTS AND SURVIVORS RELATIVE TO WORKER'S MONTHLY PRIMARY BENEFIT

EXISTING LAW	CHANGES IN H. R. 2893
(a) Wife, one-half of primary.	No change.
(b) Widow, three-quarters of primary.	No change.
(c) Child, one-half of primary.	No change, except for deceased worker family, first child gets three-quarters of primary.
(d) Parent, one-half of primary.	Three-quarters of primary.
(e) Lump sum at death, six times primary benefit.	Three times primary benefit.

(5) AMOUNT OF EMPLOYMENT PERMITTED BENEFICIARY FOR BENEFIT RECEIPT (WORK CLAUSE)

No benefits paid for month in which \$15 or more earned in covered employment. Same except \$15 limit is increased to \$50.

(6) COVERED EMPLOYMENT

All except self-employment and employment in Federal and State Governments, railroads, nonprofit (charitable, educational, and religious), agriculture, and domestic service.

All except employment on railroads and in Federal civilian service where covered by retirement system and certain miscellaneous work. State employment included on elective basis by the State, except where retirement system for policemen and firemen exists, coverage cannot be elected, and where retirement system for other employees exists, they must elect by referendum to be covered. Service in armed forces is not credited if pension or death benefits are payable under military system. Change effective in January 1950, except as to self-employment income, effective on 1949 income with tax payable in 1950.

PROPOSED CHANGES IN SOCIAL SECURITY ACT

(7) EXTENDED OR (TOTAL) DISABILITY BENEFITS

EXISTING LAW

CHANGES IN H. R. 2893

None.

For worker both currently insured and having 20 quarters of coverage out of last 10 years. Amount of primary benefit and dependents' benefits determined as for retired worker. Benefits begin in July 1950.

(8) WEEKLY (OR TEMPORARY) DISABILITY BENEFITS (INCLUDING MATERNITY BENEFITS)

None.

Patterned after State unemployment insurance systems. Waiting period of 1 week. Maximum benefit period of 26 weeks (14 weeks for maternity). Total wages in base period (12-month period preceding the 4 months before the beginning of benefits) must be at least \$260. Weekly benefits for worker without dependents is roughly 50 percent of average wage in highest quarter of base period, with maximum of \$30. Benefit is 60 percent for worker with one dependent (maximum \$39), 65 percent for two dependents (maximum \$42), and 70 percent for three or more dependents (maximum \$45). Federal workers and self-employed not included. Benefits begin in January 1950.

(9) MAXIMUM ANNUAL WAGE AND SELF-EMPLOYMENT INCOME FOR TAX AND BENEFIT PURPOSES

\$3,000.

\$4,800 after 1949.

(10) TAX (OR CONTRIBUTION) RATES

One percent on employer and 1 percent on employee through 1949, 1½ percent for 1950-51, and 2 percent thereafter.

One and one-half percent on employer and 1½ percent on employee for July-December 1949 and 2 percent thereafter, except—

(a) For Federal employees including armed forces, 1½ percent rate for 1950 and after (for armed forces, employee contribution is paid by Government);

(b) For self-employed, 2¼ percent rate for 1949 and after. Self-employment income would be, in general, income from trade or business;

(c) For nonprofit employment, no tax is imposed on employer who can pay it voluntarily. If employer does not pay tax, employee receives credit for only 50 percent of his taxed wages.

[COMMITTEE PRINT]

SECTION BY SECTION SUMMARY OF H. R. 2893,
A BILL TO EXTEND AND IMPROVE THE OLD-
AGE AND SURVIVORS INSURANCE SYSTEM,
TO ADD PROTECTION AGAINST DISABILITY,
AND FOR OTHER PURPOSES



MARCH 26, 1949

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SECTION BY SECTION SUMMARY OF H. R. 2893

NOTE.—The sections referred to hereafter are those of the Social Security Act (or the Internal Revenue Code when numbered 1400 to 1647) as amended and renumbered by this bill. All changes become effective July 1949 unless otherwise stated.

Section 201 (a), Old-age and disability primary benefits (p. 7)

For old-age primary beneficiaries (i. e., insured workers) the minimum retirement age is reduced from 65 to 60 for women and continued at 65 for men. Insured worker may also receive primary benefits before the minimum retirement age if totally disabled, after a waiting period of 6 months, such disability preventing him from performing any substantially gainful work. These disability benefits are first payable in July 1950.

Section 201 (b), Wife's insurance benefits (p. 9)

The minimum eligibility age for a wife of an insured worker is reduced from 65 to 60; in addition, the age requirement is waived when a child under 18 is present. Wife's benefits are payable in respect to both old-age and disability primary beneficiaries. The benefit amount is unchanged at 50 percent of the husband's primary benefit (less any primary benefit based on her own wages).

Section 201 (c), Child's and disabled child's benefits (p. 10)

Benefits are payable to children of both old-age and disability primary beneficiaries as well as to survivor children of insured workers, up to age 18 as previously and, in addition, are continued beyond then if the child is disabled at that age. The amount of the benefit is 50 percent of the primary benefit for each child except that an extra 25 percent of the primary benefit is payable to each family, to be divided up among all the children. The conditions for determining dependency of children are slightly liberalized in regard to dependency on fathers and other specified individuals but are materially liberalized in regard to dependency upon a married women (in any event, the child is dependent if the mother is either furnishing at least one-half the support or if she is both fully and currently insured).

Section 201 (d), Widow's insurance benefits (p. 15)

The minimum eligibility age is reduced from 65 to 60. The benefit amount continues the same, namely, 75 percent of the worker's primary benefit (less any primary benefit based on her own wages).

Section 201 (e), Mother's insurance benefits (p. 16)

Benefits in the amount of 75 percent of the worker's primary benefit continue to be paid to widowed mothers of eligible survivor children under age 18 (less any primary benefit based on her own wages). In addition, eligibility is added for a divorced mother who is not remarried and received her chief support from the insured worker.

Section 201 (f), parent's insurance benefits (p. 18)

The minimum eligibility age is reduced from 65 to 60 for women but maintained at 65 for men. The benefit amount is increased from 50 to 75 percent of the worker's primary benefit (less any primary benefit based on the parent's wages). The requirement is continued that the parent must have received at least one-half his support from the deceased worker and that there be no surviving spouse or child of the worker who is potentially eligible for monthly benefits. Conditions for eligibility are slightly liberalized by allowing foster parents to qualify.

Section 201 (g), lump-sum death payments (p. 20)

These payments are available for all insured deaths, whereas in present law available only when no immediate monthly benefits are payable. The benefit amount has been reduced from six times the monthly primary benefit to three times.

Section 201 (h), disabled husband's insurance benefits (p. 21)

This new category provides benefits for husbands age 65 and over of female primary beneficiaries (whether old-age or disability), if such husband was totally disabled for more than 6 months and if the disability began before his wife became entitled to primary benefits. The benefit amount is 50 percent of the wife's primary benefit (less any primary benefit based on his own wages). These benefits are first payable in July 1950.

Section 201 (i), Disabled widower's insurance benefits (p. 23)

This new category provides benefits for widowers age 65 and over of female fully insured workers or primary beneficiaries if such husband was totally disabled for more than 6 months both at the time of her death and when he attains age 65. The benefit amount is 75 percent of the wife's primary benefit (less any primary benefit based on his own wages). These benefits are first payable in July 1950.

Section 201 (j), Application for monthly benefits (p. 24)

As in present law, monthly benefits may be paid 3 months retroactive from the date of filing.

Section 201 (k), Weekly disability benefits (p. 25)

This new category provides benefits for temporary disability such that the usual occupation cannot be engaged in. In a given benefit year there is a waiting period of 1 week of continuous disability, with benefits paid thereafter for each week or fraction of week of disability. For any new spell of disability occurring more than 3 weeks after a previous spell, benefits will only be paid after 7 consecutive days of disability. If less than 3 weeks intervene, benefits are paid for even a fraction of a week. In no case are these benefits paid to members of the active armed forces. These benefits are first payable in January 1950.

Section 201 (l), Maternity benefits (p. 26)

This new category provides weekly maternity benefits for insured female workers. The benefits are similar to those for weekly disability but are payable for a maximum of 14 weeks in the period running from 8 weeks before the child's expected arrival to 8 weeks after birth. In addition to being insured for weekly disability benefits, the worker

must have had a quarter of coverage in the calendar quarter preceeding claim or else have received weekly disability benefits for at least 4 weeks in that quarter. Maternity benefits received do not reduce the maximum number of weeks of weekly disability benefits payable (namely, 26 weeks). Maternity benefits are first payable in January 1950.

Section 201 (m), Simultaneous entitlement to benefits (p. 27)

Duplication and overlapping of benefits as between weekly disability, total disability, and other old-age and survivors insurance benefits is prohibited. Also, weekly disability benefits will not be paid for any period for which worker's compensation is also paid for the same disability.

Section 202 (a), Computation of primary benefit (p. 29)

The monthly primary benefit is the sum of (a) the basic amount (as defined in sec. 202 (b)) times the continuation factor (as defined in sec. 202 (c)) and (b) the basic amount times 1 percent for each year of coverage; in the present law the reduction because of the continuation factor in item (a) is not present. The minimum primary benefit is increased from \$10 to \$25.

Beneficiaries in force in June 1949 (i. e., those actually receiving payments in that month or those who were entitled to such payments which were suspended for such month) receive, in effect, the advantages of the more liberal benefit formula and concept of average wage by use of a conversion table (p. 105). This table shows for all present primary benefits the amount of the increased primary benefit which will be payable after June 1949 or which will be used as a basis for determining the other types of benefits payable. In general, the increase averages about 100 percent, being somewhat more for the lowest primary benefits.

Section 202 (b), Basic amount and average monthly wage (p. 29)

The basic amount is .50 percent of the first \$75 of average monthly wage plus 15 percent of the next \$325, as contrasted with present law which is 40 percent of the first \$50 of average monthly wage plus 10 percent of the next \$200. The definition of "average monthly wage" is changed from a lifetime average (i. e., generally covering the period from 1937 or age 21, if later, to death or minimum retirement age, whichever is first, including all years regardless whether or not there are covered earnings) to an average over the highest five consecutive years of coverage, ignoring any intervening years which are not years of coverage and not counting the year of death or entitlement. Where there are less than 5 years of coverage, the average is computed over the total years of coverage. In any event, the average wage is not to be taken as less than \$50 per month. The maximum annual wages which may be used in the computations is set at \$4,800 after 1949 as compared to \$3,000 in present law.

Section 202 (c), Continuation factor (p. 30)

This factor, not contained in present law, is obtained by dividing actual years of coverage after 1949 by the number of years elapsing after that starting date or after age 21, if later, up to the year in which occurs the minimum retirement age or death, whichever is first. A year in which total disability benefits are received is not counted in the

divisor unless it is a year of coverage. As an alternative, the factor may be computed with a starting date of 1936 instead of 1949, if this produces a larger factor. In no case will the factor be taken to be greater than 1.

Section 202 (d), Year of coverage (p. 31)

As at present, a year of coverage is a calendar year in which the credited wages are \$200 or more.

Section 202 (e), Amount and duration of weekly disability benefits (p. 31)

A table shows the size of the benefits, which vary according to highest quarterly wages in the base period (i. e., 1 year) and number of dependents (defined as of the beginning of a benefit year as including a nonemployed wife and children under 18 or if totally disabled regardless of age). "Base period" and "benefit year" are defined in section 205 (d). In general, the weekly benefit for a worker without dependents is about 50 percent of highest quarterly wages, with maximum of \$30; benefit is 60 percent for worker with one dependent (maximum \$39), 65 percent for two dependents (maximum \$42), and 70 percent for three or more dependents (maximum \$45). If total wages in the base year are not roughly 1½ times the highest quarterly wages, lower benefits are payable. The maximum duration of benefits is 26 weeks in a particular benefit year. However, this maximum is increased, if necessary, to cover the period of the 6-month waiting period for those eligible for monthly total disability benefits, and also in such cases benefits may be paid beyond the end of the benefit year.

Section 202 (f), Amount of maternity benefits (p. 34)

The amount of such benefit is determined from the same table as for weekly disability benefits.

Section 202 (g), Recomputation of monthly benefits (p. 34)

Monthly benefits may be recomputed upon application but at less regular intervals than at present where in effect this may be done annually. In the bill, to obtain recomputation the primary beneficiary must not have received benefits for more than five consecutive months and must have at least a year of coverage after 1949 and after the previous computation or recomputation. In addition, no benefit is changed unless recomputation produces a higher average wage (i. e., regardless of whether it yields a higher continuation factor or an increase due to the 1 percent for each additional year of coverage). No retroactive payment of recomputed amounts is made.

Section 202 (h), Rounding of benefits (p. 35)

Monthly benefits when not a multiple of \$0.10 are raised to the next higher \$0.10.

Section 203 (a), Definition of wages and self-employment income (p. 35)

The maximum creditable wage is increased from \$3,000 to \$4,800 beginning in 1950. Payments by the employer for various types of insurance or annuity benefit purposes continue to be excluded from the definition of wages. The previous exclusion of casual employment not in the course of the employer's trade or business is made specific, applying only where such wages in a quarter are less than \$25. In addition, any remuneration of less than \$25 per quarter for farm em-

ployment is excluded. Self-employment income is also creditable but only in such amount as will make a total of \$3,000 for 1949 (or \$4,800 in subsequent years) when combined with credited wages. Self-employment income is defined in parallel terms with those used for income tax reporting so that there are excluded such types of income as gains from the sale or exchange of capital assets and rentals from real estate other than those received in the course of business, such as an operator of a hotel. Also excluded is all self-employment income where the total gross income from all sources is less than \$500 per year, or where the net self-employment income is less than \$200.

Section 203 (b), Definition of "employment" (p. 41)

Coverage for benefits is extended as of 1950 to include the following major categories: Agricultural labor, domestic service, service for nonprofit organizations except for clergymen and members of religious orders (but see sec. 205 (h) for limitations), Federal civilian service not covered by a retirement system, military service (but see sec. 203 (c) for limitation), State and local governmental service within the scope of voluntary agreements under section 204, employment outside the United States by citizens or residents of the United States working for an American employer, and newsboys (regardless of age). There are continued certain exclusions of areas of relatively minor employment, such as college student employment, service for a tax-exempt organization if the remuneration is less than \$50 per quarter, service performed by family members, and employment for a foreign Government or an international organization.

Section 203 (c), Determination of Federal employment (p. 45)

Determinations as to employment and wages of covered Federal employment are made by the appropriate agency and not by the Administrator. In regard to military service, wages include both cash pay and subsistence allowances but not allowances attributable to dependents; also wage credits for military service are not counted if any benefit payments under a military system are payable on the death or retirement of the individual.

Section 203 (d), Included and excluded employment (p. 48)

As in present law, all services rendered in a pay period are credited if one-half or more of such services are covered employment.

Section 203 (e), (f), and (g), Miscellaneous definitions (p. 48)

The terms "farm," "American vessel," "American aircraft," and "American employer" are defined.

Section 204, Voluntary agreements for coverage of State and local employees (p. 49)

Coverage is extended as of 1950 to State and local employees through voluntary agreements made with the State as the contracting party. The agreement may cover any or all of the following: State employees, employees of political subdivisions, and employees of instrumentalities. Under such such agreement, in effect, the coverage is the same as for all other covered groups. The State must give 2 year's advance notice before terminating any part or all of the agreement, and the agree-

ment must have been in effect for 5 years before such notice can be given. All employees of the State, political subdivision, or instrumentality must be included in the agreement which covers any employees of that particular governmental unit, except those covered by existing retirement systems. The latter group may be covered if the State so requests and if the employees themselves approve, except that policemen and firemen covered by retirement systems can in no event be covered. Subsequently the agreement can be modified to include the services of employees under a retirement system (other than policeman or firemen) if they were not originally included. Employees of political subdivisions will be included only if the specific subdivision has at least 10 eligible employees or if at least 25 percent of the eligible employees of all subdivisions participate. Special agreements similar to the regular State agreements may be made with instrumentalities of two or more States.

Section 205 (a), Insured status for retirement and survivor benefits (p. 58)

For fully insured status, the present requirement of at least one-half as many quarters of coverage as in the elapsed period (after 1936 or age 21 if later, and before attainment of the minimum retirement age or death if earlier) is liberalized by requiring only one-fourth as many quarters of coverage as elapsed quarters. The present minimum and maximum requirements of 6 and 40 quarters of coverage, respectively, are retained. The bill makes the further change that quarters of total disability are excluded from the elapsed period.

Section 205 (b), Insured status for certain survivor benefits only (p. 58)

For currently insured status (which entitles eligibility for lump-sum death payments and child's and mother's monthly benefits) the requirement is maintained at 6 quarters of coverage out of the 13 quarters ending with the quarter of death. A change is made in that quarters of total disability are excluded from this latter period.

Section 205 (c), Insured status for extended disability benefits (p. 59)

For eligibility for total disability benefits, in addition to currently insured status there is the requirement of 20 quarters of coverage out of the 40 quarters ending with the quarter in which disability began, excluding from the latter period quarters of previous total disability.

Section 205 (d), Insured status for weekly disability benefits (p. 59)

To be insured there must have been a total of at least \$260 of creditable wages in the base period (the four completed quarters immediately preceding the fourth month prior to the beginning of the benefit year; benefit year is the 1-year period following (1) the first application for benefits or (2) the anniversary of such date or (3) subsequent new claim for benefits if more than a year intervenes), and some wages must have been earned in at least two quarters of the base period.

Section 205 (e), Miscellaneous definitions (p. 61)

The following terms are defined in the same general manner as in present law: "quarter," "calendar quarter," and "quarter of

coverage." Appropriate modification in the latter definition is made for the new maximum wage base and for the inclusion of self-employment income.

Section 205 (f), Allocation of 1937 wages (p. 62)

Provision in present law is continued for presumptive subdivision of 1937 data, which were reported on semiannual instead of quarterly basis.

Section 205 (g), Quarters of coverage for self-employment income (p. 62)

Since self-employment income is reported on an annual basis, allocation by quarters must be provided. No quarters of coverage will be credited if such income is less than \$200; one quarter for income between \$200 and \$400; two quarters for income between \$400 and \$600; three quarters for income between \$600 and \$800; and four quarters for income of \$800 or more. In no case can quarters of coverage from self-employment income and quarters of coverage resulting from wages as an employee exceed four for any calendar year. Equitable provisions are made when the self-employment contribution year is not a calendar year.

Section 205 (h), Credits for nonprofit employment (p. 64)

In the case of employment by a nonprofit organization, if the employer does not elect to contribute, only half of the employee's otherwise creditable wages will be credited. (See sec. 1412.)

Section 206 (a), Maximum family benefits (p. 64)

The maximum monthly benefit is increased from \$85 to \$150. The maximum of 80 percent of average monthly wage (but note that the definition thereof has been liberalized—see sec. 202 (b)) is retained, but the maximum of twice the primary benefit in present law is eliminated. For beneficiaries on the roll in June 1949, for whom benefits are increased by a conversion table (see sec. 202 (a)), consistent maximums are set forth in this table (p. 105).

Section 206 (b), Deductions on account of work or failure to have child in care (p. 65)

Under present law, if a beneficiary earns \$15 or more in a month in covered employment, benefits are not payable. In the bill this amount is increased to \$50 for all beneficiaries except disability cases. (See sec. 206 (c).) This applies to both wages as an employee and self-employment income, either separately or combined. As to engaging in self-employment and allocating the incomes thereof by months, the Administrator will do so by regulation. As in present law, where a woman is drawing benefits because there is a child beneficiary, her benefits are suspended if she does not have the child in her care.

Section 206 (c), Deductions on account of earned income in disability cases (p. 66)

A special work clause is set up for all disability cases including the disabled worker, the disabled child, the disabled husband, and the disabled widower. The same \$50 limitation is used as in section 206 (b) except that it applies to all employment and not merely covered employment, and except that by ruling of the Administrator it need not apply during periods of rehabilitation not to exceed 12 consecutive months.

Section 206 (d), Deductions from dependent's benefits because of work of primary beneficiary (p. 68)

As in present law, dependent's benefits are suspended for any month in which the primary benefit is suspended because of covered employment.

Section 206 (e), Simultaneous occurrence of events occasioning deductions (p. 68)

As in present law, only 1 month's benefit is suspended when more than one event causing suspension occurs in any month.

Section 206 (f), Penalty for failure to report events occasioning deductions (p. 68)

As in present law, the deduction of one or more months of benefits is made for beneficiaries who unknowingly fail to report an event requiring suspension of benefit.

Section 206 (g), Deduction from dependent's benefits of disabled primary beneficiary (p. 69)

Dependent's benefits are suspended if the disabled primary beneficiary fails to submit to a medical examination or refuses without good cause to accept rehabilitation services.

Section 206 (h), Deduction from benefits for disability cases (p. 70)

Monthly benefits for total disability cases including those for disabled dependents and weekly benefits for temporary disability are suspended if the individual fails to submit to a medical examination or refuses without good cause to accept rehabilitation services.

Section 206 (i), Reduction of total disability benefits on account of workmen's compensation (p. 70)

Where both workmen's compensation and total disability benefits are payable with respect to the same disability and the same period of time, the total disability benefit is reduced by half of the smaller of these two benefits. It may be required that proof be submitted that claim has been filed for workmen's compensation benefits and that reimbursement be made to the trust fund if workmen's compensation benefits are also paid. The Administrator is authorized to enter into agreements with States for reimbursement in such cases.

Section 207, National social insurance trust fund (p. 73)

The name of the trust fund is changed to "national social insurance trust fund." In general, the administration of the trust fund is unchanged and the same annual report of operations is required. As in present law, there is authorization for appropriation to the trust fund of such additional sums as may be required to finance benefits and payments.

Section 208 (a) and (b), Definition of "wife," "widow," and "former wife divorced" (p. 78)

The present definitions of wife and widow are liberalized slightly in that the 3-year waiting period after marriage is eliminated for remarriages of women eligible for widow's or parent's benefits on another wage record. The term "former wife divorced" is defined.

Section 208 (c) and (d), Definition of "husband" and "widower" (pp. 79-80)

These terms are defined paralleling the present definitions of "wife" and "widow."

Section 208 (e), Definition of "child" (p. 80)

The definition is broadened to include foster children.

Section 208 (f), Determination of family relationship (p. 81)

In determining family relationships, State laws determining status, rather than intestacy laws should be followed (except that where the individual can inherit without having the status, such status shall be deemed to exist). For benefit purposes, provision is made for determining that a marital relationship exists in certain cases where there is not a legal marriage, but there is no legal barrier to marriage.

Section 208 (g), When husband and wife deemed living together (p. 82)

The same provisions are contained as in present law.

Section 208 (h), Definition of "disability" (p. 83)

For weekly sickness benefits, disability is defined as inability to engage in usual employment by reason of medically demonstrable illness or injury. For extended (or total) monthly disability benefits, disability means either blindness or inability to engage in any substantially gainful work by reason of any medically demonstrable illness or injury.

Section 208 (i) and (j), Other definitions in regard to disability (pp. 83-84)

The "period of extended disability" is defined as the quarters during which monthly benefits are received, and in addition the two immediately preceding quarters which constitute the waiting period. The "onset" of total disability is defined as the seventh month preceding entitlement to monthly benefits.

Section 209, Determination of disability and rehabilitation (p. 84)

The Administrator makes determinations and redeterminations of temporary disability and total disability. If a beneficiary refuses to be examined or without good cause to accept rehabilitation services, benefits may be terminated or suspended. The Administrator may make provision for furnishing various rehabilitation services to beneficiaries if this will aid his return to gainful work, with the necessary funds coming from the trust fund. Such rehabilitation may begin during the 6-month waiting period for total disability benefits if this appears desirable.

Section 210, Cooperation with public and private agencies and groups (p. 87)

The Administrator is authorized to secure the cooperation of public and private agencies and groups so as to utilize their advice and services.

Section 211, Adjustments on account of errors (p. 87)

Existing law is slightly modified so as to make recovery of overpayments more equitable and adjustment for underpayments administratively simpler.

Section 212, Penalties (p. 88)

Existing law is slightly modified so as to make certain minor infractions punishable only as misdemeanors, rather than under the more severe provisions applicable to felonies.

Section 213, Wage records and applications (p. 91)

Existing law is slightly modified chiefly so as to allow for the crediting of self-employment income. The period beyond which the statute of limitation generally bars corrections in the records is changed to run concurrently with that of the Bureau of Internal Revenue on tax collections. The time limitation with respect to wages is about 4 years (or about the same as at present), while with respect to self-employment income it is about 1¼ years (with a somewhat longer period during the early years when persons may not be fully aware of the requirements).

Section 216, Special provisions in cases of deceased World War II veterans (p. 97)

Present law providing special temporary survivor protection for veterans is continued unaltered except for minor technical changes to conform with other provisions. These special provisions assure every World War II veteran with at least 90 days of service and not dishonorably discharged, for a period of 3 years following discharge from service, that he will be fully insured for survivor benefit protection and that his average monthly wage for benefit purposes shall be at least \$160 (more if his recorded wages average higher than this); however, these provisions are not applicable if any veteran's benefits are payable except that the larger of the two benefits will be paid. These provisions apply only to those discharged before July 27, 1951, and so will be inoperative for deaths after July 26, 1954.

Section 701, Office of the Commissioner for Social Security (p. 133)

This section provides for a Commissioner for Social Security appointed by the Administrator and performing assigned social security functions.

Section 704, Reports (p. 133)

Existing law is slightly modified to authorize the printing of the required annual report of the Administrator.

Section 1101 (a) (2), Inclusion of Puerto Rico and the Virgin Islands in title II (p. 134)

These two possessions are included in the coverage of the social insurance system.

Section 1101 (a) (7), Administrator defined (p. 134)

"Administrator" means the Federal Security Administrator.

Section 1108, Delegation of functions (p. 134)

The Administrator may delegate his functions.

Section 1109, Furnishing of wage record and other information (p. 135)

Such data may be furnished to State unemployment insurance agencies and other agencies if payment is made therefor, and their confidential nature is not violated.

Section 1110, National Social Security Advisory Council (p. 136)

Such Council will study and make recommendations on social-security policies and administration. It is composed of the Administrator and 12 persons appointed by him for 3-year terms and representing employers and employees in equal numbers, and the public.

Section 1111, National Social Security Legislative Advisory Committee (p. 138)

Such Committee will study the social-security program at regular intervals and recommend desirable legislative changes. The Committee is to be appointed at 6-year intervals, consisting of eight persons selected by the Speaker of the House of Representatives after consulting with the Committee on Ways and Means and eight persons selected by the President of the Senate after consulting with the Committee on Finance. Its members are to be representative of employers, employees, the self-employed, and the general public.

AMENDMENTS TO THE INTERNAL REVENUE CODE

Section 1400 of Code, Rate of employee contribution (p. 108)

The employee contribution rate for the present coverage is increased for July to December 1949 from 1 to 1½ percent. After 1949, the rate is 2 percent except for covered service for the Federal Government, where the rate is 1½ percent (lower because weekly sickness benefits not available). (For self-employed persons see secs. 1640-1646 following.)

Section 1401 of Code, Deduction of employee contributions and special refunds (p. 109)

As in existing law, the employer is liable for the payment of employee contributions and so may collect them by deduction from wages. As in existing law, an employee who works for more than one employer during a year and has made contributions on total wages in excess of the maximum creditable amount (\$3,000 through 1949 and \$4,800 thereafter) may obtain a refund of the excess contributions, if claimed within 2 years.

Section 1410 of Code, Rate of employer contributions (p. 112)

The rate of employer contributions, other than nonprofit organizations, is the same as shown in section 1400 for employees.

Section 1412 of Code, Payments with respect to nonprofit employment (p. 113)

No compulsory employer contribution is levied on nonprofit organizations. Such organizations may voluntarily pay amounts equivalent to the contributions under section 1410 (but note sec. 205 (h) which provides that if such employer contributions are not made, the wage credits will be reduced by 50 percent).

Section 1420 (a) of Code, Collection of contributions (p. 114)

As at present, contributions are collected by the Bureau of Internal Revenue but will be paid directly into the trust fund instead of into the Treasury as internal revenue collections.

Section 1422 of Code, Erroneous payments (p. 114)

No material change is made.

Section 1423 (c) of Code, Deposits by the Postmaster General (p. 115)

Present provision in regard to stamp or other similar devices sold through post offices is modified to provide that the receipts shall be deposited in the trust fund rather than in the Treasury.

Section 1426 (a) of Code, Definition of "wages" (p. 115)

The definition of "wages" is the same as used for benefit purposes in section 203 (a) (1). Similarly, the maximum base for contributions is increased from \$3,000 to \$4,800 for 1950 and after.

Section 1426 (b) of Code, Definition of "employment" (p. 118)

"Employment" is defined for purposes of this title to conform with the extended coverage for insurance benefits.

Section 1431 of Code, Contributions for service in employ of the United States (p. 124)

For members of the armed forces, the employee contribution rate is paid by general appropriation rather than by deduction from wages. Also, for both the armed forces and covered civilian Federal employment, the employer contribution rate shall be paid by general appropriation to the trust fund. Provision is made for reducing the appropriation with respect to wages in military service that are not counted toward benefits (when benefits under a military retirement system are payable). (See 203 (c).)

Sections 1640-1646 of Code, Self-employment (p. 127)

The contribution rate payable by the self-employed is 2¼ percent of the taxable self-employment income after 1948, namely, the lesser of (1) total self-employment or (2) the maximum taxable (\$3,000 in 1949 and \$4,800 thereafter) minus wages earned as an employee (if any). The definition of self-employment income for contribution purposes is the same as that for crediting toward benefits. Various provisions applicable to contributions by employers and employees are also made applicable in respect to self-employment income.

Technical amendments to the code

The word "contribution" is substituted throughout for the word "tax."

Amendment to Farm Loan Act (p. 141)

This makes possible the payment of employer contributions with respect to certain employment within the scope of this act.

Amendment to Federal Credit Union Act (p. 141)

This makes possible the payment of employer contributions with respect to certain employment within the scope of this act.

Repeal of Public Law 642 (80th Cong.) (p. 142)

Sections 1 and 2 of Public Law 642, an act defining the term "employee" for social security purposes, are repealed as of their date of enactment. The amended definition (repealed here) had excluded from coverage any individual who has the status of an independent contractor or is otherwise not an employee under the usual common-law rules used in determining employer-employee relationship. Contributions for the period when such service are not covered are waived, but employers are required to furnish wage reports.

REPORT ON THE HEARINGS BEFORE THE
WAYS AND MEANS COMMITTEE ON H. R. 2893,
THE OLD-AGE AND SURVIVORS INSURANCE
REVISION BILL

PREPARED BY THE
STAFF OF THE JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION

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(This report summarizes the testimony and
opinions developed at the hearings, and
is printed for the use of the committee.)



UNITED STATES

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REPORT ON HEARINGS BEFORE THE WAYS AND MEANS COMMITTEE ON THE OLD-AGE AND SURVIVORS INSURANCE REVISION BILL

I. SCOPE OF REPORT

This report summarizes the testimony heard by the Committee on Ways and Means at its hearings on H. R. 2893. The main areas of disagreement are indicated as are also the alternate proposals discussed during the course of the testimony.

Extension of coverage, the various new benefit provisions, permanent and total disability insurance, temporary disability insurance, financing, administration, and certain miscellaneous matters will be considered in that order.

II. EXTENSION OF COVERAGE

1. General

Extension of social-security coverage to groups now excluded is the heart of the administration program. Substantially universal coverage was supported, at least in principle, by most witnesses, and at least some degree of extension was supported by most members.

The general arguments advanced in support of the proposed extensions tended to follow these lines:

(a) It is inequitable to extend the advantages of a federally operated social-security program to certain selected segments of the working population while denying those advantages to others.

(b) Workers who are not now covered pay indirectly for part of the benefits received by those who are—through the passing on of pay-roll taxes in the form of higher consumer prices and, to the extent that the Federal Government eventually may make a direct contribution through general taxation. To continue the present coverage provisions will serve only to perpetuate this anomalous situation; to increase existing benefits for those now covered without providing for the excluded groups will merely increase the inequity.

(c) It is generally agreed that contributory social insurance is a more desirable method than public assistance by which to meet the problems of economic insecurity. A social-security program which combines substantially universal coverage with an adequate level of benefits can be expected ultimately to relieve the State and Federal Governments of a large portion of their public-assistance burden. The cost of public assistance has steadily mounted and, with an increasing population of aged, can be expected to continue to rise. Likewise, it has been demonstrated that public-assistance loads are disproportionately high in those States, mainly agricultural, with only limited participation in the social-security program.

(d) Failure to provide for substantial extension will give added impetus to the veterans' and old-age pension movements. Several veterans' organizations have predicated their opposition to a veterans' pension scheme upon enactment of a general extension of OASI coverage.

(e) Present limited coverage frequently results in the loss of all benefits by a worker who has made pay-roll contributions, but who moves from covered to uncovered employment.

(f) The in-and-out status of workers which results from limited coverage adds to the complexities of administrative record-keeping and increases the difficulty of making accurate, actuarial cost estimates.

(g) Extending coverage to one type of employment while denying it to another creates a discriminatory personnel situation in a competitive labor market. The farm operator, the State and local governmental unit, and the nonprofit organization all find that lack of social-security coverage adds materially to the problem of attracting and keeping an adequate employee group.

Few arguments were put forward in opposition to the principle of extension of coverage in itself. Most opposition was to extension to particular groups or to a particular form of extension; that is, compulsory, and these questions will be discussed in their proper place below. However, such general opposition as did appear was based on the following:

(a) Extension to groups not now covered is administratively impractical.

(b) Any wide extension of coverage will create dangerous, political pressures. Recurrent demands for increased benefits will be impossible to withstand. (Compare this attitude with that which expresses fear of the pressure for pensions which will result if coverage is not extended.)

(c) Some anxiety is felt in relation to the eventual costs to the economy as a whole. This feeling may not be evidence of antagonism to the principle of social insurance or even to extension of coverage but rather of dissatisfaction with the answers which have been furnished to the question of how this whole program is ultimately to be financed.

2. *Farm operators*

Extension of coverage to farm owners appeared to be the most controversial of the questions relating to coverage. There was fairly general agreement that some provision should be made for this group. As suggested above, the public-assistance problem has proven particularly acute in agricultural areas. The main issue involved in farmer coverage is whether such coverage should be compulsory, as provided in H. R. 2893, or be placed on a voluntary basis.

With the exception of the National Farmers Union, which endorsed compulsory coverage, most farm groups wanted voluntary coverage or no coverage at all. The administration, on the other hand, indicated the reverse—compulsory coverage or none at all.

(a) Voluntary coverage has these arguments in its favor from the standpoint of the farmer:

(1) Many farmers are in a position to provide for their own security. Their ability to do so should not be interfered with. Farm ownership is in itself a traditional guarantee of economic security.

(2) Under compulsory coverage farmers will pay contributions but many will never receive benefits unless they dispose of their farms upon reaching retirement age. Usually they will continue to earn from these farms after they reach 65, and the work test will result in forfeiture of benefits. A partial answer to this problem is to eliminate any work test (discussed separately below) after age 70. However, it appeared questionable whether this compromise would remove all the doubts of the farm groups.

(b) Compulsory coverage is advocated by the administration because—

(1) A person can never be certain that his own private security plans will prove adequate. If the public-assistance problem in the farm States is ever to be resolved, it must be through the medium of compulsory coverage.

(2) It would be inequitable to give farmers a choice which is denied all other segments of the population. Furthermore, to the extent that an individual's choice to remain uncovered later proved to be improvident, the rest of the population would pay through tax-supported public assistance for his earlier failure to enter the system.

(3) Voluntary coverage is particularly bad from the adverse selection standpoint. The older farmers will elect to enter the system and will be entitled to relatively large benefits in respect to their few contributions. The younger farmers may elect to stay out, at least until they find themselves approaching the retirement age. The marginal, low-income group will come in, while the more prosperous farmers will stay out. Therefore, voluntary coverage of farmers will have an adverse effect upon the trust fund. Benefit payments to farmers will be high, but the contributions from farmers will be low.

It was suggested by the Grange that adverse selection under a voluntary system could be minimized by making coverage optional only for those below a certain age level; that is, 55.

Two possible compromises suggested by members of the committee in order to resolve the conflict between the compulsory and voluntary approaches were—

(a) Representative Mills: Enact optional coverage for farmers, effective January 1, 1950, but provide that compulsory coverage will take effect automatically upon January 1, 1952. The interim would provide for a period of education. If compulsory coverage should then remain unacceptable, a later Congress could repeal that portion of the act.

(b) Representative Doughton: Enact optional coverage with the understanding that the act could later be amended to make coverage compulsory, if that then seemed desirable.

If farmers are to be covered, other problems arise. One is the possibility of special tax treatment:

(a) Some witnesses expressed the belief that the self-employed tax rate ($1\frac{1}{2}$ times the employee tax rate) would prove too great a burden on the low-income farmer. In that connection it was pointed out that farmers will be unable to pass on the cost of their tax as can the industrial employee (through higher wages) and the industrial employer (through higher prices). However, it was pointed out that it would not be equitable to grant the same benefits to a farmer who pays a low contribution as to a worker or urban self-employed person who pays at a higher rate. On the other hand, to accompany the suggested lower rate with a lower scale of benefits would not solve the public-assistance problem in rural areas.

(b) It was also suggested that inasmuch as farm income fluctuates widely between "fat" years and "lean" years, the farmer should be permitted to defer his contributions from a bad year to a good year. He would be expected under such a plan to pay interest on any deferred taxes.

One possible objection to such a provision—especially if it were extended to other groups—would be its adverse effect upon a pay-as-you-go trust fund. The fund will reach its highest benefit-payment load during periods of depression (because of accelerated retirement) and, at the same time, will receive the smallest amount of contributions during such periods (because of a lower, national pay-roll base). A system of deferred tax payments would tend only to aggravate this problem.

Certain members expressed concern over the fact that farmers with gross incomes below \$500 are excluded from coverage. Many farmers, especially the marginal group most needing coverage, will be excluded by this provision. The Bureau of Internal Revenue recommended raising the base to \$600 in order to conform with present income returns and such a raise will make this problem even more acute.

Unlike the urban self-employed, much of the farmer's income is not of a cash nature but lies in the value of home-produced and consumed goods. This value is excluded by H. R. 2893 from the income computation. It would be difficult and perhaps impossible to arrive at an accurate evaluation in respect to each reporting farmer. However, it should be possible to fix an arbitrary value by statute, which value would then be added by the farmer to his cash income for the purpose of determining his OASI tax liability.

An administrative problem arises with reference to tenant farmers. These persons are essentially farm operators and would normally contribute on that basis. However, it was pointed out that many tenants not only receive income from the leased property but also receive compensation for services performed directly for the farm owner. Thus, at least to the latter extent, they become farm workers.

3. Self-employed

The urban, self-employed provoked less controversy than the farmers. In general, the problems are much the same. Voluntary versus compulsory coverage was the main issue. The arguments already outlined in support of both these types of coverage have at least as much validity in relation to the self-employed as they do in relation to the farm operators. They need not be reiterated here.

It was implied that the same partial solutions might well be adopted; that is, require compulsory coverage only after a period of optional treatment and eliminate or modify the work test after age 70.

While enactment of an exclusion of persons having less than a \$500 income will not work the same hardship upon the self-employed as upon the farmer, it was admitted that this provision will deny coverage to many individuals (estimated at 1,300,000). This group will present the potential applicants for old-age assistance. Their exclusion was justified by Dr. Altmeyer on these grounds:

(a) Any social-insurance program inevitably leaves an area of residual need which can only be handled through public assistance.

(b) Inasmuch as this is essentially a "wage-loss" insurance plan, you cannot be expected to insure something which does not exist.

(c) It is administratively difficult and costly to post wage records of low-income self-employed.

There was some discussion of the self-employed tax rate. The Administration believed that a rate only $1\frac{1}{2}$ times that of the employee would provide sufficient contributions to pay benefits to this group because of its relatively high, average retirement age. They can be expected to draw benefits for a shorter period of time than the wage earner.

It was noted that the employee tax is essentially a tax on gross earnings while that on the self-employed is a tax on net earnings. This differentiation was explained as an attempt to approximate a tax base for the self-employed which represents only so much of his earnings as is attributable to compensation for services. In theory, therefore, the tax treatment of the two groups is identical. However, it was pointed out that, insofar as self-employment income represents in part a return on capital investment, the self-employed person is being taxed on something more than earnings from work, but that it would probably be impossible to allocate accurately these two forms of income.

4. Agricultural labor

Little opposition was expressed to the coverage of the permanently located farm laborers (as opposed to casual, migratory workers). It was pointed out that in the past the average farm laborer looked forward to eventual ownership of a farm, but today he will be more likely to remain a member of the permanent farm-labor force. It was argued, therefore, that it is increasingly important that these workers be covered. Furthermore, lack of coverage will make it increasingly difficult to attract workers to farm employment.

There was opposition, on the other hand, to extending this same coverage to casual, migratory farm labor. Their coverage was opposed because of the administrative difficulties involved and because of the harassment which would be caused farm owners. These problems are minimized to some extent by the exclusion from coverage of earnings of less than \$25 in any one quarter from one employer. (This exclusion extends likewise to domestic workers.) Further minimization could be achieved by raising the exclusion figure. However, this solution raises the question of how high the figure can be raised and still provide substantial coverage for this group.

Many farm laborers receive at least part of their wages in the form of payments in kind. Section 203 (a) (1) of H. R. 2893 recognizes

this fact and provides that taxable wages shall include the value of "all remuneration paid in any medium other than cash." There has been no indication of how this provision will be administered. An arbitrary value could not be established, as some workers receive such payments while others do not.

The suggestion was made that farmers not be required to pay any taxes on behalf of their employees. This suggestion was supported on the ground that the farmer is unable to pass on pay-roll taxes to the same extent that the industrial employer may be able to do.

5. Domestic workers

There was little direct representation of domestic workers before the committee. By and large this is an unorganized group. However, Negro organizations testified in favor of this type of coverage. Domestic and agricultural work probably afford the most accessible employment opportunities for the Negro population. They feel that failure to include these groups in social-security coverage is particularly discriminatory toward them. The problem is becoming increasingly acute now that more and more Negroes are leaving industrial employment. Many are faced with loss of the coverage which they acquired during the war period.

Opposition to domestic coverage was similar to that expressed toward coverage of agricultural labor. The main worry was about how housewives would react to the stamp plan.

6. Nonprofit organizations

Under H. R. 2893, employees of nonprofit organizations will be covered. However, their employers will pay taxes on an optional basis. If they elect to contribute, they may later refuse to continue to do so. This in-and-out situation received some opposition. Representative Reed suggested giving the employers the option of coming in but then refusing them the option of withdrawing on the ground that they waived their immunity through their election to enter the system. Such an amendment would simplify record keeping and keep the fund from being jeopardized in bad times. Dr. Altmeier approved this suggestion. He believed it would make this particular form of coverage more workable.

If the employer elects not to contribute, the employee will receive only three-quarters of the normal benefit payments. However, most witnesses have felt that the majority of the larger, nonprofit organization would elect to contribute. It would be the small organization which would stay out, and it is in that area that coverage may be most needed.

Permitting voluntary coverage to nonprofit organizations is based in large part on a desire not to interfere with their exemption from the income tax. However, some witnesses found it difficult to understand why immunity from income tax should have any bearing on liability for insurance contributions. The latter is essentially an excise tax, and nonprofit organizations pay such taxes at present on the same basis as everybody else. There was some feeling on the part of the committee that coverage should be compulsory, at least for secular, nonprofit organizations. Religious organizations could be accorded the optional treatment. The American Hospital Association, for one, indicated that it would not oppose such a plan. The association did suggest, however, that it would be desirable, even under

the present form of H. R. 2893, to add a provision to the effect that an organization's election to contribute would be deemed not to affect its tax-exempt status.

7. State and local employees

Under H. R. 2893 coverage of employees of State and local governmental units would depend upon Federal-State compacts because of the constitutional problem involved in Federal taxation of States and State instrumentalities. Several changes in this proposed plan were advanced before the committee:

(a) Cover all State and local government employees on a compulsory basis. Permit the employers to contribute at their election. This plan would be along the same lines as that proposed for nonprofit organizations. It would probably be free of constitutional objection. Dr. Altmeyer approved it as a possible alternative plan. Even under this proposal it would probably be desirable to exclude, as does H. R. 2893, all employees covered by a State or local pension, annuity, retirement, or similar fund or system unless they indicate by referendum their wish to be covered by OASI.

(b) Officials of municipalities have recommended that such units be permitted to enter directly into compacts with the Federal Security Administration, thus bypassing the State government. They feel that municipal employees form the bulk of government employees within the States and that they should not be dependent upon the State government for coverage.

(c) H. R. 2893 specifically excludes policemen and firemen who are covered by existing pension plans. There is no provision for their coverage following approval by referendum. There was some support on the committee for putting these groups on the same basis as other State and local employees. The feeling was that, while many policemen and firemen are covered by local plans, the adequacy of those plans varies widely throughout the country and the plans operated by the smaller communities are apt to provide a very low scale of benefits.

(d) Teachers are covered by retirement plans in every State. Normally those plans provide a higher level of benefits than does OASI. Therefore, teachers do not want social-security coverage, but they are afraid that some States will try to put them under OASI, because of the far cheaper cost of that system as compared to the cost of the present State-operated plans. H. R. 2893 provides that a State can certify such a group for coverage only after the group approves by referendum. However, the bill provides only that the State certify that an opportunity for a referendum was given. It does not require the State to certify the result of the referendum. The teacher groups would like this ambiguity removed.

8. Federal employees

H. R. 2893 proposes to cover Federal employees who are not covered by the civil-service-retirement program (other than legislative employees and employees in the active military and naval services). This provision will extend coverage to casual, part-time, and temporary Federal employees. Such employees are excluded

from civil-service-retirement coverage by Executive order of May 1, 1942. This disability could be removed by a revocation of the order. However, 5 years of coverage are a prerequisite to the vesting of civil-service-retirement benefits, and this seemed an inadequate answer to the problems presented by this group.

Little opposition was expressed to this extension of coverage.

9. *Armed services*

The bill extends coverage to individuals on active service in the military and naval forces (including the Coast Guard, the Coast and Geodetic Survey, and the Public Health Service) who are not already covered by a federally enacted retirement program.

There was no discussion of this provision.

10. *Veterans' service credit*

It was suggested frequently that the bill be amended to give veterans a wage credit for the period spent in the armed forces. The credit would be extended whether or not the individual veteran was in covered employment prior to entry into the service. There would be no attempt to collect taxes for periods spent in the service. It was recommended by one witness that it be extended retroactively to those individuals who died while in the service.

The amount of the credit is uncertain. The lowest recommendation has been \$160 per month and the highest \$400 per month. It is important to note that the cost of this credit is not included in any of the cost estimates submitted by the administration.

11. *News carriers*

The present act excludes newspaper carriers under the age of 18 from coverage. H. R. 2893 eliminates this exclusion. Newspapers are reported to be opposed to this change but few of their representatives appeared.

12. *Repeal of Public Law 642 (Gearhart resolution)*

Public Law 642, enacted by the Eightieth Congress, contained the common-law test of the master-servant relationship as the test to be used in determining an individual's status as an "employee" for purposes of social-security coverage. The common-law test is strictly one of control. In June 1947 the Supreme Court developed an "economic dependency" test.¹ Under that test, control is one element to be considered in determining the employer-employee relationship. However, other factors were held to be important such as investment in the facilities of the business, permanency of the relationship in terms of the employment contract, integration of activities, ability of the individual to profit or lose through his investment in facilities, and so forth.

The workers involved in this question are on the border line between wage employment and self-employment. The administration estimates that between 500,000 and 750,000 such workers have been denied the coverage which could have been otherwise extended to them by administrative application of the Supreme Court rule. (See appendix for break-down of these workers.)

Salesmen have been the group most affected by Public Law 642, and they were the most vocal in favor of its repeal. Strongest opposi-

¹ See *United States v. Silk*, 331 U. S. 704; *Harrison v. Greyvan Lines, Inc.*, 331 U. S. 704; *Bartels v. Birmingham*, 332 U. S. 126.

tion was from the direct-selling companies. Their merchandise is handled by salesmen over whom they appear to have little control. Their salesmen buy at a discount from the company, their commission being the difference between the purchase and sales price. Most are part-time salesmen and most handle several lines of goods. The administration stated that it would make no effort to cover this group as "employees" if Public Law 642 were repealed. However, no proposed regulations were submitted to the committee, and it was stated that none had been prepared.

It was stated that, if coverage is extended to the self-employed, the pressure for covering these border-line groups as "employees" will be somewhat relieved.

It was argued that repeal of the Gearhart resolution would lead to administrative usurpation of the legislative function. One answer advanced to that argument was for Congress to write a definition of "employee" into the bill. Dr. Altmeyer expressed himself as being in favor of doing so.

III. BENEFIT FORMULA

1. General

There was fairly general agreement among witnesses that the present level of benefit payments is too low. Disagreement arose on the question of how high to raise them. While benefits have remained fairly static, cost of living is up 170 percent from 1939 levels. H. R. 2893 approximately doubles existing benefits (less than double at the lower wage levels, more than double at the higher levels). Therefore, it was argued that the proposed benefit increases go too far, especially if the cost of living levels off at about 135 percent as some expect.

One of the arguments for increased benefits was that present payments average considerably less than the average old-age-assistance payments. Therefore, if OASI is to reduce materially the public-assistance load, benefits must be raised.

Discussions of the benefit increases emphasized the existence of basic differences in social-security philosophy:

(a) *Subsistence versus self-sufficiency.*—Many witnesses, including the private insurance companies, maintained that benefits should be geared to a subsistence level. They felt that social security should aim at a basic floor of protection and no more. In their opinion the right of government to levy enforced contributions for social security can be justified only to the extent that such a system is necessary to prevent the contributors from becoming public charges. Anything more than this should be left to the individual to plan for himself.

The administration, on the other hand, seems to lean toward a scale of benefits which approaches a self-sufficiency level. Labor groups favor this position. They compare present benefits with Bureau of Labor Statistics estimates of minimum-budget requirements of an elderly individual or couple. Such estimates run much higher than subsistence benefits. (\$165 to \$190 for an urban couple; \$203 to \$233 for an urban three-person family. These are 1947 estimates.)

(b) *Retirement insurance versus wage-loss insurance.*—The administration maintained that OASI is not fundamentally a retirement-insurance plan. If it were, the right to benefits would vest

at age 65. The wage-loss principle justifies the work test and the increase in the wage base to \$4,800 proposed by H. R. 2893. The principle of retirement insurance was not advocated strongly by any group. However, the wage-loss theory led to the fear on the part of some witnesses that the Federal Government is attempting to protect the individual from all losses in earning ability and that such protection is not to be provided on a minimum-need level but on a wage-replacement level.

These opposing theories are reflected in the various reactions to the elements of the benefit formula which will be discussed in detail below.

One objection to the increased benefits was found in the fact that those already entitled to benefits will receive the increases without ever having paid for them through contributions. Admittedly such a procedure is a departure from insurance principles. However, the only alternative is to supplement the existing benefits of this group through public assistance. There was some feeling that the amounts required to pay these increases should come from the general funds of the Treasury rather than from the trust fund. Dr. Altmeyer thought this to be an appropriate method. However, this approach was in turn open to the objection that it violated the rule that raises in benefits should always be tied to raises in the contribution rate. Any failure to do so would open the door to increased pressure for higher benefits.

2. Best-5-years provision

The provision of H. R. 2893 that the average monthly wage be computed on the basis of the highest 5 years of coverage was strongly opposed. The Advisory Council advised retention of the present lifetime-average method as do the private insurance companies.

The reason advanced by the administration in support of the provision was that use of a lifetime average gives too much weight to obsolete wage levels. Such an average also includes periods of disability.

On the other hand, it was argued that the best-5-years provision gives too much weight to abnormal earning periods such as wartime. It could result in a level of benefit payments out of all proportion to the wage level and the cost-of-living index at the time such payments were being made. There was considerable feeling against adoption of an arbitrary formula such as this which commits Congress now to what may later prove to be an unrealistic benefit scale. It was thought that a better method would be to retain the lifetime-average formula and then periodically examine the level of benefits in relation to the then existing cost of living.

Among the compromises which were suggested are the following:

(a) Relate benefits to the average of monthly earnings over the individual's last 10 years. Such a provision would minimize the danger of relating benefits to obsolete wage levels. On the other hand, it might give undue weight to that period of a worker's life during which his earning capacity is declining. This would probably be more true in the case of unskilled or semiskilled workers than in the case of the skilled or self-employed groups.

(b) Representative Kean suggested using the last 10-years average or the lifetime average at the worker's option. The same result would be reached by giving no option, but by auto-

matically taking the higher figure. He also suggested closing a worker's wage record at any time when he becomes totally and permanently disabled. Such a provision would prevent the progressive decline in the monthly average which is possible under present law.

3. Increase in wage base

Raising the present wage base of \$3,000 to \$4,800 has considerable opposition. The administration supported the proposed figure as follows:

(a) Because of the rise in wage levels since 1939, the \$4,800 figure will result in coverage of about the same proportion of wages as was originally contemplated.

(b) The raise from \$3,000 to \$4,800 is consistent with the theory of wage-loss insurance.

Those who oppose the raise or who support an intermediate figure argued along the following lines:

(a) Raising the base to \$4,800 in effect gives workers earning over \$3,000 a double benefit—one through upward adjustment of the benefit formula and one through a credit for the excess over \$3,000. This results in the high-income worker getting a much higher proportionate raise than the low-income worker who is the one most in need.

(b) Benefits should be kept at a subsistence level. They should not be designed to replace earnings or provide an adequate income but rather to satisfy basic need. If any revision in benefit levels is needed, it should be accomplished through an adjustment of the basic formula and not through raising the taxable base.

(c) The higher-income worker should be taxed only upon so much of his earnings as will insure his minimum protection. Any excess should be left untouched in order that he may provide to some extent, at least, for his own security.

There was some sentiment for retaining the \$3,000 figure as was recommended by the insurance companies.

4. One percent wage increment

H. R. 2893 continues the present method of increasing benefits by 1 percent for each year of coverage. This provision was opposed by many witnesses, including the insurance companies and members of the Advisory Council.

Opposition to the increment was expressed in these terms:

(a) The increment is not paid for through pay-roll taxes. It is a pure gratuity whose only effect is to deplete the trust fund. The fact that it is a common element in industrial pension schemes does not validate its extension into OASI. Under the private plans the cost of the increment is borne by the corporation.

(b) The increment may put future benefits entirely out of line with then current wage levels. It is another example of committing Congress now to what may later prove to be an unrealistic level of benefits. To combine the best 5-year average plan with the 1-percent increment is to go unnecessarily far in insuring high benefit payments in the future.

Support of the increment was based largely on making the plan more attractive to the younger worker. Without it he would receive the same benefits after many years of coverage as would the worker who had made relatively few contributions.

Retention of the increment may prove particularly important if coverage is extended at this time to certain groups only on a voluntary basis. One of the dangers of optional farmer coverage, for example, is, it is contended, that the younger men will stay out. Continuing the increment may be an important inducement for them to come into the system, thus reducing the adverse-selection problem.

One other argument for the increment was that it tends to minimize the possibility of hardship inherent in utilizing the lifetime wage average.

5. *Work test*

H. R. 2893 raises the allowable earned income from covered employment (before benefits are forfeited) from the present \$14.99 to \$50 a month. Considerable support was expressed for changing this provision. It was recognized generally that retirement should not be encouraged, and that continued productive activity should not be penalized. In fact there was support in principle, at least, for doing away with the work test entirely. It was estimated, however, that any plan by which benefits would be paid as a matter of right upon the individual's attaining the retirement age would approximately triple costs.

The following plans were suggested as alternatives to the provision of H. R. 2893:

(a) Lower the permissible earned income amount to \$35 and provide a dollar-for-dollar deduction from benefits equal to the amounts earned in excess of \$35. This is the Advisory Council position. It avoids the forfeiture aspects of the arbitrary \$50 provision.

The administration had two objections to this approach—(1) the increased cost and (2) the fact that there will be a considerable administrative time lag (6 months) between the month in which the excess income is earned and the month in which the decrease in benefits will be felt by the individual.

(b) Either enact the H. R. 2893 work test or a modification thereof but eliminate any work test for those over 70. It was believed that such a plan would make coverage far more attractive to the farmer and the self-employed. Inasmuch as the rate of retirement accelerates as age advances, the additional cost of such a change might not be very large.

(c) Representative Mills suggested placing the allowable earned income on a quarterly rather than on a monthly basis. Permit the eligible individual to earn up to \$150 in any one quarter before benefits are forfeited. Mr. Pogge, director of the Old-Age and Survivors Insurance Bureau, believed such an amendment to be entirely feasible from an administrative standpoint.

Aside from its desirability in holding down costs, a work test is consistent with the wage-loss theory of social insurance. Labor groups would probably oppose its elimination. These groups recommended the forfeiture method rather than one which would permit a dollar-for-dollar deduction because they were afraid that the latter would result in a subsidized labor force of elderly workers.

6. Lowered retirement age for women

The bill lowers the retirement age for women from 65 to 60. Little opposition was expressed to this provision.

The change was explained in this manner:

(a) Women do in fact retire at a younger age than men.

(b) Women are normally about 5 years younger than their husbands. It is desirable insofar as possible that they become entitled simultaneously to retirement benefits.

The arguments which have been presented in opposition to the change are—

(a) This feature of H. R. 2893 is one of the greatest factors in the estimated increased cost of the program, amounting to from $\frac{1}{2}$ percent to 1 percent of pay rolls. The heavy cost arises from the combination of an earlier eligibility age with the greater longevity of the female as compared with that of the male.

(b) Lowering the age will tend to establish a discriminatory pattern in private employment policies.

One compromise in this area would be to select an intermediate retirement age, such as 63. This would lower costs and reflect what some feel to be a more accurate picture of the actual difference in age between husband and wife. It has been stated that the disparity in age is progressively decreasing.

7. Lump-sum benefits

Present law provides for a lump-sum benefit payment to the survivor of the insured only if the survivor is not immediately entitled to a primary insurance benefit. This requirement is eliminated by H. R. 2893, under which the survivor would receive the lump-sum benefit in any event. This change was supported on the ground that the extra expenses of final illness and death impose as great a burden on those who draw monthly benefits as on those who do not. Primary benefits make no provision for this type of expense.

The present lump-sum benefit is fixed at six times the amount of the primary benefit. Under H. R. 2893 this amount is reduced to three times the primary benefit because of the large increases in such benefits planned by the bill.

The only opposition expressed to the new lump-sum benefit provisions has been by the insurance companies. They pointed out that many of those in covered employment have already made provisions for funeral expenses through private insurance and maintained that it is improper for the Federal Government to provide for a contingency which it has been demonstrated can be provided for by individual and group effort. It was reported that some 78,000,000 persons carry life insurance today.

8. Inclusion of gratuities in covered wages

H. R. 2893 changes present law by including gratuities or tips in the taxable wage base. Waiters' representatives were strong in their support of this provision. One witness, representing the Wisconsin State Chamber of Commerce, on the other hand, described the adverse experience of the Wisconsin State Unemployment Compensation Agency in attempting to process this type of wage. Administration proved difficult and the cost of audit enforcement prohibitive, according to this witness. It was also pointed out that the advantage to

the worker of reporting this type of compensation for social-security purposes might be more than offset by the disadvantageous income-tax consequences.

IV. TOTAL AND PERMANENT DISABILITY

H. R. 2893 provides for the payment of benefits to covered workers who have suffered medically demonstrable total and permanent disability for 6 months or more. A temporary disability plan (see below) is intended to bridge the gap between the onset of the disability and the start of extended disability payments.

Labor was particularly emphatic in its support of the disability program. Its position and that of the administration were as follows:

(a) Some 4,000,000 members of the Nation's working force are disabled at any one time—2 million for 6 months or longer.

(b) The permanently disabled form a large part of the public-assistance load, and it has been shown that many of the persons now receiving public assistance (the aged, blind, and dependent children) are on the rolls because of the total disability of the person who could normally furnish their support.

(c) Disability quickly wipes out individual savings. Few workers can provide for this contingency out of their wages.

(d) Permanent disability in the aggregate is an insurable risk. The adverse experience of private insurance companies is not conclusive. Many of them tied their disability insurance to ordinary life policies in an effort to make the latter more attractive. This led to careless administration of the disability provisions. When they tried to tighten up on disability insurance they ran into adverse selection.

(e) There has been plenty of experience upon which to base such a program, namely, the public retirement systems, the railroad workers retirement plan, the veterans' program, workmen's compensation, State cash sickness insurance programs, and commercial insurance.

(f) Total disability insurance is administratively feasible. The existing OASI record system and its field agencies are readily adaptable to including such a program. They should be integrated because of the administrative savings and the convenience to applicants of having only one office to deal with. Few additional doctors need be hired. Existing Government facilities could be utilized on a cooperative basis, and some medical examinations could be handled on a contract basis.

The insurance companies have been particularly vocal in their opposition to the program. The arguments against such an insurance program are as follows:

(a) Private insurance has had an adverse experience with this type of insurance. This was particularly true during the depression. The rate of disability climbed sharply during widespread unemployment.

(b) The cost of such a program is unpredictable. (Administration estimated between $\frac{1}{2}$ and 1 percent of pay rolls.)

(c) Disability programs should emphasize rehabilitation. Insurance minimizes rehabilitation. Rehabilitation can best be handled at the State and local level. Cash disability payments should be made part of the public-assistance program.

(d) There is a great danger of malingering. It is often difficult to determine whether or not a person has in fact left the labor force.

(e) The administration of disability benefits requires a great deal of administrative discretion. The exercise of such discretion has obvious political implications.

(f) The disabilities of women are particularly hazardous to insure because of the prevalence of claims which cannot be proven. It is often difficult to determine their attachment to the labor market.

The cost of the program appeared as an obstacle to its adoption. The administration estimates were based on the favorable assumption of rising wage levels. As pointed out above, any failure of that assumption would produce a large error in the disability estimate.

The Advisory Council's recommendations concerning total disability insurance are followed closely by H. R. 2893. However, the bill departs from its report in two main particulars:

(a) *Eligibility requirements*.—In addition to the coverage required by H. R. 2893 before a worker becomes eligible for disability benefits, the Council recommended two quarters of coverage within the four quarters preceding his disability. This provision would tend to insure at least fairly recent attachment to the labor force.

(b) *Definition of disability*.—The Council recommended that the disability be demonstrable by objective medical tests. It hoped thereby to avoid adjudication of claims based on purely subjective symptoms. The danger of malingering would be minimized. H. R. 2893, on the other hand, eliminates the objective requirement.

V. TEMPORARY DISABILITY

The cost of temporary disability was not included in the actuarial estimates of the cost of H. R. 2893. Dr. Altmeyer presented a figure of about 1 percent. How this figure was arrived at and whether it was an actuarial estimate was not indicated.

The Advisory Council did not include temporary disability in its studies. The insurance companies were very much opposed giving the same arguments upon which they based their opposition to total disability insurance. They pointed out that well over half of the working population is already covered by private plans. Moreover, their experience is that temporary disability plans should be closely related to the employment patterns in the different industries and different communities, and an inflexible Federal program makes this impossible.

VI. FINANCING

The problem of financing has caused considerable anxiety among members of the committee. Any increase in benefits must be considered in the light of ultimate costs and how those costs are to be met. Financing the trust fund presents a dilemma. Either a level premium payment plan must be instituted with the resultant huge trust fund or the pay-as-you-go theory must be accepted with the certainty of sharply increased pay-roll taxes in the future. The more

that coverage is extended and the more that benefits are increased, the greater the problem becomes.

It was stated by witnesses that the economic problems implicit in a huge trust fund can be solved. It is the political problem created by such a trust fund which led most witnesses to advocate the pay-as-you-go plan. They expressed fear of the pressures which could be brought upon Congress for increases in benefits and of the temptation to expend the fund for purely political ends. Pay as you go, on the other hand, would keep the fund at a more moderate level and would make it easier to resist political demands.

The solution to the dilemma from the administration testimony appears to be an eventual Government contribution. Universal coverage increases the validity of the argument for a contribution out of general revenues. Such a contribution will lessen materially the high pay-roll taxes which paying as you go eventually implies.

Some members of the committee asked Dr. Altmeyer to make an estimate of ultimate cost in terms of pay roll of the total Government program. He stated he was unable to as he did not have the figure for health insurance. However, in an interview in United States News, April 15, 1949, he appeared to accept the following figures based on level premium costs and a rising wage assumption:

	<i>Percent</i>
OASI.....	6
Temporary disability.....	1
Unemployment insurance.....	2
Health insurance.....	4
Total.....	13

On the pay-as-you-go plan this cost probably would eventually reach 20 to 25 percent plus, and it should be noted that even these estimates are based on favorable assumptions.

H. R. 2893 provides for a tax rate of 1½ percent on July 1, 1949, and 2 percent on January 1, 1950. These rates are assumed to be sufficient to maintain the fund under the expanded program in the immediate future on a pay-as-you-go basis.

It is difficult to assess the effect of individual benefit modifications in terms of lowered pay-roll cost. For example, the administration actuarial estimate (see Actuarial Study No. 28, February 1949, FSA) shows the increased level premium cost of the new benefit formula as between 1.86 percent (low-cost estimate) and 2.70 percent (high-cost estimate). It makes no attempt to allocate such cost between the various elements of the benefit formula, such as the best 5-year wage average, the liberalized insured status requirements, and the higher wage base.

Some objection was made to imposing additional tax burdens upon the economy at this time. It is true that the administration pictures its expanded program as having a stabilizing effect on the economy, as providing greater opportunities for individual savings and as helping to support the consumers' purchasing power, but these effects are of a long-range nature. The impact of tax increases is felt immediately. Representatives of the coal industry, for example, maintained that they have about reached the limit in pay-roll taxes which their competitive situation will permit them to bear.

As has already been pointed out, whatever tax rate is decided upon, there remains the possibility of special tax treatment for selected

groups. Representative Mills made a suggestion that farm operators pay only the employee rate (rather than $1\frac{1}{2}$ times that rate as would other self-employed) and that farm workers and domestics pay only their own contribution without any contribution from employers. In terms of the farmer this would mean a lesser burden on his earnings; in terms of agricultural and domestic workers this would mean no harassment of employers and more responsibility on the individual worker. What effect such tax treatment would have on entitlement to benefits was not made clear. H. R. 2893 provides for payment of three-fourths of normal benefits to nonprofit employees whose employers refuse to contribute. Extension of a similar plan to the more numerous agricultural and domestic workers might entail considerable depletion of the trust fund and, at the same time, fail to meet the public assistance problem.

VII. ADMINISTRATION

1. *Costs*

The administrative cost of the present law is about 3 percent of contributions and less than 10 percent of benefit payments. This cost is expected to decline with expansion of the program.

The cost of maintaining individual wage records is about 0.75 percent of contributions and less than one-fiftieth of 1 percent of covered pay roll. Therefore, it was stated that the administrative saving which would result from the abandonment of the present system for a flat benefit plan would not add materially to the amounts available for benefit payments.

The actuarial estimate of the administrative cost of H. R. 2893 in 1960 (excluding the temporary disability program) is between \$113,000,000 (low-cost estimate) and \$189,000,000 (high-cost estimate). The same figures for the year 2000 indicate a low cost of \$260,000,000 and a high of \$450,000,000. Apparently no estimates have been made of the administrative cost of the temporary disability program.

2. *Tax collections*

The major administrative change envisaged by H. R. 2893 is in the method of collecting contributions in respect to agricultural and domestic workers. The self-employed (farm and urban) will be processed through the existing income-tax return with minor modifications in the instructions or in the form itself. This procedure will utilize existing administrative experience. However, a new departure must be made in regard to the farm worker and the domestic. Present plans call for use of a stamp plan or a simplified pay-roll report form. The Bureau of Internal Revenue favors the latter which has the advantage of furnishing the employer a permanent record of contributions, and also eliminates the necessity of using the Post Office Department as a stamp-distributing agency. The stamp plan, on the other hand, would facilitate coverage of casual workers from the standpoint of the employer since it would not be necessary for him to prepare forms or keep records. Moreover, if the proposal to require only the employee contribution in respect to farm and domestic workers is adopted, the stamp plan becomes a practical necessity.

H. R. 2893 provides that all contributions be paid directly into the National Insurance Trust Fund. There was no discussion of this change.

VIII. MISCELLANEOUS

1. Effect on private retirement plans

One objection to social security in general is that it interferes with private retirement plans. Therefore, there was some feeling that groups generally covered by such plans should be specifically excluded from coverage. The administration, on the other hand, would like to cover all such groups on a compulsory basis. The bill does not go that far. It excludes Federal employees covered by a Federal retirement plan and State and local employees covered by public retirement plans unless they indicate by referendum their desire to be covered by OASI. This is essentially a compromise position. Opponents would like such groups to be excluded categorically. The basic objection to such exclusion is that employees covered by such plans often lose their retirement benefits when they change employment. They are then without any coverage at all. Therefore, the administration supports compulsory coverage of these groups with the expectation that the private plans will be modified to the extent that it is necessary to supplement OASI. This is the pattern that has been followed generally in industrial retirement programs. The ones that existed prior to enactment of the original social-security law have been modified so as to deduct from the benefits payable under the private plan the amount of any OASI benefits.

2. Advisory Council report

While the report of the Advisory Council generally accords with H. R. 2893, the Council recommended the following which have not been incorporated into the bill:

- (a) Raise the wage base to \$4,200—not to \$4,800.
- (b) Eliminate the 1 percent yearly increment to the benefit payment.
- (c) Modify the work test so that it will not operate as a forfeiture of benefits and eliminate the work test for those over 70.
- (d) Use the lifetime average wage in computing benefits.
- (e) Extend coverage to nonprofit organizations on a compulsory basis, excluding clergymen and members of religious orders.
- (f) Make the railroad retirement program supplementary to OASI.
- (g) Require that permanent and total disability be of a type demonstrable by objective medical tests.

3. Position of private insurance companies

- (a) Extend coverage to groups now excluded.
- (b) Keep benefits at a subsistence level.
- (c) Keep \$3,000 wage base.
- (d) Eliminate 1 percent yearly increment to the benefit payment.
- (e) Use a lifetime average wage rather than the average for the best 5 years.
- (f) Do not extend present lump-sum death-benefit provision.
- (g) Eliminate work test for those over 70 and modify in the 65-to-70 area.
- (h) Do not lower the retirement age for women.
- (i) Do not enact disability insurance.

APPENDIX

Coverage of workers on border line of wage employment and self-employment

Border-line group	Estimated number of workers ¹	Estimated coverage if Public Law 642 repealed ²
Total.....	1, 283, 500	500, 000-750, 000
Outside salesman in manufacturing and wholesale trade.....	444, 000	220, 000
Taxicab operators.....	150, 000	150, 000
Insurance salesman:		
Ordinary life.....	60, 000	60, 000
Fire, theft, and casualty.....	96, 000	0
House-to-house salesmen.....	³ 70, 000	70, 000
Private-duty nurses.....	75, 000	0
Owner-operators of leased trucks.....	50, 000	0
Industrial home workers.....	40, 000	40, 000
Entertainers.....	38, 000	10, 000
Newspaper vendors and distributors.....	22, 000	4 0
Contract loggers.....	17, 500	8, 750
Mine lessees.....	10, 000	10, 000
Journeyman tailors.....		
Subcontractors, building repairs and alterations.....	200, 000	0
Contract filling-station operators.....		

¹ These figures were inserted in the record of the hearings before the Senate Committee on Finance on H. J. Res. 296 (80th Cong.) by Oscar R. Ewing, Federal Security Administrator. None of these workers would be covered under Public Law 642.

² These figures were supplied by Harold Packer, Assistant to the General Counsel, FSA. They represent the number of workers excluded from coverage by Public Law 642. Where the number is less than the total in the preceding column, the balance would not be covered under either Public Law 642 or the Supreme Court test of economic dependency.

³ This figure excludes part-time salesmen and salesmen who sell several different lines. If they were included, the figure would approach 1,000,000, but such salesman would not be covered under any existing test.

⁴ Excluded by News Vendors Act.

STATEMENT BY ARTHUR J. ALTMAYER,
COMMISSIONER FOR SOCIAL SECURITY ADMINISTRATION
ON RECOMMENDATIONS TO IMPROVE THE OLD-AGE AND SURVIVORS
INSURANCE PROVISIONS OF THE SOCIAL SECURITY ACT

BEFORE THE WAYS AND MEANS COMMITTEE
OF THE
HOUSE OF REPRESENTATIVES

March 23, 1949

Four weeks ago, when this committee began hearings on Title I of the Social Security Act, I referred to public assistance as our second line of defense against destitution. My statement today is concerned with the first line of defense--a comprehensive system of contributory social insurance having as its aim, the prevention of destitution.

These two lines of defense were established by the Congress in 1935 from the perspective of several decades of experience including the "boom" of the 1920's and the "depression" of the 1930's. Fourteen years of operation under the program have proved the wisdom of the decision Congress made in establishing the social insurance system.

Following the policies laid down by the Congress and guided by our experience in administering the program, we have recommended in our annual reports that the contributory social insurance program be improved and strengthened along the following lines:

1. Extending the coverage of the old-age and survivors insurance program to practically all gainfully employed persons,
2. Raising the level of benefits paid under the program, and,
3. Expanding the program to provide protection against disability as well as old age and death.

Later I should like to present for the consideration of the Committee in summarized form, specific suggestions covering the following subjects:

- (1) Extension of coverage;
- (2) Coverage of the self-employed under old-age and survivors insurance;
- (3) Improvement of old-age and survivors insurance benefits;
- (4) Disability Insurance benefits;
- (5) Financing an expanded old-age, survivors and disability insurance program.

It occurred to me that these summaries might be helpful in focusing all of the material and considerations that are involved.

As the Committee knows, the Federal old-age and survivors insurance program is the only part of the Social Security Act which is administered wholly by the Federal Government. Employers and employees have each been making contributions of 1 percent of taxable wages since January 1, 1937. Under the original provisions of the Social Security Act, monthly benefits would not have been payable until January 1, 1942. The 1939 amendments, however, advanced that date to January 1, 1940. The 1939 changes also resulted in an increase in the payment of benefits during the early years of the system's operation. Above all, the amendments added dependents' benefits and survivors' benefits so that now, in addition to the payment of old-age benefits to workers themselves, monthly benefits are also payable to the aged wife and young children of a living beneficiary and to the widow, children, and, in some cases, the dependent parents of an insured worker who dies. The face value of these survivors benefits is now about \$80 billion. Just as contributions are paid on the basis of wages received, so these benefits are paid on the basis of the past wages of the insured worker, and thus compensate for a portion of the wage loss sustained by his retirement or death.

I believe that the Ways and Means Committee has a right to be proud of the way this law has functioned to date. There were many persons in 1935 who doubted that this social insurance system could be simply and efficiently administered. However, at the present time there are 2.3 million aged persons, widows and orphans receiving monthly benefits. By the end of this present calendar year the number will probably have increased to about 2.6 million. Contributions for the year 1949 are being collected at a rate of about \$1.8 billion per year and disbursements are running at a rate of \$700 million.

This Federal old-age and survivors insurance system constitutes the largest permanent insurance system in the world. Therefore, unprecedented administrative problems have been encountered in putting it into effect. However, all of these problems have been solved. The total cost of administration at the present time is 3 percent of contributions collected and less than 10 percent of benefit payments. This percentage is declining steadily and there is no question that as benefit rolls increase the cost of administration will decline to less than 3 percent of benefit payments.

At the present time accounts have been established for 80 million individual workers who have wage credits. The cost of maintaining these wage records is about 12 cents per account per year.

There can no longer be any doubt as to the effectiveness and practicability of this Federal old-age and survivors insurance system. However, the years that have passed have indicated various ways and means in which it could be improved and also demonstrated that its benefits could be extended to cover substantially all the gainfully employed persons, including the self-employed.

Extension of Coverage

The present Federal old-age and survivors insurance program covers, with certain important exceptions, employers of one or more employees. Despite these exceptions, social security account cards have already been issued under this program to some 90 million persons, of whom 80 million already have had some wage credits posted to their accounts because of work in insured employment. It is apparent from these figures that a large proportion of the gainfully occupied population already has some measure of protection against old age and death. However, it is also apparent that many persons pass back and forth between insured employment and uninsured employment. In 1948 while only 35 million individuals were engaged in insured employment at any one time, over 50 million individuals worked in insured employment during the course of the year.

Since the amount of a benefit depends to a considerable extent upon the length of time an individual actually works in insured employment and the amount of his earnings in such employment, persons who pass in and out of insured employment get lower benefits than they would have if all their work had been insured employment. Persons who always work in uninsured employment are unable, of course, to develop any benefit rights whatsoever.

The main groups now excluded from old-age and survivors insurance are agricultural laborers, domestic servants, employees of nonprofit organizations, public employees (Federal, State, and local), railroad employees and self-employed persons, including small businessmen and farmers.

It is gratifying to note that various groups who have studied the contributory social insurance system have recommended that coverage be extended. The most recent was the Advisory Council on Social Security which after careful consideration of the administrative and financial problems involved recommended the extension of the insurance system to cover farmers and other self-employed persons, agricultural labor, domestic service and other groups. A study undertaken by the Treasury Department at the request of your Chairman reported that "It is now evident that administrative considerations no longer constitute an important barrier to the expansion of coverage in the event the Congress decides to extend the protection of the system." A third and earlier study of the "Issues in Social Security" was made by the Technical Staff on Social Security of your committee. The resulting report, as you know, concludes, in part, that:

"With the prospect of the addition of other kinds of social security benefits, it seems inevitable that availability of old-age and survivors insurance benefits must be all inclusive if the Nation's social-benefit objectives are to be attained."

A recent Gallup poll reports that 60 percent of farmers who expressed an opinion on the question favored the extension of social security benefits to farmers. Many small businessmen, professional workers and others who comprise the non-farm self-employed, in groups and as individuals have urgently requested coverage under the program.

Of the 80 million living workers who have acquired some wage credits under old-age and survivors insurance, over 13 million are permanently insured and another 31 million have some insured status, the maintenance of which depends on their continuing to work in covered employment. Even for those who are permanently insured, however, shifting between covered and noncovered employment would damage their benefit rights by reducing the amount of benefits potentially payable. Of the nearly 36 million (approximately 44 percent of the total having some wage credits) who have acquired no insured status many have shifted to a noncovered occupation such as self-employment. Unless these individuals later return to covered employment, their contributions will have been lost to them. An outstanding result of extending the coverage would be the elimination of this uncertainty as to insured status.

Persons who have not worked in covered employment, of course, are unable to acquire any benefit rights under old-age and survivors insurance, and many of them have no protection under any other system. Even where protection is afforded under other retirement systems, workers who shift between jobs covered by different systems are at a disadvantage, and many fail to qualify for benefits under any system. In order to assure continuity of insurance protection, old-age and survivors insurance should be made the basic social insurance system of the Nation, coordinated with the special systems covering particular groups.

In addition to increasing the social insurance protection of the population generally, extension of coverage would have other beneficial effects. It would eventually reduce the costs of public assistance. In this respect it would be particularly beneficial for the predominantly agricultural States, where public assistance costs now are comparatively heavy because so little of the burden of dependency in those States is met by the contributory social insurance program. In view of the fact that the proportion of aged persons in the population is increasing, we can expect rising public assistance costs unless the social insurance program is enabled to assume its full share of the load.

The Social Security Administration believes that one of the ways in which the Nation's obligation to its veterans can be met is by giving the veteran a chance to provide for his own future. With broad old-age and survivors insurance coverage virtually all veterans would be able to provide for their own security and the security of their families.

The Self-Employed

Farm operators and urban business and professional people make up the two main classes of the self-employed, each of which is much larger than any other group excluded from the present old-age and survivors insurance program. The number of farm operators in the course of a year is about 6 million. The number of the urban self-employed has increased greatly since the war and is now about 7.7 million.

The self-employed were excluded from the original program largely because, at that time, there was no agreement on a feasible method of

obtaining such reports of their income. Subsequent developments have indicated that most self-employed persons can report their income, for purposes of coverage, as a part of their income tax returns.

Reports would be required only from self-employed persons with gross cash incomes from all sources of \$500 or more in a year, and with net incomes from self-employment of \$200 or more. The value of goods produced for home use would not be counted. There is, of course, the special problem of determining how much income is due to self-employment as distinguished from return on investment. However, a reasonable approximation of this can be made from items already in the income tax return. Therefore, there are no insuperable administrative problems which would prevent extension of coverage to the self-employed.

The Federal Security Agency and the Treasury Department believe that a one-page form can be devised which would be simple for the taxpayer and which would present no major difficulties in administration for the Federal government. Net income from self-employment could be determined entirely on the basis of two figures already included in the income-tax return, namely, income from business or profession (schedule C), and income from partnerships (schedule E).

Based on the experience of the Treasury Department with the taxation of low and middle income groups in recent years, it is our opinion that the coverage of the self-employed can be accomplished simply, effectively, and economically at this time.

Agricultural Labor and Domestic Workers

At present about 4.1 million hired workers on farms and about 3 million domestic workers in private homes are excluded from old-age and survivors insurance in the course of a year. In addition to the 4.1 million farm workers, an estimated 6 or 7 hundred thousand people who do not work on farms are excluded from coverage by the definition of "agricultural labor" incorporated in the Social Security Act in 1939. A large group of these workers are engaged in the preparation of fruits and vegetables for market. Altogether, therefore, some 4.7 million persons are excluded from the present coverage as "agricultural labor."

Both farm and domestic workers are low-income groups and are even less able than urban wage earners to protect themselves against the risks of old age and death through their own efforts. A principal reason for the original exclusion of these two groups was the administrative difficulty due to the large number of small employers involved and the fact that most of these employers do not keep books and would find difficulty in making reports. On the basis of studies made during the past ten years, I believe that it is administratively feasible to extend coverage to these groups through the use of a stamp-book system. Under such a system each employee would receive a stamp book in which stamps would be placed by his employer to evidence contributions made by the employer and the worker. In rural areas the employer could purchase these stamps from the mail carrier, and in urban areas they could be purchased at

post offices. A stamp plan could be used also by small industrial and commercial establishments which found it more convenient.

For regular workers on large scale farms, where pay records are already kept, the system of reporting now used in industry might be most convenient. For the rest--that is, for the workers on small farms and temporary help employed during rush seasons--it might be more convenient to use a stamp plan. Whenever he paid his workers, the farmer could place special social insurance stamps in books carried by the workers. Half the cost of these stamps would be borne by the employee. The books would be accepted by the Social Security Administration as evidence of earnings, and the farmer would not need to make any report or keep any special records for the purpose.

Public Employees

It would be entirely feasible to extend the basic protection of the social insurance system to all public employees--Federal, State, and local.

The special retirement systems which now cover public employees, like those in private industry, could be constructed so that their benefits would supplement those payable under the basic social insurance system. Such revisions should of course be made in such a way as to increase the total protection afforded to public employees without reducing their retirement benefits.

Until agreement can be reached on the necessary adjustments in existing Federal retirement systems at least those Federal employees who are not protected by any Federal retirement system should be covered under the basic old-age and survivors insurance system.

Opportunity for State and local governmental employees to be covered should be afforded through voluntary agreements with the States, provided the social insurance system is protected against adverse selection. Voluntary coverage is proposed in this field only because of the constitutional problem involved in taxing State and local governments.

The Armed Forces

Active service in the armed forces should be included under the old-age and survivors insurance system. The establishment of a citizen army during peacetime has made permanent the problem which arose during the war of protecting the old-age and survivors insurance rights of those who devote a few years to the service of their country but who do not stay in the armed forces long enough to qualify for the benefits of the retirement systems set up by the various services. Credits for active service should be counted beginning with the outbreak of World War II. Protection against disability and superannuation is offered by military retirement systems only for career members of the armed forces. The large group of individuals who serve for periods of less than 20 years in the armed forces would still not accumulate rights to any kind of benefits under the special systems, and should be afforded protection under the old-age and survivors insurance system.

In 1946 Congress provided what was in effect free term-insurance protection to veterans in the event of the death of a veteran during the period of three years immediately following separation from active military or naval service. This period of time enables veterans to acquire at least currently insured status if they enter insured employment for as much as one-half of that period. However, for those veterans who do not enter insured employment this insurance protection ceases upon the expiration of the three-year period. Even those veterans who enter insured employment suffer some reduction in their benefits because military or naval service is not insured employment. Thus, their average wage upon which benefits are based is less and they do not receive the 1 percent increment which is provided for each year that a person is in insured employment. This provision has already ceased to have any effect for most veterans. Rather than extending the provisions, a better solution would be to give all veterans wage credits for World War II service as was done in the case of the Railroad Retirement and Civil Service Retirement plans.

Employees of Nonprofit Organizations

Service performed for religious educational, charitable, and similar nonprofit organizations should be included under the insurance plan.

I believe that compulsory insurance coverage would not endanger the tax-exempt status accorded to these organizations. Specific provisions affirming this status could be included in the legislation. Coverage for employees of these institutions should not be contingent upon the election of their employers. Any plan providing elective coverage would be both administratively and actuarially unsound, and in addition would be unfair to those employees whose employers did not elect coverage.

In the event that it is believed desirable public policy not to require nonprofit employers to pay their share of the old-age and survivors insurance contribution, provision could be made that the employee contribution would be compulsory--thus assuring all nonprofit employees and their families of insurance protection. The payment of the employer contribution could be made voluntary and wage credits correspondingly reduced if the employer contributions were not paid.

Gearhart Resolution

The definition of an "employee" for purposes of social security should be restored to that under which we operated until June 14, 1948, when Public Law 642 was enacted. The repeal of sections 1 and 2 of this law would restore rights under the old-age and survivors insurance system to an estimated total of from 500,000 to 750,000 workers, who are "employees" as a matter of economic reality but not according to the usual common-law rules required by Public Law 642. Many of these are salesmen, taxicab operators, insurance agents, or homeworkers. Repeal of the resolution is recommended even though the self-employed are covered under the program.

Disadvantages Suffered by Newly Insured Groups

If these recommendations relative to broad extension of coverage of the old-age and survivors insurance system are enacted into law it will be necessary to adjust the eligibility requirements and the method for determining the average monthly wage upon which benefits are based so that the newly insured groups will not be unduly disadvantaged because of their late entrance into the system. As the law now stands a person who has not been working in insured employment for roughly one-half of the time since the law went into effect on January 1, 1937, (or one-half the time since the date he became 21 years of age, if that date is later) is not fully insured and, therefore, not entitled to an old-age retirement benefit. Therefore, it would take a farmer who had never worked in insured employment previously, who attained age 60 this year, about $8\frac{1}{2}$ years before he could qualify for an old-age retirement benefit. Since 12 years have already elapsed, his average monthly wage would be less than half of the average income he would earn during his period of coverage because his earnings would be averaged over the whole period after January 1, 1937, and until he is insured, a period of about 20 years.

To make it possible for newly covered workers to become eligible for insurance benefits within a reasonable period of time the provision of the existing law should be changed to permit a person to be deemed insured if he had covered wages in one out of each of the four quarters elapsing since 1936 or since age 21. Anyone who had 40 quarters would, of course, continue to be fully insured. The one-out-of-four provision would permit newly covered workers to be treated the same as retired workers will be treated when the insurance system is mature since under the present law, for the long-run future, a worker will only need to have 10 years of coverage out of approximately 40 years of his working life. If the Congress were to extend coverage to all of the persons now excluded so that the insurance system would be a truly universal coverage plan then it would be possible to require only the same qualifying period for an older worker now as was required for a person who was the same age when the system began operation in 1937.

A revised definition of average monthly wage is necessary so^a that newly covered groups will not be unduly disadvantaged because of their late entrance into the insurance system. I shall discuss additional reasons for changing the method of computing average wages in connection with liberalizing the benefits.

Liberalizations in Benefit Amounts

Benefits under existing provisions of the law are not adequate for the basic security which the Nation and the Congress expected would result from old-age and survivors insurance for insured persons and their families. The present level of benefits has been found to be inadequate even at the level of the economy in 1939, when these provisions were enacted. Since then, the cost of living has risen between 70 and 75 percent.

Benefit formula.--The average primary benefit in 1940 was about \$22, or a little above the national average for old-age assistance payments,

\$20. However, many beneficiaries had only small resources of their own and those whose benefits were lowest were most likely to be entirely without other resources. As the cost of living rose, the benefit amount became even less adequate. Today the cost of living index is more than 70 percent above that in 1939. In spite of the considerable increase in average wages (about 125 percent in manufacturing industries) and the consequent need for higher benefits to replace wages lost by retirement or death, the formula adopted in 1939 has permitted the average benefit to increase only 12 percent, to about \$25. As compared with that figure, the average old-age assistance payment is \$42. Some 10 percent of the insurance beneficiaries have to have public assistance and many more rely on help from relatives. Obviously the insurance benefits are inadequate to provide even what the nation as a whole regards as essential for people in need, and such benefits cannot successfully prevent dependency in a large percent of cases. Therefore, the present formula should be changed to 40 percent of the first \$75 (instead of \$50) of average monthly wage plus 15 percent (instead of 10 percent) of the remainder.

Maximum wage base.--Another important change which should be made is to permit the average monthly wage to be as high as \$400 per month. This would be the result if the taxable wage base were increased to \$4,800 instead of \$3,000. In 1939, about 97 percent of all covered workers received wages below \$3,000. At today's wage levels, \$4,800 would include the total wages of about 96 percent of the workers. Thus, this proposed change is necessary to give workers the same degree of protection against wage loss that they were accorded in 1939. If the wage base is not raised, the differential between benefits for low-wage and high-wage workers will not adequately represent their differences in levels of living and the benefit structure will tend more toward a flat level.

Calculation of average monthly wage.--Benefits are based on the worker's wages from covered employment averaged over all months after 1936 (or his later attainment of age 21), whether or not he had covered wages in all such months.

The purpose of basing benefits on such an average monthly wage was to permit benefits to be related to a worker's usual earnings even though he retired within a few years after the program began, without permitting excessive payments to persons who will retire many years hence. At the same time, the average monthly wage, and hence the benefit amount, was reduced for persons who moved in and out of covered employment, whether on account of noncovered employment, unemployment, or disability. This method of calculating the average wage has been criticized for several reasons. First, while most persons recognize the justice of higher benefits for persons who pay contributions regularly than for those who work some of the time outside the program, the concept of an "average" wage lower than that which the worker ordinarily is paid is difficult to understand. Second, any periods of disability which the individual suffers should not reduce his average monthly wage or benefit amount, even though periods when an individual was not in the labor force or was working in noncovered employment should result in lower benefits based on his covered employment. Third, an "average monthly wage" figured over an individual's entire working lifetime, as the present

formula will require in the long run, will not be representative of his wage loss at death or retirement. It will include the low wages when he was learning his trade or business. Also, since there is a long-term upward trend of wages, it will fail to remain reasonably representative of current wage levels. It seems better to base benefits on the average wages a worker has during a reasonably limited period when he was working fairly regularly at his most developed skill and hence earning his best wages. Ordinarily, such a period would be toward the latter part, although not necessarily the end, of his working lifetime and benefits based on it would fairly represent the general wage level when he retires.

A change in the present method of figuring the average monthly wage will of course, be necessary when the act is extended to cover a number of occupations heretofore excluded. Otherwise, the employees in such occupations would for many years have a very low average monthly wage and would probably receive very small benefits. Averaging wages over a limited period such as the individual's best five years rather than all years since 1936 would prevent undue hardship to the newly covered workers and improve the benefit structure generally.

Increase in benefit amounts for continuous employment.--

Because the average monthly wage is reduced by any months since 1936 when an individual had no covered wages, benefits are larger for workers who are in covered employment all their working lives than for persons in such occupations for proportionately less time. Even when coverage is broadly extended, some provision is needed to assure substantially larger benefits to those persons who work continuously than for others, like women who leave the labor force upon marriage, who become eligible for benefits but have not engaged continuously in covered employment. Otherwise, the unduly large benefits of persons irregularly in covered employment, or even irregularly in the labor force, will be largely financed by regularly covered workers and their employers. If such variation is made directly in the benefit amount, rather than in the average monthly wage, those affected would understand it better.

Minimum benefits.--

If most occupations now excluded are covered, as proposed, the minimum primary insurance benefit should be increased. The present amount \$10, does not represent even the minimum economic security intended in 1939, when the figure was set. If the proposed revisions in coverage, benefit formula, and method of computing the average monthly wage are enacted, the minimum benefit could be established at \$25 without exceeding the computed benefits of the great majority of those persons who customarily support themselves.

Maximum benefits.--

Under existing provisions, family benefits may not exceed \$85 a month, twice the amount of the worker's primary benefit, or 80 percent of the average monthly wage, whichever is least. If a \$4,800 wage base is used, a higher dollar maximum, such as \$150, is needed to permit a

man with a high average wage and his wife to draw the full amount of their benefits when the man has been in covered employment for a fairly long period. The requirement that benefits may not exceed twice the amount of the primary benefit is unduly restrictive on survivor families at the middle income levels which include most insured workers' wages. Therefore, it is recommended that this particular requirement be eliminated, but that the other two be retained.

Reduction in Age for Women

Women should be eligible for benefits at age 60. Wives are generally a few years younger than their husbands. Requiring a wife to be age 65 before her benefits can be paid means that only about one-fifth of the married men who retire at age 65 have wives immediately eligible for wife's benefits. Some families must, therefore, live on very inadequate benefits for several years until the wife is eligible for benefits. If women were permitted to draw benefits at age 60, about three-fifths of the married men would have wives immediately eligible for wife's benefits when the men attain age 65. Furthermore, a widow between ages 60 and 65 could also draw benefits immediately. Women workers themselves, as a matter of equity, should also be eligible for primary insurance benefits at the same age other women may draw dependent's benefits.

Liberalization of Retirement Test

Benefits are not paid for any month in which a beneficiary earns more than \$14.99 in covered employment. Although benefits are intended for workers who have retired from substantial employment, beneficiaries should be permitted to do some part-time work, paying up to about \$50 a month, without loss of benefits.

Lump-sum death payment

Such payments may now be made only if the insured worker leaves no survivor who could immediately become entitled to monthly benefits. The extra expenses of death impose as great a burden on those who draw monthly benefits as on those who do not. The lump sum should be payable upon death of any insured worker, irrespective of the payment of monthly benefits. On the other hand, since the primary insurance benefit is increased, the lump-sum payment might well be three times rather than six times the primary insurance benefit.

DISABILITY BENEFITS

Our existing social insurance program provides some protection against wage loss due to unemployment, old age and death. But we have provided no social security against a hazard which is equally, sometimes even more, disastrous to a family--the temporary sickness or injury which keeps the wage earner off his job for weeks or months, or the more

serious disability which incapacitates him for a longer period--perhaps for the rest of his life.

Every day nearly 4,000,000 men and women of working age are suffering from some disabling condition. Over 2,000,000 of them have been disabled for 6 months or longer. To the wage earner who is unable to work and to his family which depends on his earnings the loss of income has the same social and economic impact whether it is caused by labor market upheaval or physical incapacity.

Temporary disability caused by illness or injury, and extended disability resulting from accident or chronic disease, are economic risks against which most workers find it virtually impossible to budget on an individual basis. To most workers the cost of private disability insurance is prohibitive; comparatively few have the protection offered by existing Federal and State retirement programs and other benefit systems. For these reasons disability continues to be a major cause of dependency.

In June 1948, 83,000 persons were receiving aid to the blind throughout the United States; and the families of about 90,000 incapacitated workers were receiving aid to dependent children. Of the more than a million children receiving such aid, one-third were from families where one or both parents were incapacitated. Many of those on the assistance rolls have become destitute because disability forced them to stop work and use up all of their personal savings. Clearly, the cost of dependency is a heavy drain on the public purse--and disability causes much of this dependency.

A program of social security falls short of its basic purpose if it fails to protect workers and their families against the risk of disability. The best way to provide this basic protection in a manner consistent with the traditional American concept of dignity and self-respect is by a contributory social insurance program. Disability, like other economic risks, cannot reasonably be predicted on an individual basis; but in the aggregate it is a predictable, insurable risk. Under a broad contributory social insurance system this necessary protection can be provided at a cost well within the reach of every worker.

For all insured wage earners and self-employed persons who have been disabled for 6 months or longer and cannot engage in any substantially gainful work, monthly benefits should be payable, beginning after a 6-month waiting period. These extended disability benefits should be comparable to the benefits payable upon retirement. For eligible wage earners only--to tide them over the first 6 months of disability--weekly disability payments should be payable. Only those whose earnings show regular attachment to the labor force should be eligible for benefits in either case--and only if their disability is medically demonstrable.

Disability insurance is part of the social insurance systems in practically all countries, and its administrative feasibility has been proved beyond question. This view has been recently affirmed by

the Senate Advisory Council on Social Security in its recommendations for establishment of a permanent and total disability insurance program. In the United States we have had considerable experience with disability programs. The various special public retirement systems, the program for railroad workers, the veterans' program, workmen's compensation, the State cash sickness insurance programs, and commercial insurance, have provided valuable sources of information and experience in planning a national program of disability insurance. Some of those who question the practicability of such a national program in this country are concerned over the fact that a number of private insurance companies discontinued writing disability contracts after unfavorable experience with them during the depression years. On that point we agree with the Senate Advisory Council which said: "in our opinion, that experience is important but not conclusive."

The present old-age and survivors insurance system is already full geared to large-scale payment of benefits similar to those proposed for disability. The wage records system, the network of field offices, and other administrative facilities necessary for administering a disability program would be largely the same as those for the retirement and survivors program. Thus, existing administrative machinery could be adapted with minimum effort and expense to payment of the new benefits.

The programs for both temporary and extended disability benefits should be integrated with the old-age and survivors insurance system.

The advantages to claimants, to doctors, and to the public generally, in having only one field office to look to locally for information and action on old-age, survivors, or any form of disability benefits are obvious. Administrative savings to be obtained from such an integrated program would alone be sufficient reason for selecting full integration as the most desirable course.

Three States--Rhode Island, California and New Jersey--now have temporary disability programs. Our study of the operations of these and other programs has convinced us that a program of temporary disability benefits fits into a comprehensive insurance system embracing retirement, survivors and disability insurance. Experience has shown that the two programs of temporary disability and unemployment insurance are so different as to require almost separate administration, with separate policies, separate procedures and separate administrative staffs.

One of the major objectives of a program of disability insurance would be to finance the rehabilitation of disabled persons for return to gainful employment. Rehabilitation would be accomplished largely through existing State and local facilities. Our experience in administering the retirement and survivors program has demonstrated that much of the case development and incidental operations can be successfully decentralized to local offices. We expect that the opportunities for local operation would be even greater with a disability program.

COSTS

In presenting to you the cost of the expanded program I am first going to present the costs of the present Old-Age and Survivors Insurance Program and compare them with the estimated costs of the expanded program excluding temporary disability. I shall deal with the cost of weekly disability benefits separately since short-time disability benefits do not have the long-run increasing cost aspects which old age and permanent disability benefits have.

Cost of Present Old-Age and Survivors Insurance Program:--

If the 1939 estimates of the cost of the present law are adjusted to allow only 2% interest on reserves (the rate which is now used in making estimates) instead of 3%, the rate that was used in making estimates in 1939, the level premium cost from 1950 on is from about 6% to 9% of payrolls and the intermediate figure would be about 7-1/2% of payroll. Of course, these 1939 estimates are now out of date because of the great increase in wages and number of workers employed. Present estimates of the expanded program based upon present wages and level of employment would also turn out to be too high if wages and employment continue to increase as they have in the past.

Taking into account the changes that have taken place since 1939, the latest actuarial estimates indicate that the level premium cost of the present law is somewhere between 3.3% to 5.7% of payrolls, or about 4.5% if we take an intermediate figure.

Cost of Expanded Old-Age, Survivors, and Extended Disability Insurance Program:--

The level premium cost of the expanded program, based on substantially present employment and wage levels, is about 5.6 to 9.2 percent of payroll, or an intermediate figure of around 7.4%. Thus, the cost of the expanded program is about the same as the level premium cost of the 1939 Act based on 1939 assumptions (with the exception of the change in interest rate).

Of course, actuarial estimates must be presented within a wide range since no one can predict accurately for several decades hence economic conditions, mortality rates, population growth, retirement rates and many other such factors upon which actuarial estimates must be based.

One fact is clear however. As an individual's wages increase, he always receives a larger benefit but this benefit represents a smaller proportion of his wages. This is because the present old-age and survivors insurance law provides for the payment of primary benefits of 40 percent of the first \$50 in average monthly wages and 10 percent of the remaining amount up to \$200 additional. For instance, the individual receiving an average wage of \$100 per month receives basic old-age insurance benefit of \$25 per month or 25 percent of his average wage; the \$250 per month individual receives \$40 per month which represents 16 percent of his average wage. Thus, as the average wage of

insured persons increases the relative costs of the present benefits measured as a percentage of pay roll will decrease.

At the present time the average wage of persons contributing to the insurance system is substantially higher than the average wages assumed in making the actuarial cost estimates in 1939. This single factor has resulted in a great reduction in the relative costs of the insurance plan. In calculating the costs of the proposals I have presented it must be borne in mind that extension of coverage would result in including all the wages of many individuals who are already under the insurance system part of the time. This would increase their taxable wages and reduce the relative cost of the insurance plan.

The figure for the expanded program is predicted on the maintenance of existing wage levels over the next 40 or 50 years. However, our history indicates that the level of income and earnings in the future will be above that now prevailing. If the cost estimates of the present benefit provisions are amended to take account of the long-term tendency for wages to increase, the intermediate level premium cost of the expanded program (excluding temporary disability) would be lowered from 7.4% to about 6%, taking the intermediate figure for purposes of comparison.

In this connection it is significant to note that the level premium cost of the present Railroad Retirement program is estimated at 13.6 % of payrolls utilizing the 3% interest rate specified in the railroad law. If an interest rate of 2 percent were used, to put the estimates on a basis comparable to that for Old-Age and Survivors Insurance, the level premium cost of the railroad program would be about 15% of payrolls.

Cost of Temporary Disability Insurance:--

It is estimated that a national system of temporary disability insurance--providing benefits, after a waiting period of seven consecutive days, for up to 26 weeks during a benefit year--is likely to cost about 1 percent of covered payrolls. This amount would be sufficient to provide benefits averaging about 50 percent of covered wages, and representing higher proportions of earnings for the lower-paid workers and for workers with dependents. Other specifications of the system assumed in this cost estimate are that the eligibility requirements include a test of fairly recent attachment to the labor force; that there be adequate safeguards in claims administration, particularly as regards the requirement for medical certification of disability; and that temporary disability insurance would be administered as part of the national system of Old-Age, Survivors, and Disability Insurance. By using the same wage records and field offices, administrative costs would be minimized.

I should like now to submit brief summaries of specific recommendations covering the following subjects:

- (1) Extension of coverage;
- (2) Coverage of the self-employed under old-age and survivors insurance;
- (3) Improvement of old-age and survivors insurance benefits;
- (4) Disability Insurance benefits;
- (5) Financing an expanded Old-Age, Survivors and Disability Insurance program.

1. EXTENSION OF COVERAGE

Desirability. Many wage earners not now covered under old-age and survivors insurance do not have any protection against the risks of old age, death, and disability. Many of those who shift between employment covered by the program and noncovered employment do not acquire insured status under the insurance program, and derive no protection from the contributions they have made. An extension of coverage to substantially all gainful employment (including self-employment) would assure the basic protection of the program to members of the labor force, regardless of type of work or changes in jobs, and would at the same time strengthen the financial structure of the program.

Agricultural and Domestic Employees. Workable solutions have been developed for the administrative problems of covering agricultural and domestic employees. On the basis of studies made during the past 10 years, it is administratively feasible to extend coverage to these groups through the use of a stamp book system. The employer would place special social insurance stamps in books carried by the worker. The books would be accepted as evidence of earnings and the employer would not need to make any other report or keep any special records for this purpose. The problem of evaluating noncash wages, such as meals and lodging, could largely be met by use of a schedule of presumed values. It would be advisable to exclude exchange labor, unpaid family labor, and casual labor. For regular workers on large farms, where payroll records are already kept, and for situations in which the employer found it more convenient, the system of payroll reporting now used in industry could be used.

Employees of Nonprofit Institutions. No administrative problems would be involved in covering nonprofit employees. If religious organizations desired, clergymen and members of religious orders might continue to be excluded from coverage. The legislation might also declare that coverage of nonprofit employment is not intended to violate the traditional tax-exempt status of nonprofit organizations.

Federal Civilian Employees. Extension of coverage to civilian employees of the Federal Government coupled with appropriate adjustment in the civil-service retirement system, would be of substantial value to most workers. Workers who shift between Federal employment and employment covered under old-age and survivors insurance would have continuity of coverage, and career employees would have more valuable survivorship protection in the early years of their employment. The rights of annuitants and employees under the civil-service retirement system would, of course, be preserved, and the separate administration and financing of that system would be continued. Until agreement can be reached on the necessary adjustments in existing Federal retirement system, Federal employees who are not protected by any retirement system should be covered under the Old-Age and Survivors Insurance Program.

Employees of State and Local Governments. Constitutional difficulties in the levy of a tax against State governments could be avoided by authorizing the Federal Security Administrator to enter into voluntary agreements with States for the coverage of their employees. Local governmental units could participate in the State agreements. Compulsory coverage might be provided for some groups of proprietary employees.

Railroad Workers. While the survivor benefits of the railroad retirement program are coordinated with those of old-age and survivors insurance, the retirement benefits of the two programs are separate. If old-age and survivors insurance were extended to railroad employment, workers who shift between employment covered by old-age and survivors insurance and railroad employment would have continuity of retirement coverage. As in the case of governmental employees, no loss of present rights need be involved.

Members of the Armed Forces. Extension of coverage to service in the armed forces would assure continuity of coverage for individuals who spend only part of their working lifetime in military service. The survivorship protection provided career servicemen would be especially valuable to them after they leave military service. In 1946 Congress provided free term insurance protection to Veterans in the event of death during the 3 years following separation from active service. This provision has ceased to have effect for most veterans. Rather than extending this provision, all veterans should be given credit for World War II service as was done under the railroad retirement and civil service retirement plans.

Self-Employed Persons. A separate statement describes the method for providing old-age and survivors insurance protection for the self-employed.

ESTIMATED EMPLOYMENT COVERED BY OLD-AGE
AND SURVIVORS INSURANCE AND EMPLOYMENT IN SELECTED NON-
COVERED INDUSTRIES, CALENDAR YEARS, 1946, 1947 AND 1948.

Type of Employment	1946	1947	1948
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Employment in millions in an average week:

Civilian labor force.....	57.5	60.2	61.4
Unemployed.....	2.3	2.1	2.1
Employed, total.....	55.2	58.0	59.4
Covered by old-age and survivors insurance...	31.6	34.0	35.3
Not covered by old-age and survivors insurance	23.6	24.0	24.0
Agriculture.....	8.3	8.2	7.9
Hired workers.....	1.6	1.6	1.7
Farm operators (self-employed).....	4.8	5.0	4.7
Unpaid family workers.....	1.8	1.6	1.6
Nonagricultural self-employed.....	5.6	6.0	6.1
Domestic service.....	1.6	1.7	1.7
Government.....	5.3	5.0	5.3
Federal.....	2.3	1.9	1.8
State and local.....	3.0	3.1	3.5
Railroad.....	1.6	1.6	1.6
Nonprofit and other.....	1.3	1.3	1.4

Source: All data except for Federal government employment obtained from the Census; Federal government data obtained from Bureau of Labor Statistics employment and payroll monthly reports; State and local government employment obtained by subtracting Federal employment from total governmental employment.

2. COVERAGE OF THE SELF-EMPLOYED UNDER OLD-AGE, SURVIVORS, AND PERMANENT DISABILITY INSURANCE

Present Status. The majority of self-employed persons (farmers, small businessmen, professional persons) are just as much in need of old-age, survivors and disability insurance protection as are wage earners. A number of social insurance programs in foreign countries now cover the self-employed. Under our present program, many self-employed persons now pay contributions on behalf of their employees who are covered and so are very conscious of their own exclusion. The owner of a business large enough to be incorporated acquires protection as an officer of the corporation, but the owner of a small unincorporated concern has no similar advantage. Moreover, many self-employed persons work at times as wage earners but fail to build up and maintain an insured status because their income from self-employment is not credited toward such status. Experience gained in the administration of the income-tax law has made it possible to develop adequate methods of meeting the problems involved in coverage of the self-employed.

Reporting. Contributions and benefits would be based on income from self-employment. For both the self-employed person and the Government, the simplest way of reporting such income is as part of the income-tax return. Social security reporting would be required only from persons whose annual gross income is \$500 or more (exclusive of income in kind for home use) and whose "net income from self-employment" is \$200 or more. Consistent with the provisions for employees, the maximum annual net income from self-employment on which contributions would be payable would be \$4,800, less the amount of any wages received during that year from other covered employment.

Contribution rate. Various suggestions have been made for determining the contribution rate for the self-employed. The self-employed could be required to pay only the employee rate or the combined employee and employer rate. Taking into account the non-deductibility of the self-employed person's contribution under the income tax, the inability to exclude all investment income from the contribution base, and the likelihood of later retirement, a rate of $1\frac{1}{2}$ times the employee rate (excluding temporary disability) is recommended. If the employee rate is set at $1\frac{1}{2}$ percent of payroll, then the self-employed rate would be $2\frac{1}{4}$ percent of his net income.

Net Income From Self-Employment. Net income from self-employment would be determined entirely on the basis of two figures already included in the income-tax return, namely, income from business or profession (schedule C), and income from partnerships (schedule E).

Retirement Test. One month's benefit would be withheld for each month during which a beneficiary engaged in any self-employment activities resulting in net earnings of more than \$50.

3. IMPROVEMENT OF OLD AGE AND SURVIVORS INSURANCE BENEFITS

1. Increasing the size of benefits:--Benefit amounts under the formula adopted in 1939 proved to be inadequate even before the war. Since then the cost of living and wage levels have risen sharply. The program cannot provide the basic security intended without the following major amendments:

	<u>Present Law</u>	<u>Proposed Revision</u>
1. Formula	40% of \$50	50% of \$75
Increment	10% of \$200 1%	15% of \$325 1%
2. Average Wage	Lifetime	Best 5 years
3. Minimum benefit	\$10	\$25
Maximum benefit	\$85	\$150
4. Maximum wage base	\$3,000	\$4,800

(a) Benefit formula.--The present formula should be revised to permit a larger replacement of the wages which are lost because of death or retirement. The 1% increment for each year of coverage should be retained in order to give higher benefits to persons who contribute longer than others.

(b) Average monthly wage.--As now computed, the average monthly wage, on which benefits are based, is often much less than the monthly wage ordinarily received by the worker. It would more nearly reflect a worker's actual monthly wages and produce higher benefits to average wages over a five year period during which employment was fairly regular and the worker was at his most developed skill and highest wages. This method would also reflect the rising trend in wages.

(c) Continuation factor.--Workers who have been in covered employment full time should receive higher benefits than workers who are in such employment for less than full time. Differentiation in the size of the benefits of the two groups will be better understood by those affected if it is made directly instead of through the average monthly wage as under the present law.

(d) Minimum benefit.--If most noncovered occupations are brought under the act, the minimum primary benefit should be raised from \$10 to \$25. With the proposed changes in benefit structure, few persons in covered employment would earn a benefit of less than \$25.

(e) Maximum benefit.--The present ceiling on family benefits should be increased from \$85 to \$150. The limitation of 80% of average monthly wage should be retained but the limitation of twice-the-primary benefit unduly restricts benefits to survivors and should be eliminated.

(f) Maximum wage base.--The \$3,000 limit on wages credited for benefits should be raised to \$4,800. The \$3,000 limitation, established in 1939,

permitted the inclusion of the total annual wages of 97 percent of all covered workers. A wage base of \$4,800 is needed to include total annual wages of about the same proportion of all covered workers.

(g) Liberalization of benefits for children.--The payment for the first child in a family should be raised from 50% to 75% of the primary benefit.

2. Qualifying Conditions:--

(a) Insured status.--Existing insured status requirements (1 quarter of coverage for each 2 elapsed quarters after 1936 or age 21 and before age 65 or death) would be too severe on newly-covered workers, even if they had a few previous quarters of coverage. It would be better to reduce the required quarters of coverage to 1 for each 4 instead of 1 for each 2 elapsed quarters.

(b) Qualifying age for women.--In only about one-fifth of the cases can a wife now become entitled to monthly benefits at the same time her husband reaches age 65 and is first eligible for his primary benefits, although both benefits may be needed for their support. This is because wives are usually younger than their husbands. If the qualifying age for wives was lowered to 60, both the husband and wife would become eligible for benefits when he is 65 in about three-fifths of the cases. As a matter of equity, all women beneficiaries should have the same qualifying age as wives.

3. Retirement Test:--In view of present wage levels, the limit of \$14.99 which may be earned by a beneficiary in covered employment without suspension of benefits is inadequate. This limit should be increased to \$50.

4. Lump-Sum Death Payment:--Lump sums should be payable on the account of an insured worker whether or not he has a survivor who is immediately entitled to benefits. The extra expense at death imposes as great a burden on those who draw monthly benefits as on those who do not. If primary benefits are increased, the lump-sum payment could be reduced from six to three times the primary monthly insurance benefit.

5. Other Changes:--Experience has indicated that a number of existing provisions should be clarified or liberalized to correct various defects which have become apparent in the law.

The various changes and benefits outlined above can be shown in summary and illustrative form in the following tables:

ILLUSTRATIONS OF OLD AGE INSURANCE BENEFITS
TO RETIRED PERSONS WHO HAVE BEEN CONTRIBUTING FOR 12 YEARS

Average Monthly Wage	Present Law		Proposed Legislation	
	Single Person 65 and over	Couple 65 and over	Single Person 65 and over	Man 65 and over, and wife 60 and over
\$100	\$28.00	\$42.00	\$46.20	\$ 69.30
200	39.20	58.80	63.00	94.50
300	44.80	67.20	79.80	119.70
400	44.80	67.20	96.60	144.90

ILLUSTRATIONS OF SURVIVORS INSURANCE BENEFITS TO A
WIDOW AND TWO CHILDREN, ASSUMING 12 YEARS OF INSURANCE COVERAGE

<u>Average Monthly Wage</u>	<u>Present Law</u>	<u>Proposed Legislation</u>
\$100	\$49.00	\$ 80.00
200	68.60	126.00
300	78.40	150.00
400	78.40	150.00

4. DISABILITY INSURANCE BENEFITS UNDER OLD-AGE AND SURVIVORS INSURANCE

Need for Disability Protection

Each day about two million persons recently in the labor force are kept from working by disability which has lasted less than six months, and two million or more persons age 14 to 64, who otherwise would be gainfully employed, are affected with serious disabilities which have continued for more than six months. While it exists, disability may be economically more disastrous for workers and their families than unemployment, death, or forced retirement. The fact that the incidence of disability is reasonably predictable in the aggregate--although not individually---makes it an insurable risk and one which, like old age and death, can be effectively met through contributory social insurance.

Temporary Disability Insurance

Scope--Employees with fairly recent attachment to the labor market who are disabled for seven consecutive days or longer by reason of illness or injury should receive cash benefits to partially replace their lost earnings. These temporary disability benefits would be payable if the disabled individual cannot engage in his usual, most recent or reasonably similar work.

Types and amounts of benefits--The weekly benefit amount is designed to tide the worker and his family over relatively brief periods of sickness. During short illnesses, most regular living expenses cannot be deferred or substantially reduced, and benefits ought to be geared, therefore, to the individual's recent wages and the number of his dependents. For a single individual, weekly benefits might approximate 50 percent of recent full-time wages up to a maximum of around \$30 a week and, with an additional allowance for dependents. The maximum for an individual with three or more dependents should be \$45 a week. The payment would continue for a maximum of 26 weeks of sickness.

Extended Disability Insurance

Scope--Monthly cash benefits should be payable to insured workers who are afflicted with serious disablements when these have lasted more than six consecutive months. Such extended disability benefits should be payable only if the worker is found incapable of engaging in any substantially gainful work.

To receive benefits, a disabled worker should have extensive, as well as fairly recent, covered employment. Benefits would, of course, be terminated if recovery occurred, and beneficiaries would be required to undergo periodic examinations to determine whether disability still exists.

Types and amounts of benefits--Benefits should be payable regardless of age and the total of benefits payable in any one case should be in relation to the number of the disabled worker's dependents. More than half the cases of protracted disability occur at younger ages when the worker has heavy family

responsibilities and has not had an opportunity to build up savings or insurance. The disabled worker and his wife and children could receive monthly benefits computed in the same way as the benefits of an aged, retired worker and his dependents. It also would seem reasonable that an aged disabled husband or widower, if he is the dependent of a woman worker, should have the same type of protection as the dependents of a male worker.

Protection of Insured Status

Under the existing program, a period of prolonged unemployment due to disability may cause the complete loss of a worker's insurance protection. If benefits for extended disability are added, the worker's insurance protection for subsequent retirement or death benefits could be maintained during a period of disability.

Rehabilitation and work--Many persons formerly considered "permanently and totally" disabled can be rehabilitated to again become self-supporting, productive workers. Insurance funds should be used to rehabilitate disabled workers where it appears that they can be returned to employment. If a disabled person is able in a month to earn more than \$50 he ordinarily should not receive benefits for that month. While actually engaged in a program of rehabilitation, however, he should be given special encouragement to try out his skills and attempt to return to substantially gainful work.

Integrated Administration of Disability Insurance and Old-Age and Survivors Insurance

Decided operating advantages would arise from the integration of old-age and survivors insurance with short-term and extended disability insurance. The existing facilities of the Bureau of Old-Age and Survivors Insurance, including the wage record system and the field organization, would be available for the administration of disability benefits. Employers would keep one set of records; they would prepare a single wage report covering old-age, survivors, and disability insurance. Contributions would go into a single Trust Fund, thus providing greater flexibility in financing costs. The public would go to a single field office for all questions on earnings records, for filing death, retirement and disability claims, and for general information. Facts established for one type of benefit, such as marriage or age, would be on record for use in subsequent claims for other types of benefits.

By using the same administrative machinery for short-term and extended disability a single medical case history could be used for both types of benefits. Overlapping of official medical examinations would be avoided, and the number of physicians and administrative personnel required would be kept at a minimum. The administration of rehabilitation services also would be facilitated. The effectiveness of rehabilitation is conditioned to a large degree upon its being started promptly. Since close contact would be maintained with disabled individuals while they were receiving short-term disability benefits, an early determination could be made as to whether and when rehabilitation should be undertaken.

5. FINANCING AN EXPANDED OLD-AGE, SURVIVORS AND
DISABILITY INSURANCE PROGRAM

Strengthening the Actuarial Basis of the Program. The recommendations for changes in coverage would strengthen the actuarial basis of the program, both in the immediate future and in the long run. Income from contributions would be increased while at the same time the relative cost of insurance benefits paid to the group of individuals who move between uninsured and insured employments would be reduced.

Long-run Financial Plans Essential. A long-range plan should be developed to assure ample funds to finance benefit disbursements not only in the years just ahead but in the more distant future, without necessitating abrupt changes in premium rates. The contribution rates in the present law are as follows: 1 percent each for employers and employees during 1949; 1-1/2 percent each in 1950 and 1951; and 2 percent each for 1952 and thereafter.

Division of Costs. With practically complete coverage, an eventual Government contribution toward financing the program becomes equitable and appropriate. Such a contribution would be offset by the reduced Federal costs for public assistance if coverage is extended and disability benefits are included. Distribution of the ultimate cost of these benefits among employers, employees, and the Government should be governed by the degree to which coverage is extended and the method of financing other types of social insurance benefits.

Cost of Present Old-Age and Survivors Insurance Program. If the 1939 estimates of the cost of the present law are adjusted to allow only 2 percent interest on reserves (the rate which is now used in making estimates) instead of 3 percent (the rate that was used in making estimates in 1939) the level premium cost from 1950 on is from about 6 percent to 9 percent of payrolls and the intermediate figure would be about 7-1/2 percent of payroll. The 1939 estimates are now out of date because of the great increase in wages and number of workers employed. Present estimates of the expanded program based upon present wages and level of employment will also turn out to be too high if wages and employment continue to increase as they have in the past.

Taking into account the changes that have taken place since 1939, the latest actuarial estimates indicate that the level premium cost of the present law is somewhere between 3.3 percent to 5.7 percent of payrolls or about 4.5 percent if we take an intermediate figure.

Cost of Expanded Old-Age, Survivors, and Extended Disability Insurance Program. The level premium cost of the expanded program, based substantially on present employment and wage levels, is about 5.6 to 9.2 percent of payroll, or an intermediate figure of around 7.4 percent. Thus, the cost of the expanded program is about the same as the level premium cost of the 1939 Act based on 1939 assumptions (with the exception of the change in interest rate).

Our history indicates that the level of income and earnings in the future will be above that now prevailing. If the cost estimates are amended to take account of the long-term tendency for wages to increase, the intermediate level premium cost of the expanded program would be lowered from 7.4 percent to about 6 percent.

It is significant to note that the level premium cost of the present railroad retirement program is estimated at 13.6 percent of payrolls, utilizing the 3 percent interest rate specified in the railroad law. For purposes of comparability with Old-Age and Survivors Insurance estimates which utilize a 2 percent rate the level premium cost of the railroad program would be about 15 percent of payrolls.

Cost of Temporary Disability Insurance. It is estimated that a national system of temporary disability insurance--providing benefits, after a waiting period of seven consecutive days, for up to 26 weeks during a benefit year--is likely to cost about 1 percent of covered payrolls. This amount would be sufficient to provide benefits averaging with dependents benefits about 50 percent of covered wages. Other specifications of the system assumed in this cost estimate are that the eligibility requirements include a test of recent attachment to the labor force; that there be adequate safeguard in claims administration, particularly as regards the requirement for medical certification of disability; and that temporary disability insurance would be administered as part of the national system of Old-Age, Survivors, and Disability Insurance. By using the same wage records and field offices, administrative costs would be minimized.

STATEMENT OF ARTHUR J. ALTMAYER
Commissioner for Social Security
ON RECOMMENDATIONS TO IMPROVE PROVISIONS OF THE
SOCIAL SECURITY ACT
(H.R. 6000)

Before the Senate Committee on Finance
January 17, 1950

Fifteen years have elapsed since this Committee first considered the enactment of social security legislation for this country. This Committee has a right to be proud of the fact that the Social Security Act has been successful in accomplishing one primary objective--the abolition of the old-fashioned poor house. Nevertheless, I think we must all agree that the Social Security Act has not yet fully achieved its long-range objective of preventing destitution through the establishment of a comprehensive system of contributory social insurance. It is also unfortunately true that all residual need is not being met through the supplementary public assistance system. Your Committee recognizing this situation appointed an Advisory Council on Social Security in 1947. I have no doubt your Committee will want to give consideration to the thoughtful report this Advisory Council has made to you. The Ways and Means Committee of the House of Representatives has also given much attention to the question of social security. As you know, it spent six months making an exhaustive study of the subject and you now have before you H.R. 6000 which is the result of its labors.

I think the general problem confronting the Congress is well expressed in the Report of the Ways and Means Committee which I am taking the liberty of quoting:

"Ten years have elapsed since the last major revision of the Social Security Act established the scale of monthly benefits under the old-age and survivors insurance system in effect today. During this time, a great deal of experience has been built up which now permits us to assess the strength and weakness of the social-security system in relation to its place in the economy. During this period broad developments have also occurred which make it necessary to resurvey the principles and objectives of the social-security program as they relate to current economic conditions.

"The Congress is faced with a vital decision which cannot long be postponed. Inadequacies in the old-age and survivors insurance program have resulted in trends which seriously threaten our economic well-being. The assistance program, instead of being reduced to a secondary position as was anticipated, still cares for a much larger number of people than the insurance program. Furthermore, the average payments under assistance have more than doubled in amount since 1939 while benefits under insurance have scarcely risen at all. There are indications that if the insurance program is not strengthened and expanded, the old-age assistance program

may develop into a very costly and ill-advised system of noncontributory pensions, payable not only to the needy but to all individuals at or above retirement age who are no longer employed. Moreover, there are increasing pressures for special pensions for particular groups and particular hazards. Without an adequate and universally applicable basic social insurance system, the demands for security by segments of the population threaten to result in unbalanced, overlapping, and competing programs. The financing of such plans may become chaotic, their economic effects dangerous. There is a pressing need to strengthen the basic system at once before it is undermined by these forces. Once the basic system is firmly established, any remaining special needs of particular groups can be assessed and met in an orderly fashion.

"The time has come to reaffirm the basic principle that a contributory system of social insurance in which workers share directly in meeting the cost of the protection afforded is the most satisfactory way of preventing dependency. A contributory system in which both contributions and benefits are directly related to the individual's own productive efforts prevents insecurity while preserving self-reliance and initiative.

"Under social insurance, benefits are computed individually in each case, on the basis of earnings in covered employment. Because benefits are related to average earnings and hence reflect the standard of living which an individual has achieved, ambition and effort are rewarded; since they are also related to length of service in covered work, individual productivity is encouraged and the Nation's total production is increased.

"Because benefits under the insurance system are paid as a matter of right following cessation of substantial covered employment, the worker's dignity and independence are preserved.

"Knowing that any assets and resources he may accumulate will not disqualify him and his dependents for benefits, the worker is encouraged to make private savings in order to supplement his social insurance benefits.

"Social insurance has other desirable attributes. Because benefits are geared to contributions, the pressure for an unwarranted scale of payments is held at a minimum. Social insurance has a stabilizing influence on the economy by maintaining steady flow of purchasing power in adverse times, and thus helping to protect the Nation from serious economic maladjustment.

"For these reasons the contributory system of old-age and survivors insurance, with benefits related to earnings and paid as a matter of right, should continue to be the basic method for preventing dependency. Insurance against wage loss due to permanent and total disability will round out the protection of the insurance system. The assistance program, with payments related to need, should continue to serve the function of filling the gaps left by the social insurance program, and for this purpose it should be strengthened and improved. The function of assistance is to supplement insurance when necessary. The bill is designed to speed the day when most of the aged and of the Nation's dependent families will look to the insurance program for protection and when the role of public assistance can be drastically curtailed."

Today there are over 5 million people in the United States receiving some form of public assistance. In contrast there are only half that number receiving old-age and survivors insurance benefits. As a Nation we are now spending at the rate of more than \$2 billion a year for public assistance. But we are paying out only about one-third this amount in old-age and survivors insurance benefits.

The cost to the Federal Treasury this coming fiscal year for assistance is \$1.2 billion. Of this total, over \$900 million is for old-age assistance. Old age assistance costs have increased. In 1937, total old age assistance costs, Federal, State and local were about \$250,000,000. In 1941, they had climbed to \$500,000,000. By 1945, they had reached \$750,000,000. By 1948, they exceeded \$1,000,000,000. In 1949 they reached a total of \$1,300,000,000 and the costs are still mounting. Expenditures have been increasing this year at a rate of more than \$1 million more each month. Based on the present rate of growth, old age assistance will exceed an annual rate of expenditure of \$1.5 billion within another year.

In 1935, when this Committee considered the Social Security Act, there were 7.8 million persons over 65 years of age. In 1939, when the law was amended there were around 8.8 million. Today there are about 11.5 million. It is estimated that there will be 14 million by 1960 and nearly 19 million by 1975--just 25 years from now.

The strong desire which people have for protection against the economic hazards of life and their dissatisfaction with reliance on public assistance is shown by the great growth in private retirement plans and health and welfare plans in the last few years. In the absence of an adequate public program workers have turned with increasing insistence to demand protection from industry. Yet valuable as some private

plans are for those who are covered by them, they do not offer a satisfactory solution for the major part of the problem of economic security. By their very nature these plans are reserved for the relatively few who work for successful and generous employers or who belong to well-organized trade unions. Even for these few the protection is not completely satisfactory. The amount of the benefits provided and the conditions for the receipt of benefits vary from one establishment to another, and from one industry to another. Moreover, the continuation of a private plan depends on the financial capacity of a particular employer. In our dynamic economy, where change is the rule, single employers may fail and industries decline. Then too, these individual employer and industry plans tend to inhibit desirable mobility of labor and the placement of older workers. Workers hesitate to take advantage of better jobs, for under most plans they lose their benefit rights when they leave their current employer. On the other hand, an employer is reluctant to take on an older worker who does not bring his retirement benefit rights with him, because the employer must then either bear the expense of providing retirement pay greater than his fair responsibility or bear the onus of later retiring a worker on an inadequate pension. With the rapidly increasing number of older persons, we must not further disadvantage the older person seeking a job. On the contrary, we must search for ways of increasing employment opportunities for older workers, for only through their making a contribution to the production of goods and services can the real economic burden of supporting the aged be reduced. From the standpoint of the worker, the employer, and that of the national economy it would be far better if a major part of protection for most workers were supplied through the public program so that the protection would follow the worker from job to job. Therefore, regardless of how valuable private pension plans may be in providing supplementary protection, they cannot take the place of a government plan providing a basic protection to all workers. H.R. 6000 goes far in the direction of overcoming the inadequacy of our present Social Security Act. The importance of this bill cannot be overestimated, for it would make changes essential to the development of the contributory social insurance program as the main bulwark against destitution. Therefore, I am taking this bill as the basis for my testimony before this committee.

Summary of Present Insurance Law

As the Committee knows, the Federal old-age and survivors insurance program is the only part of the Social Security Act which is administered wholly by the Federal Government. Employers and employees have each been

making contributions of 1 percent of taxable wages from 1937 through 1949. On January 1 of this year the contribution rate increased to 1 1/2 percent each. Under the original provisions of the Social Security Act, monthly benefits would not have been payable until January 1, 1942. The 1939 amendments, however, advanced that date to January 1, 1940. The 1939 changes also resulted in an increase in the payment of benefits during the early years of the system's operation. Above all, the amendments added dependents' benefits and survivors' benefits so that now, in addition to the payment of old-age benefits to workers themselves, monthly benefits are also payable to the aged wife and young children of a living beneficiary and to the widow, children, and, in some case, the dependent parents of an insured worker who dies. The face value of these survivors' benefits is now about \$80 billion. Just as contributions are paid on the basis of wages received, so these benefits are paid on the basis of the past wages of the insured worker, and thus compensate for a portion of the wage loss sustained by his retirement or death.

While the present law is admittedly inadequate, nevertheless, I believe that the Congress has a right to be proud of what has been accomplished. There were many persons in 1935 who doubted that this social insurance system could be simply and efficiently administered. However, at the present time there are over 2.7 million aged persons, widows and orphans actually receiving monthly benefits, totalling nearly \$800 million a year.

This Federal old-age and survivors insurance system constitutes the largest permanent insurance system in the world. Therefore, unprecedented administrative problems have been encountered in putting it into effect. However, satisfactory solutions to these problems have been found. The total cost of administration at the present time is only 3 percent of contributions collected and 8 percent of benefit payments. This percentage is declining steadily and there is no question that as the benefit rolls increase the cost of administration will decline to less than 3 percent of benefit payments. At the present time accounts have been established for 80 million individual workers who have wage credits. The cost of maintaining these wage records is about 12 cents per account per year.

Therefore, there can no longer be any doubt as to the practicability of this Federal old-age and survivors insurance system. However, the years that have passed have indicated various ways and means in which it could be improved and have also demonstrated that its benefits could be extended to cover substantially all the gainfully employed persons, including the self-employed.

Following the policies laid down by the Congress and guided by our experience in administering the program, we have recommended in our annual reports that the contributory social insurance program be improved and strengthened along the following lines:

1. Extending the coverage of the old-age and survivors insurance program to practically all gainfully employed persons,
2. Liberalizing the eligibility requirements for those now past middle age,
3. Raising the level of insurance benefits paid under the program, and
4. Expanding the insurance program to provide protection against disability as well as old age and death.

H.R. 6000 includes important changes in all of these matters which I should like to summarize. The major changes would be as follows:

1. Extension of the coverage of the system to include urban self-employed with the exception of certain professional groups; employees of State and local governments, under compacts negotiated with the States; employees (except ministers and members of religious orders) of tax-exempt nonprofit institutions; regular domestic workers in private homes; certain Federal civilian employees; American citizens working outside the United States for American employers; certain "employees" excluded by Public Law 642, 80th Congress; individuals who served in the armed forces during World War II, (wage credits of \$160 for each month the individual served); and to individuals in covered occupations in the Virgin Islands and, when requested by their legislature, in Puerto Rico.

2. Substantial increase in the amounts of old-age and survivors insurance benefits. The increase is achieved for those individuals who will come on the benefit rolls after the effective date of the bill by raising the maximum annual wage on which benefits may be based from \$3,000 to \$3,600; by changing the formula for computing benefits to 50 percent of the first \$100 of average monthly wage and 10 percent of the remainder, rather than 40 percent of the first \$50 of average monthly wage and 10 percent of the remainder as at present; and by raising the minimum and maximum benefit amounts. For individuals now on the benefit rolls, the amount of benefits is increased by means of a table which fixes a new dollar benefit amount for every dollar amount of present benefits. The average increase in these existing benefits would be about 70 percent.

3. A new method of calculating the average monthly wage on the basis of only years in which the individual had substantial covered employment, rather than on all years after 1936 (or age 21 if later). This would result

in a higher average monthly wage for persons who had some periods out of covered employment. The desired differential between their benefits and those paid to persons continuously in the system would be made by applying a "continuation factor" to the benefit amount, rather than through reduction of the average monthly wage, as under present law.

4. Reduction in the amount by which benefits would be increased for each year in which the individual had a "year of coverage" from the present one percent per year to one half of one percent per year.

5. Reduction in the handicap which newly covered individuals would otherwise have in becoming eligible for old-age and survivors insurance benefits by allowing an alternative method for becoming "fully insured." Under the present law a person newly covered who reaches age 65 in 1951 can become insured in 7 years. Under the alternative method such a person could become fully insured in 5 years.

6. Provisions in the contributory insurance program of benefits for persons permanently and totally disabled before age 65, and the preservation of their rights to old-age and survivors insurance for persons who cannot continue in employment because of such disability.

H.R. 6000 would go far toward curing the most important defects of the present program. Therefore, in suggesting several desirable changes in H.R. 6000, we do so not to criticize but to suggest ways in which the objectives of this bill can be more fully achieved. The most important areas in which we believe the insurance provisions of H.R. 6000 could be strengthened are as follows:

1. Coverage Extension

We believe that still broader coverage can and should be provided, both because the groups remaining excluded need protection and because administrative problems which formerly were an obstacle to their coverage have now been solved. If the social insurance program covered practically all gainfully employed persons, it would carry a much greater part of the cost of providing for the aged, the disabled, and the dependent survivors of deceased breadwinners. This would be particularly significant in agricultural areas where today, because of the limited coverage of old-age and survivors insurance, these costs must be met largely by public assistance financed from general tax funds.

Farm operators are the largest group remaining excluded from coverage under H.R. 6000. If they were covered, farmers would be able to draw benefits when they retired, even though they still owned their farms. Their benefits would then supply a cash income which, when supplemented by their other resources, would provide retired farmers a comfortable living. Such benefits would meet a real need since only comparatively few have enough equity in their farms and additional savings to finance their own retirement.

The survivor and disability benefits provided under H.R. 6000 also would be significant for farm operators. Survivorship protection would be important because farm families are comparatively large and widows and children alone can seldom make an adequate living from a farm. The high incidence of disabilities among farmers creates a particular need for disability benefits.

Coverage is likewise desirable for agricultural workers. These workers are among the neediest of our economic groups and lack the protection of practically all the social legislation applicable to most other workers. It is now feasible to cover them because appropriate administrative techniques have been devised.

The only domestic workers covered under the provisions of H.R. 6000 are those employed by the same person on 26 days during a calendar quarter. Without causing administrative difficulties for housewives or the Government, this provision could be modified to provide coverage for a much larger number of domestic workers. Those excluded under H.R. 6000 for whom the Federal Security Agency recommends coverage are day workers who customarily return to the same employers from week to week but work for each employer on only one day a week.

The exclusion of certain professional persons by H.R. 6000 deserves further consideration, either to remove the exclusion from the bill or limit it to fewer professions. One of the reasons advanced for excluding these professional persons was that they do not ordinarily retire as early as wage workers. They are, however, subject to disabling sickness or accidents and early death. Their protection against these risks under the insurance program, as well as the assurance of benefits when they do need or wish to retire, would make contributions to the program a worthwhile investment for the group of professional persons as a whole.

2. The Wage Base

As noted above, the maximum amount of annual wages on which contributions may now be collected and benefits computed is \$3,000. Under the provisions of H.R. 6000, this would be raised to \$3,600. The Federal Security Agency recommends that it be raised to \$4,800.

For the old-age and survivors insurance benefits to be effective in replacing wage loss, they should be based, to the greatest possible extent, on the individual's total earnings from covered employment. In 1939, 97 percent of all workers in employment covered by the law earned less than the maximum wage base of \$3,000 a year. Since that time, the rise in wages has been such that, to cover all the wages of even 95 percent of the workers in the system, a wage base of \$4,800 would be required.

The proportion of wages not covered by social insurance is even greater for regularly employed skilled and semi-skilled workers. These workers constitute a large proportion of those most aware of the inadequacies of present social insurance benefits. If the wage base were raised to \$4,800 higher benefits could be paid to those individuals whose earnings are between \$3,000 and \$4,800 than would be possible under either the present law or H.R. 6000. This increase is essential, in view of the proposed increase in benefits for those whose wages average \$100. Otherwise, the differential in benefits between low-paid and high-paid workers will fail to reflect sufficiently the wages lost when the hazard materializes. Moreover, raising the wage base would help reduce the cost of the program as a percentage of pay roll. This is because benefits are a much larger proportion of the worker's former wages at \$100 a month level than at \$400 a month, although both the \$100 and the \$400 man pay the same percent of their total wages in contributions.

3. Benefit Formula

Under the present law, monthly benefits are calculated by taking 40 percent of the first \$50 of average monthly wages and 10 percent of the remainder. H.R. 6000 amends this provision by providing for 50 percent of the first \$100 of average monthly wages and continuing the 10 percent on the remainder. In order that the insurance benefits may be made more adequate, the 10 percent factor should be increased to 15 percent.

Under H.R. 6000 payments for the three million persons now on the benefit rolls will be increased considerably less than will the benefits for those who come on the rolls just after the new legislation becomes effective. It would be equitable, and would involve fewer administrative problems, if the payments for those now on the rolls were increased by a method which on the average yielded more nearly the same results as would application of the new benefit provisions.

4. Increase in Benefit Amount for Each Year of Coverage

Under the present law, basic benefits are increased by 1 percent for each year of coverage. H.R. 6000 reduces the rate of increase to one-half of 1 percent per year. This Agency believes it most important that this "increment" be retained at 1 percent.

The provision of an additional amount of benefit for each year in which the individual made contributions on a significant amount of wages is essential in order to maintain equity between the short-term and long-term contributor. The person who has worked and contributed to the system for forty years or more should receive more in benefits than the one who has contributed only 5 years. Without an "increment" in the benefit formula, two men whose monthly wages while working were the same and who were in insured employment for the same proportion of their possible time, would receive exactly the same amount of monthly benefits, even though one of them had contributed for 5 years and the other for 45 years.

5. Eligibility Requirements

One important measure of the success of a contributory program of social insurance is the extent to which it reduces the need for payments under the noncontributory public assistance programs. In the long run, the additional coverage and liberalized benefit amounts provided under H.R. 6000 would achieve this objective to a much greater extent than would the present law. However, the great mass of older workers newly covered under this bill could not qualify for old-age benefits until they had contributed for at least 5 years, and many of them will be unable to work so long. Therefore we recommend somewhat less restrictive eligibility requirements, especially for those who were past middle age when the insurance program began.

6. Provisions for Permanent and Total Disability

The addition of disability benefits to the old-age and survivors insurance program will be an important contribution toward economic security. Under the present law insured workers who become permanently and totally disabled before reaching retirement age receive no benefits and in many cases lose their insured status before they reach retirement age. Therefore, permanent and total disability benefits will introduce a much needed element of flexibility in the present retirement concept and obviate the necessity of reducing the retirement age generally.

The strict qualifying requirements for insured status will limit benefits to those whose work record shows both recent and regular attachment to the labor force. These strict qualifying requirements, together with strict statutory provisions defining disability and requiring six months waiting period, will keep the cost of disability benefits at a moderate level.

We believe that the provision for permanent total disability could be improved in one very important respect, namely: providing dependents benefits in the same way that dependents benefits are provided for workers who retire. The strict requirements mentioned above would still keep the cost of benefits at a moderate level. We would recommend that rather than exclude dependents benefits entirely, the top limit to the benefits in a single case be made somewhat lower than the top limit of 80% of wage loss specified for retirement benefits.

We believe that the bill is very sound in making specific provision for establishing cooperation with rehabilitation agencies since experience indicates that many persons classified as permanently and totally disabled can actually be rehabilitated. However, financing the necessary rehabilitation services should not depend entirely upon the availability of Federal and State funds from general revenues. Workmen's compensation laws, for example, have long recognized the desirability of financing rehabilitation out of workmen's compensation revenues.

This Committee will naturally want to know what the cost will be, not only of H.R. 6000 in its present form, but also of the modifications I have just outlined. Obviously paying higher benefits to more people will result in a larger total disbursement of benefits. However, the increase in the contribution base and the broadening of coverage results in partly offsetting savings when cost is calculated as a percentage of payroll. The estimated level premium cost under H.R. 6000 is 6.20% of payroll. The estimated level premium cost of H.R. 6000 modified as suggested would be about 7.2%. If the estimated level premium takes into account an increasing wage level for the next half century comparable to that which has occurred during the past half century, the percentage for H.R. 6000 in its present form would be roughly 5.1% and for H.R. 6000 as modified it would be roughly 6.0% of payroll.

Public Assistance to Needy Individuals

The expansion and liberalization of the social insurance system would reduce the need for public assistance. Yet in the immediate future large numbers of aged persons, children, and disabled persons will be forced to rely on assistance because the insurance program has not covered all occupations from its inception and because it does not cover those who are already retired or disabled or survivors of those who have already died. Therefore, it is necessary to strengthen the assistance program to meet the needs of people during a transitional period before the social insurance program becomes fully effective. H.R. 6000 makes a number of changes in the public assistance titles of the Social Security Act which we believe would greatly improve public assistance. These are as follows:

1. An additional grants-in-aid program would be established by a new title XIV and thus coverage under the public assistance programs would be extended to persons who are permanently and totally disabled.

2. The formula governing the extent of Federal financial participation in assistance payments made by the States is changed for Titles I, IV and X, and for the new title XIV. This formula would retain present maximums on assistance payments but would increase, over present provisions, the Federal share of payments. In title IV (relating to aid to dependent children) the bill would extend Federal financial aid in payments (up to \$27 a month) made by States in meeting the need of a parent or other relative caring for dependent children.

3. The term "assistance" is redefined in all titles and would include, in addition to a money payment, payments made directly to persons supplying medical services to assistance recipients. The maximums on Federal participation would apply in each individual case to the total of cash payments and medical payments.

4. The prohibition in titles I and X against Federal financial participation in payments made to inmates of public institutions would be modified to allow such participation to inmates of certain public medical institutions. This also would apply in the new title XIV. As a corollary, the requirements would be changed so as to require all States making payments to inmates of institutions after July 1, 1953 to establish and maintain standards for the institutions.

5. The bill would make various changes in the aid to the blind program directed toward giving greater consideration to the special needs of blind persons and allowing the States certain options with respect to consideration of earned income of recipients. Earned income up to \$50 a month could be disregarded by States in determining need and the amount of the assistance payment in accordance with plans worked out between the State welfare agency and the State vocational rehabilitation agency. A further change specifies that the States must establish blindness either by examination by a physician skilled in the diseases of the eye or an optometrist. The act does not now specify how blindness is to be established.

6. Several changes are proposed in the plan requirements of the various titles. The State plan would have to include a training program for the personnel administering the plan. Plan requirements are also inserted which would also require that all individuals be given an opportunity to apply for and to receive aid promptly if eligible and to obtain a fair hearing if a claim is not acted on within a reasonable time. In aid to dependent children, a new plan requirement is proposed requiring the State to report to the appropriate law enforcement officials all aid to dependent children cases in which a parent has deserted. Residence requirements which the States may impose for aid to the blind are reduced, effective July 1, 1951, to one year. In the totally and permanently disabled program, the residence requirements may not exceed the period specified in the State aid to the blind plan.

7. By changing the definition of the word "State" in title XI, Federal grants for all assistance programs would be made available to Puerto Rico and the Virgin Islands, with Federal financial participation on approximately the same basis as set forth in the original Social Security Act of 1935.

We believe this bill would greatly improve the present titles of the Social Security Act relating to public assistance. However, we wish to suggest certain changes which we believe would make it still more effective. The important changes which we should like to submit for your consideration are as follows:

1. We believe that the basis of Federal matching should be revised and that consideration should be given to the ability of the States to meet their share of the assistance cost. A number of other laws and bills utilize as a reasonable test of ability the per capita income of the States as measured by the Department of Commerce. We have proposed that States whose per capita income is less than the national average should receive additional sums of Federal aid in order to help equalize the burden of the public assistance program.

2. Federal aid is now limited to children in homes where there has been death, incapacity or absence of a parent, thus placing a premium on family disintegration. We believe that Federal funds should be available to enable needy families to stay together and to maintain the integrity of family life. This can be done by deleting the clause in section 406 of the existing law which allows Federal financial participation only where a parent is dead, incapacitated, or absent from the home.

3. The bill extends the assistance program to persons who are totally and permanently disabled. This extension will encompass only a portion of the persons in need who cannot qualify under the present three categories such as the aged who have not yet become 65 years of age. This is to be regretted since the general assistance programs which must operate without Federal help are generally quite inadequate in meeting the need of destitute persons. But regardless of whether the extension goes beyond disabled persons, we would suggest that a provision be made for rehabilitation similar to that included under section 107 of the bill relating to permanent and total disability insurance benefits.

4. Although the bill makes provision for Federal participation in direct payments for medical care, such participation is limited by the maximum on individual monthly payments. A natural characteristic of illness is that it is unlikely to affect all the members of any given group at one time but the cost of medical care in a particular month for the persons who are affected is likely to be in excess of the individual maximum payment. We believe, therefore, it is essential that a modified arrangement be made for financing medical care for needy persons.

Child Welfare Services

H.R. 6000 provides for amending title V, part 3 of the Social Security Act, by: (1) increasing the annual allotment for child welfare services from \$3,500,000 to \$7,000,000; (2) increasing the flat amount available annually to each State from \$20,000 to \$40,000; and (3) authorizing the use of Federal child welfare services funds for "paying the cost of returning any runaway child who has not attained the age of sixteen to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met."

Although approximately 240,000 children are receiving service under existing public child welfare programs, there are many children in every State in need of this service to whom it is not available. Many children, especially runaway children, are still being detained in jails because of lack of services and facilities to meet their needs. Babies are being placed for adoption through black markets. Other children, sometimes very young ones, are sent to training schools for delinquents, even though their problems are not sufficiently serious to warrant commitment to an institution for delinquents. Many of these children need not have been removed from their homes at all if the parents and community had been able to turn to a trained child welfare worker for help in meeting the child's problem. This is true, even after taking into account the valuable services being rendered by private agencies which, of course, should be encouraged and fully utilized.

Increased funds would enable the States to provide more adequate child welfare services to more children. Therefore, it is recommended that Federal funds for aid to the States for programs of child-welfare services be increased to \$12 million.

The cost to the Federal government of the foregoing modifications to H.R. 6000 as it relates to public assistance and child welfare services is largely dependent upon the Federal matching formula which is adopted. The Ways and Means Committee Report estimates that the total increased cost of H.R. 6000 as it relates to public assistance and child welfare services would be approximately \$256 million a year. However, H.R. 6000 includes a more expensive Federal matching formula than the formula based on the per capita income of the various States which we recommended to the Committee a year ago. Therefore, if H.R. 6000 is modified to incorporate the suggestions we have just made to this Committee, including the Federal matching formula which we recommended a year ago, the cost to the Federal government would be approximately the same as H.R. 6000.

Conclusion

I should like to reiterate our belief that H.R. 6000 represents a long step forward in the direction of improving the Social Security Act. While we have suggested some changes which we believe would significantly improve the bill, in no way do we wish to understate its fundamental excellence.

81ST CONGRESS
1ST SESSION

H. R. 6297

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 3, 1949

Mr. KEAN introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To extend the coverage of the Federal Old-Age and Survivors Insurance System, to increase benefits payable under such system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That this Act, with the following table of contents, may be
- 4 cited as the "Social Security Act Amendments of 1949".

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- 1 TITLE I—AMENDMENTS TO TITLE II OF THE
2 SOCIAL SECURITY ACT
3 OLD-AGE AND SURVIVORS INSURANCE BENEFITS
4 SEC. 101. (a) Section 202 of the Social Security Act is
5 amended to read as follows:

1 "OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

2 "Old-Age Insurance Benefits

3 "SEC. 202. (a) Every individual who—

4 "(1) is a fully insured individual (as defined in
5 section 214 (a)),

6 "(2) has attained retirement age (as defined in
7 section 216 (a)), and

8 "(3) has filed application for old-age insurance
9 benefits,

10 shall be entitled to an old-age insurance benefit for each
11 month, beginning with the first month after 1949 in which
12 such individual becomes so entitled to such insurance benefits
13 and ending with the month preceding the month in which
14 he dies. Such individual's old-age insurance benefit for any
15 month shall be equal to his primary insurance amount (as
16 defined in section 215 (a)) for such month.

17 "Wife's Insurance Benefits

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

21 "(A) has filed application for wife's insurance
22 benefits,

23 "(B) has attained retirement age or has in her care

1 (individually or jointly with her husband) at the time
2 of filing such application a child entitled to a child's
3 insurance benefit on the basis of the wages or self-
4 employment income of her husband,

5 " (C) was living with such individual at the time
6 such application was filed, and

7 " (D) is not entitled to old-age insurance bene-
8 fits, or is entitled to old-age insurance benefits each
9 of which is less than one-half of an old-age insurance
10 benefit of her husband,

11 shall be entitled to a wife's insurance benefit for each
12 month, beginning with the first month after 1949 in which
13 she becomes so entitled to such insurance benefits and end-
14 ing with the month preceding the first month in which
15 any of the following occurs: she dies, her husband
16 dies, they are divorced a vinculo matrimonii, no child of her
17 husband is entitled to a child's insurance benefit and she has
18 not attained retirement age, or she becomes entitled to an
19 old-age insurance benefit equal to or exceeding one-half
20 of an old-age insurance benefit of her husband.

21 " (2) Such wife's insurance benefit for each month shall
22 be equal to one-half of the old-age insurance benefit of her
23 husband for such month.

24 "Child's Insurance Benefits

25 " (c) (1) Every child (as defined in section 216 (e))

1 of an individual entitled to old-age insurance benefits, or
2 of an individual who died a fully or currently insured in-
3 dividual (as defined in section 214) after 1939, if such
4 child—

5 “(A) has filed application for child’s insurance
6 benefits,

7 “(B) at the time such application was filed was un-
8 married and had not attained the age of eighteen, and

9 “(C) was dependent upon such individual at the
10 time such application was filed, or, if such individual
11 has died, was dependent upon such individual at the
12 time of such individual’s death,

13 shall be entitled to a child’s insurance benefit for each month,
14 beginning with the first month after 1949 in which such
15 child becomes so entitled to such insurance benefits and
16 ending with the month preceding the first month in which
17 any of the following occurs: such child dies, marries, is
18 adopted (except for adoption by a stepparent, grandparent,
19 aunt, or uncle subsequent to the death of such fully or
20 currently insured individual), or attains the age of eighteen.

21 “(2) Such child’s insurance benefit for each month
22 shall, if the individual on the basis of whose wages or self-
23 employment income the child is entitled to such benefit has
24 not died prior to the end of such month, be equal to one-half
25 of the old-age insurance benefit of such individual for such

1 month. Such child's insurance benefit for each month shall,
2 if such individual has died in or prior to such month, be
3 equal to three-fourths of the primary insurance amount of
4 such individual, except that, if there is more than one child
5 entitled to benefits on the basis of such individual's wages
6 or self-employment income, each such child's insurance
7 benefit for such month shall be equal to the sum of (A)
8 one-half of the primary insurance amount of such individual,
9 and (B) one-fourth of such primary insurance amount
10 divided by the number of such children.

11 “(3) A child shall be deemed dependent upon his
12 father or adopting father at the time specified in paragraph
13 (1) (C) unless, at such time, such individual was not
14 living with or contributing to the support of such child
15 and—

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

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

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

22 “(4) A child shall be deemed dependent upon his step-
23 father at the time specified in paragraph (1) (C) if, at
24 such time, the child was living with or was receiving at
25 least one-half of his support from such stepfather.

1 “(5) A child shall be deemed dependent upon his natu-
2 ral or adopting mother at the time of her death if, at such
3 time, she was both a fully and a currently insured individual.
4 A child shall also be deemed dependent upon his natural or
5 adopting mother, or upon his stepmother, at the time speci-
6 fied in paragraph (1) (C) if, at such time, (A)
7 she was living with or contributing to the support of
8 such child, and (B) either (i) such child was neither
9 living with nor receiving contributions from his father or
10 adopting father, or (ii) such child was receiving at least
11 one-half of his support from her.

12 “Widow’s Insurance Benefits

13 “(d) (1) The widow (as defined in section 216 (c))
14 of an individual who died a fully insured individual after
15 1939, if such widow—

16 “(A) has not remarried,

17 “(B) has attained retirement age,

18 “(C) has filed application for widow’s insurance
19 benefits or was entitled, after attainment of retirement
20 age, to wife’s insurance benefits, on the basis of the
21 wages or self-employment income of such individual,
22 for the month preceding the month in which he died,

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

25 “(E) is not entitled to old-age insurance benefits,

1 or is entitled to old-age insurance benefits each of which
2 is less than three-fourths of the primary insurance
3 amount of her deceased husband,
4 shall be entitled to a widow's insurance benefit for each
5 month, beginning with the first month after 1949 in which
6 she becomes so entitled to such insurance benefits and
7 ending with the month preceding the first month in which
8 any of the following occurs: she remarries, dies, or becomes
9 entitled to an old-age insurance benefit equal to or exceed-
10 ing three-fourths of the primary insurance amount of her
11 deceased husband.

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

15 “Mother's Insurance Benefits

16 “(e) (1) The widow and every former wife divorced
17 (as defined in section 216 (d)) of an individual who died
18 a fully or currently insured individual after 1939, if such
19 widow or former wife divorced—

20 “(A) has not remarried,

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

22 “(C) is not entitled to old-age insurance benefits,

23 or is entitled to old-age insurance benefits each of which

24 is less than three-fourths of the primary insurance

25 amount of such individual,

1 “(D) has filed application for mother’s insurance
2 benefits,

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

6 “(F) (i) in the case of a widow, was living
7 with such individual at the time of his death, or (ii) in
8 the case of a former wife divorced, was receiving
9 from such individual (pursuant to agreement or court
10 order) at least one-half of her support at the time of his
11 death, and the child referred to in clause (E) is her
12 son, daughter, or legally adopted child and the benefits
13 referred to in such clause are payable on the basis of
14 such individual’s wages or self-employment income,
15 shall be entitled to a mother’s insurance benefit for each
16 month, beginning with the first month after 1949 in which
17 she becomes so entitled to such insurance benefits and ending
18 with the month preceding the first month in which
19 any of the following occurs: no child of such deceased
20 individual is entitled to a child’s insurance benefit, such
21 widow or former wife divorced becomes entitled to an old-
22 age insurance benefit equal to or exceeding three-fourths of
23 the primary insurance amount of such deceased individual,
24 she becomes entitled to a widow’s insurance benefit, she
25 remarries, or she dies. Entitlement to such benefits shall

1 also end, in the case of a former wife divorced, with the
2 month immediately preceding the first month in which no
3 son, daughter, or legally adopted child of such former wife
4 divorced is entitled to a child's insurance benefit on the basis
5 of the wages or self-employment income of such deceased
6 individual.

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

10 “Parent's Insurance Benefits

11 “(f) (1) Every parent (as defined in this subsection)
12 of an individual who died a fully insured individual after
13 1939, if such individual did not leave a widow who meets
14 the conditions in subsection (d) (1) (D) and (E) or
15 an unmarried child under the age of eighteen deemed
16 dependent on such individual under subsection (c) (3),
17 (4), or (5), and if such parent—

18 “(A) has attained retirement age,

19 “(B) was receiving at least one-half of his support
20 from such individual at the time of such individual's
21 death and filed proof of such support within two years of
22 such date of death,

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

24 “(D) is not entitled to old-age insurance benefits,
25 or is entitled to old-age insurance benefits each of which

1 is less than three-fourths of the primary insurance
2 amount of such deceased individual, and

3 “(E) has filed application for parent’s insurance
4 benefits,

5 shall be entitled to a parent’s insurance benefit for each
6 month, beginning with the first month after 1949 in which
7 such parent becomes so entitled to such parent’s insurance
8 benefits and ending with the month preceding the first
9 month in which any of the following occurs: such
10 parent dies, marries, or becomes entitled to an old-age in-
11 surance benefit equal to or exceeding three-fourths of the
12 primary insurance amount of such deceased individual.

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

16 “(3) As used in this subsection, the term ‘parent’
17 means the mother or father of an individual, a stepparent of
18 an individual by a marriage contracted before such individual
19 attained the age of sixteen, or an adopting parent by whom
20 an individual was adopted before he attained the age of
21 sixteen.

22 “Lump-Sum Death Payments

23 “(g) Upon the death, after 1949, of an individual who
24 died a fully or currently insured individual leaving no sur-
25 viving widow, child, or parent who would, on filing applica-

1 tion in the month in which such individual died, be entitled
2 to a benefit for such month under subsection (c), (d), (e),
3 or (f) of this section, an amount equal to three times such
4 individual's primary insurance amount shall be paid in a
5 lump sum to the person, if any, determined by the Adminis-
6 trator to be the widow or widower of the deceased and to
7 have been living with the deceased at the time of death. If
8 there is no such person, or if such person dies before receiving
9 payment, then such amount shall be paid to any person or
10 persons, equitably entitled thereto, to the extent and in the
11 proportions that he or they shall have paid the expenses
12 of burial of such insured individual. No payment shall be
13 made to any person under this subsection unless application
14 therefor shall have been filed, by or on behalf of any such
15 person (whether or not legally competent), prior to the
16 expiration of two years after the date of death of such insured
17 individual.

18 "Application for Monthly Insurance Benefits

19 "(h) (1) An individual who would have been entitled
20 to a benefit under subsection (a), (b), (c), (d), (e), or
21 (f) for any month after 1949 had he filed application
22 therefor prior to the end of such month shall be entitled to
23 such benefit for such month if he files application therefor
24 prior to the end of the sixth month immediately succeeding

1 such month. Any benefit for a month prior to the month in
2 which application is filed shall be reduced, to any extent
3 that may be necessary, so that it will not render erroneous
4 any benefit which, before the filing of such application, the
5 Administrator has certified for payment for such prior month.

6 “(2) No application for any benefit under this section
7 for any month after 1949 which is filed prior to three months
8 before the first month for which the applicant becomes en-
9 titled to such benefit shall be accepted as an application for
10 the purposes of this section; and any application filed within
11 such three months’ period shall be deemed to have been
12 filed in such first month.

13 “Simultaneous Entitlement to Benefits

14 “(i) (1) Any individual who is entitled for any month
15 to more than one monthly insurance benefit (other than an
16 old-age insurance benefit) under this title shall be entitled
17 to only one such monthly benefit for such month, such ben-
18 efit to be the largest of the monthly benefits to which he
19 (but for this paragraph) would otherwise be entitled for
20 such month.

21 “(2) If an individual is entitled to an old-age in-
22 surance benefit for any month and to any other monthly
23 insurance benefit for such month, such other insurance ben-

1 efit for such month shall be reduced (after any reduction
2 under section 203 (a)) by an amount equal to such old-
3 age insurance benefit.

4 "Entitlement to Survivor Benefits Under Railroad
5 Retirement Act

6 "(j) If any person would be entitled, upon filing appli-
7 cation therefor, to an annuity under section 5 of the Rail-
8 road Retirement Act of 1937, or to a lump-sum payment
9 under subsection (f) (1) of such section, with respect to
10 the death of an employee (as defined in such Act), no
11 lump-sum death payment, and no monthly benefit for the
12 month in which such employee died or for any month there-
13 after, shall be paid under this section to any person on the
14 basis of the wages or self-employment income of such
15 employee."

16 (b) (1) Except as provided in paragraph (3), the
17 amendment made by subsection (a) of this section shall
18 take effect January 1, 1950.

19 (2) Section 205 (m) of the Social Security Act is re-
20 pealed effective with respect to monthly benefits under
21 section 202 of the Social Security Act, as amended by this
22 Act, for months after 1949.

23 (3) Section 202 (h) (2) of the Social Security Act, as

1 amended by this Act, shall take effect October 1, 1949.

2 (c) (1) Any individual entitled to primary insurance
3 benefits on widow's current insurance benefits under section
4 202 of the Social Security Act as in effect prior to its
5 amendment by this Act who would, but for the enactment
6 of this Act, be entitled to such benefits for January 1950
7 shall be deemed to be entitled to old-age insurance bene-
8 fits or mother's insurance benefits (as the case may be)
9 under section 202 of the Social Security Act, as amended
10 by this Act, as though such individual became entitled to
11 such benefits in January 1950, the primary insurance amount
12 on which such benefits are based to be determined as pro-
13 vided in section 109 of this Act.

14 (2) Any individual entitled to any other monthly in-
15 surance benefits under section 202 of the Social Security
16 Act as in effect prior to its amendment by this Act who
17 would, but for the enactment of this Act, be entitled to such
18 benefits for January 1950 shall be deemed to be entitled
19 to such benefits under section 202 of the Social Security Act,
20 as amended by this Act, as though such individual became
21 entitled to such benefits in January 1950, the primary
22 insurance amount on which such benefits are based to be
23 determined as provided in section 109 of this Act.

24 (3) Any individual who files application after 1949

1 for monthly benefits under any subsection of section 202
2 of the Social Security Act who would, but for the enact-
3 ment of this Act, be entitled to benefits under such subsection
4 (as in effect prior to such enactment) for any month prior
5 to 1950 shall be deemed entitled to such benefits for such
6 month prior to 1950 to the same extent and in the same
7 amounts as though this Act had not been enacted.

8 (d) In the case of any parent of an individual who—
9 (1) died after June 1947 but prior to 1950,
10 (2) was not a fully insured individual under the
11 provisions of section 209 (g) of the Social Security
12 Act as in effect at the time of his death, and
13 (3) who is insured under the provisions of section
14 214 (a) of such Act, as amended by this Act,
15 such parent shall be deemed to have met the requirement,
16 in section 202 (f) (1) (B) of such Act as so amended,
17 of filing proof of support within two years of the date of
18 such individual's death if such proof is filed prior to 1952.

19 (e) Lump-sum death payments shall be made in the
20 case of individuals who died prior to 1950 as though this
21 Act had not been enacted; except that in the case of any
22 individual who died outside the forty-eight States and the
23 District of Columbia after December 6, 1941, and prior

1 to August 10, 1946, the last sentence of section 202 (g)
2 of the Social Security Act shall not be applicable if appli-
3 cation for a lump-sum death payment is filed prior to 1952.

4

MAXIMUM BENEFITS

5 SEC. 102. (a) So much of section 203 of the Social
6 Security Act as precedes subsection (d) is amended to read
7 as follows:

8

"REDUCTION OF INSURANCE BENEFITS

9

"Maximum Benefits

10 "SEC. 203. (a) Whenever the total of monthly benefits
11 to which individuals are entitled under section 202 for a
12 month on the basis of the wages or self-employment income
13 of an individual exceeds \$150, or exceeds 80 per centum
14 of his average monthly wage (as defined in section 215
15 (c)), such total of benefits shall, after any deductions
16 under this section, be reduced to \$150 or to 80 per centum
17 of his average monthly wage, whichever is the lesser.
18 Whenever a reduction is made under this subsection, each
19 benefit, except the old-age insurance benefit, shall be pro-
20 portionately decreased."

21 (b) The amendment made by subsection (a) of this
22 section shall be applicable with respect to benefits for months
23 after 1949.

1 DEDUCTIONS FROM BENEFITS

2 SEC. 103. (a) Subsections (d), (e), (f), (g), and
3 (h) of section 203 of the Social Security Act are amended
4 to read as follows:

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

7 "(b) Deductions, in such amounts and at such time or
8 times as the Administrator shall determine, shall be made
9 from any payment or payments under this title to which an
10 individual is entitled, until the total of such deductions equals
11 such individual's benefit or benefits under section 202 for
12 any month after 1949—

13 "(1) in which such individual is under the age
14 of seventy-five and in which he rendered services for
15 wages (as determined under section 209 without regard
16 to subsection (a) thereof) of more than \$50; or

17 "(2) in which such individual is under the age of
18 seventy-five and for which month he is charged, under
19 the provisions of subsection (e) of this section, with net
20 earnings from self-employment of more than \$50; or

21 "(3) in which such individual, if a wife under re-
22 tirement age entitled to a wife's insurance benefit, did
23 not have in her care (individually or jointly with her

1 husband) a child of her husband entitled to a child's
2 insurance benefit; or

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

7 “(5) in which such individual, if a former wife
8 divorced entitled to a mother's insurance benefit, did
9 not have in her care a child, of her deceased former
10 husband, who (A) is her son, daughter, or legally
11 adopted child and (B) is entitled to a child's insurance
12 benefit with respect to the wages or self-employment
13 income of her deceased former husband.

14 “Deductions From Dependents' Benefits Because of Work
15 by Old-Age Insurance Beneficiary

16 “(c) Deductions shall be made from any wife's or child's
17 insurance benefit to which a wife or child is entitled, until
18 the total of such deductions equals such wife's or child's in-
19 surance benefit or benefits under section 202 for any month
20 after 1949—

21 “(1) in which the individual, on the basis of whose
22 wages or self-employment income such benefit was pay-
23 able, is under the age of seventy-five and in which he

1 rendered services for wages (as determined under section
2 209 without regard to subsection (a) thereof) of more
3 than \$50; or

4 “(2) in which the individual referred to in para-
5 graph (1) is under the age of seventy-five and for
6 which month he is charged, under the provisions of
7 subsection (e) of this section, with net earnings from
8 self-employment of more than \$50.

9 “Occurrence of More Than One Event

10 “(d) If more than one event specified in subsections
11 (b) and (c) occurs in any one month which would occasion
12 deductions equal to a benefit for such month, only an amount
13 equal to such benefit shall be deducted. The charging of
14 net earnings from self-employment to any month shall be
15 treated as an event occurring in the month to which such
16 net earnings are charged.

17 “Months to Which Net Earnings Are Charged

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

19 “(1) If an individual's net earnings from self-
20 employment for his taxable year are not more than
21 the product of \$50 times the number of months in such
22 year, no month in such year shall be charged with more
23 than \$50 of net earnings from self-employment.

1 “(2) If an individual’s net earnings from self-
2 employment for his taxable year are more than the prod-
3 uct of \$50 times the number of months in such year, each
4 month of such year shall be charged with \$50 of net
5 earnings from self-employment, and the amount of such
6 net earnings in excess of such product shall be
7 further charged to months as follows: The first \$50
8 of such excess shall be charged to the last month
9 of such taxable year, and the balance, if any, of
10 such excess shall be charged at the rate of \$50
11 per month to each preceding month in such year
12 until all of such balance has been applied, except that
13 no part of such excess shall be charged to any month
14 (A) for which such individual was not entitled to a
15 benefit under this title, (B) in which an event de-
16 scribed in paragraph (1), (3), (4), or (5) of sub-
17 section (b) occurred, (C) in which such individual was
18 age seventy-five or over, or (D) in which such
19 individual did not engage in self-employment.

20 “(3) (A) As used in paragraph (2), the term
21 ‘last month of such taxable year’ means the latest month
22 in such year to which the charging of the excess de-
23 scribed in such paragraph is not prohibited by the appli-

1 cation of clauses (A), (B), (C), and (D) thereof.

2 “(B) For the purposes of clause (D) of paragraph
3 (2), an individual will be presumed, with respect to any
4 month, to have been engaged in self-employment in
5 such month until it is shown to the satisfaction of the
6 Administrator that such individual rendered no sub-
7 stantial services in such month with respect to any
8 trade or business the net income or loss of which is
9 includible in computing his net earnings from self-
10 employment for any taxable year. The Administrator
11 shall by regulations prescribe the methods and criteria
12 for determining whether or not an individual has
13 rendered substantial services with respect to any trade
14 or business.

15 “Penalty for Failure To Report Certain Events

16 “(f) Any individual in receipt of benefits subject to
17 deduction under subsection (b) or (c) (or who is in
18 receipt of such benefits on behalf of another individual),
19 because of the occurrence of an event specified therein (other
20 than an event described in subsection (b) (2) or (c) (2)),
21 shall report such occurrence to the Administrator prior
22 to the receipt and acceptance of an insurance benefit for
23 the second month following the month in which such event

1 occurred. Any such individual having knowledge thereof,
2 who fails to report any such occurrence, shall suffer an
3 additional deduction equal to that imposed under subsection
4 (b) or (c), except that the first additional deduction im-
5 posed by this subsection in the case of any individual shall
6 not exceed an amount equal to one month's benefit even
7 though the failure to report is with respect to more than
8 one month.

9 "Report to Administrator of Net Earnings From
10 Self-Employment

11 "(g) (1) If an individual is entitled to any monthly in-
12 surance benefit under section 202 during any taxable year in
13 which he has net earnings from self-employment in excess
14 of the product of \$50 times the number of months
15 in such year, such individual (or the individual who
16 is in receipt of such benefit on his behalf) shall
17 make a report to the Administrator of his net earn-
18 ings from self-employment for such taxable year. Such
19 report shall be made on or before the fifteenth day of the
20 third month following the close of such year, and shall contain
21 such information and be made in such manner as the Admin-
22 istrator may by regulations prescribe. Such report need not
23 be made for any taxable year beginning with or after the

1 month in which such individual attained the age of seventy-
2 five.

3 “(2) If an individual fails to make a report required
4 under paragraph (1), within the time prescribed therein,
5 of his net earnings from self-employment for any taxable
6 year and any deduction is imposed under subsection (b) (2)
7 by reason of such net earnings—

8 “(A) such individual shall suffer one additional
9 deduction in an amount equal to his benefit or benefits
10 for the last month in such taxable year for which he
11 was entitled to a benefit under section 202; and

12 “(B) if the failure to make such report continues
13 after the close of the fourth calendar month following the
14 close of such taxable year, such individual shall suffer
15 an additional deduction in the same amount for each
16 month or fraction thereof during which such failure
17 continues after such fourth month;

18 except that the number of the additional deductions required
19 by this paragraph shall not exceed the number of months in
20 such taxable year for which such individual received and
21 accepted insurance benefits under section 202 and for which
22 deductions are imposed under subsection (b) (2) by
23 reason of such net earnings from self-employment. If

1 more than one additional deduction would be imposed under
2 this paragraph with respect to a failure by an individual
3 to file a report required by paragraph (1) and such failure
4 is the first for which any additional deduction is imposed
5 under this paragraph, only one additional deduction shall
6 be imposed with respect to such first failure.

7 “(3) If the Administrator determines, on the basis of
8 information obtained by or submitted to him, that it may
9 reasonably be expected that an individual entitled to bene-
10 fits under section 202 for any taxable year will suffer deduc-
11 tions imposed under subsection (b) (2) by reason of his
12 net earnings from self-employment for such year, the
13 Administrator may, before the close of such taxable
14 year, suspend the payment for each month in such year
15 (or for only such months as the Administrator may specify)
16 of the benefits payable on the basis of such individual’s
17 wages and self-employment income; and such suspension
18 shall remain in effect with respect to the benefits for any
19 month until the Administrator has determined whether or not
20 any deduction is imposed for such month under subsection
21 (b). The Administrator is authorized, before the close of the
22 taxable year of an individual entitled to benefits during such
23 year, to request of such individual that he make, at such

1 time or times as the Administrator may specify, a declaration
2 of his estimated net earnings from self-employment for the
3 taxable year and that he furnish to the Administrator such
4 other information with respect to such net earnings as the
5 Administrator may specify. A failure by such individual
6 to comply with any such request shall in itself constitute
7 justification for a determination under this paragraph that it
8 may reasonably be expected that the individual will suffer
9 deductions imposed under subsection (b) (2) by reason of
10 his net earnings from self-employment for such year.

11 “Deductions With Respect to Certain Lump Sum Payments

12 “(h) Deductions shall also be made from any old-age
13 insurance benefit to which an individual is entitled, or from
14 any other insurance benefit payable on the basis of such
15 individual’s wages or self-employment income, until such
16 deductions total the amount of any lump sum paid to such
17 individual under section 204 of the Social Security Act in
18 force prior to the date of enactment of the Social Security
19 Act Amendments of 1939.

20 “Attainment of Age Seventy-five

21 “(i) For the purposes of this section, an individual
22 shall be considered as seventy-five years of age during the
23 entire month in which he attains such age.”

1 (b) The amendments made by this section shall take
2 effect January 1, 1950.

3 DEFINITIONS

4 SEC. 104. (a) Title II of the Social Security Act is
5 amended by striking out section 209 and inserting in lieu
6 thereof the following:

7 "DEFINITION OF WAGES

8 "SEC. 209. For the purposes of this title, the term
9 'wages' means remuneration paid prior to 1950 which was
10 wages for the purposes of this title under the law applicable
11 to the payment of such remuneration, and remuneration paid
12 after 1949 for employment, including the cash value of all
13 remuneration paid in any medium other than cash; except
14 that, in the case of remuneration paid after 1949, such term
15 shall not include—

16 "(a) That part of the remuneration which, after
17 remuneration (other than remuneration referred to in the
18 succeeding subsections of this section) equal to \$3,000
19 with respect to employment has been paid to an indi-
20 vidual by an employer during any calendar year, is
21 paid to such individual by such employer during such
22 calendar year. If an employer during any calendar
23 year acquires substantially all the property used in a
24 trade or business of another person (hereinafter referred
25 to as a predecessor), or used in a separate unit of a

1 trade or business of a predecessor, and immediately
2 after the acquisition employs in his trade or business an
3 individual who immediately prior to the acquisition was
4 employed in the trade or business of such predecessor,
5 then, for the purpose of determining whether such
6 employer has paid remuneration (other than remun-
7 eration referred to in the succeeding subsections of this
8 section) with respect to employment equal to \$3,000
9 to such individual during such calendar year, any re-
10 muneration with respect to employment paid (or con-
11 sidered under this subsection as having been paid) to
12 such individual by such predecessor during such calendar
13 year and prior to such acquisition shall be considered
14 as having been paid by such employer;

15 “(b) The amount of any payment made to, or on
16 behalf of, an employee under a plan or system estab-
17 lished by an employer which makes provision for his
18 employees generally or for a class or classes of his
19 employees (including any amount paid by an employer
20 for insurance or annuities, or into a fund, to provide
21 for any such payment), on account of (1) retirement,
22 or (2) sickness or accident disability, or (3) medical
23 or hospitalization expenses in connection with sickness
24 or accident disability, or (4) death;

25 “(c) Any payment made to an employee (includ-

1 ing any amount paid by an employer for insurance or
2 annuities, or into a fund, to provide for any such pay-
3 ment) on account of retirement;

4 “(d) Any payment on account of sickness or
5 accident disability, or medical or hospitalization ex-
6 penses in connection with sickness or accident disability,
7 made by an employer to, or on behalf of, an employee
8 after the expiration of six calendar months following
9 the last calendar month in which the employee worked
10 for such employer;

11 “(e) Any payment made to, or on behalf of, an
12 employee (1) from or to a trust exempt from tax
13 under section 165 (a) of the Internal Revenue Code
14 at the time of such payment unless such payment is
15 made to an employee of the trust as remuneration for
16 services rendered as such employee and not as a bene-
17 ficiary of the trust, or (2) under or to an annuity plan
18 which, at the time of such payment, meets the require-
19 ments of section 165 (a) (3), (4), (5), and (6)
20 of such code;

21 “(f) The payment by an employer (without de-
22 duction from the remuneration of the employee) (1)
23 of the tax imposed upon an employee under section
24 1400 of the Internal Revenue Code, or (2) of any

1 payment required from an employee under a State
2 unemployment compensation law ;

3 “(g) Remuneration paid in any medium other than
4 cash to an employee for service not in the course of
5 the employer’s trade or business (including domestic
6 service in a private home of the employer) ; or

7 “(h) Any payment (other than vacation or sick
8 pay) made to an employee after the month in which
9 he attains retirement age (as defined in section 216
10 (a)), if he did not work for the employer in the period
11 for which such payment is made.

12 Tips and other cash remuneration customarily received by
13 an employee in the course of his employment from persons
14 other than the person employing him shall, for the purposes
15 of this title, be considered as remuneration paid to him by
16 his employer; except that, in the case of tips, only so much
17 of the amount thereof received during any calendar quarter
18 as the employee, before the expiration of ten days after the
19 close of such quarter, reports in writing to his employer
20 as having been received by him in such quarter shall be
21 considered as remuneration paid by his employer, and the
22 amount so reported shall be considered as having been paid
23 to him by his employer on the date on which such report
24 is made to the employer.

1 “DEFINITION OF EMPLOYMENT

2 “SEC. 210. For the purposes of this title—

3 “Employment

4 “(a) The term ‘employment’ means any service per-
5 formed after 1936 and prior to 1950 which was employ-
6 ment for the purposes of this title under the law applicable
7 to the period in which such service was performed, and any
8 service of whatever nature performed after 1949 either
9 (A) by an employee for the person employing him, irrespec-
10 tive of the citizenship or residence of either, (i) within the
11 United States, or (ii) on or in connection with an American
12 vessel or American aircraft under a contract of service which
13 is entered into within the United States or during the per-
14 formance of which the vessel or aircraft touches at a port in
15 the United States, if the employee is employed on and in con-
16 nection with such vessel or aircraft when outside the United
17 States, or (B) outside the United States by a citizen of the
18 United States as an employee for an American employer
19 (as defined in subsection (e) ; except that, in the case of
20 service performed after 1949, such term shall not include—

21 “(1) Agricultural labor (as defined in subsec-
22 tion (f)) ;

23 “(2) (A) Service not in the course of the em-
24 ployer’s trade or business (including domestic service

1 in a private home of the employer) performed on a
2 farm operated for profit;

3 “(B) Domestic service performed in a local college
4 club, or local chapter of a college fraternity or sorority,
5 by a student who is enrolled and is regularly attending
6 classes at a school, college, or university;

7 “(3) Service not in the course of the employer’s
8 trade or business performed in any calendar quarter by
9 an employee, unless the cash remuneration paid for such
10 service is \$25 or more and such service is performed
11 by an individual who is regularly employed by such
12 employer to perform such service. For the purposes of
13 this paragraph, an individual shall be deemed to be
14 regularly employed by an employer during a calendar
15 quarter only if (A) such individual performs for such
16 employer service not in the course of the employer’s
17 trade or business during some portion of at least six
18 days during such quarter, each day being in a
19 different calendar week, or (B) such individual
20 was regularly employed (as determined under clause
21 (A)) by such employer in the performance of such
22 service during the preceding calendar quarter. As used
23 in this paragraph, the term ‘service not in the course
24 of the employer’s trade or business’ includes domestic
25 service in a private home of the employer;

1 “(4) Service performed by an individual in the
2 employ of his son, daughter, or spouse, and service
3 performed by a child under the age of twenty-one in
4 the employ of his father or mother;

5 “(5) Service performed by an individual on or
6 in connection with a vessel not an American vessel,
7 or on or in connection with an aircraft not an American
8 aircraft, if the individual is employed on and in connec-
9 tion with such vessel or aircraft when outside the United
10 States;

11 “(6) Service performed in the employ of any in-
12 strumentality of the United States, if such instrumentality
13 is exempt from the tax imposed by section 1410 of the
14 Internal Revenue Code by virtue of any provision of
15 law which specifically refers to such section in granting
16 such exemption;

17 “(7) Service performed in the employ of the
18 United States, or in the employ of any instrumentality
19 of the United States which is partly or wholly owned
20 by the United States, but only if (i) such service is
21 covered by a retirement system, established by a law
22 of the United States, for employees of the United States
23 or of such instrumentality, or (ii) such service is
24 performed—

1 “(A) by the President or Vice President of
2 the United States or by a Member, Delegate, or
3 Resident Commissioner, of or to the Congress;

4 “(B) in the legislative branch;

5 “(C) in the field service of the Post Office
6 Department;

7 “(D) in or under the Bureau of the Census
8 of the Department of Commerce by temporary em-
9 ployees employed for the taking of any census;

10 “(E) by any employee who is excluded by
11 Executive order from the operation of the Civil
12 Service Retirement Act of 1930 because he is paid
13 on a contract or fee basis;

14 “(F) by any employee receiving nominal com-
15 pensation of \$12 or less per annum;

16 “(G) in a hospital, home, or other institution
17 of the United States by a patient or inmate thereof;

18 “(H) by any employee who is excluded by
19 Executive order from the operation of the Civil
20 Service Retirement Act of 1930 because he is serv-
21 ing under a temporary appointment pending final
22 determination of eligibility for permanent or in-
23 definite appointment;

24 “(I) by any consular agent appointed under

1 authority of section 551 of the Foreign Service Act
2 of 1946 (22 U. S. C., sec. 951) ;

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

8 “(K) in the employ of the Tennessee Valley
9 Authority in a position which is covered by a
10 retirement system established by such Authority;

11 “(L) by any employee serving on a tempo-
12 rary basis in case of fire, storm, earthquake, flood,
13 or other emergency; or

14 “(M) by any employee who is employed under
15 a Federal relief program to relieve him from un-
16 employment;

17 “(8) (A) Service (other than service included
18 under an agreement under section 218 and other than
19 service to which subparagraph (B) of this paragraph
20 is applicable) performed in the employ of a State, or
21 any political subdivision thereof, or any instrumentality
22 of any one or more of the foregoing which is wholly
23 owned by one or more States or political subdivisions;

24 “(B) Service (other than service included under
25 an agreement under section 218) performed in the em-

1 ploy of any political subdivision of a State in connection
2 with the operation of any public transportation system
3 unless such service is performed by an employee who—

4 “(i) became an employee of such political sub-
5 division in connection with and at the time of its
6 acquisition after 1936 of such transportation system
7 or any part thereof; and

8 “(ii) prior to such acquisition rendered services
9 in employment (as an employee of a person other
10 than one designated in subparagraph (A) of this
11 paragraph) in connection with the operation of
12 such transportation system or part thereof.

13 In the case of an employee described in clauses (i) and
14 (ii) who became such an employee in connection with
15 an acquisition made prior to 1950, this subparagraph
16 shall not be applicable with respect to such employee
17 if the political subdivision employing him files with
18 the Commissioner of the Internal Revenue prior to
19 January 1, 1950, a statement that it does not favor
20 the inclusion under this subparagraph of any individual
21 who became an employee in connection with such acqui-
22 sitions made prior to 1950. For the purposes of this
23 subparagraph the term ‘political subdivision’ includes
24 an instrumentality of one or more political subdivisions
25 of a State;

1 “(9) Service performed by a duly ordained, com-
2 missioned, or licensed minister of a church in the exer-
3 cise of his ministry or by a member of a religious order
4 in the exercise of duties required by such order;

5 “(10) Service performed by an individual as an
6 employee or employee representative as defined in sec-
7 tion 1532 of the Internal Revenue Code;

8 “(11) (A) Service performed in any calendar
9 quarter in the employ of any organization exempt from
10 income tax under section 101 of the Internal Revenue
11 Code, if the remuneration for such service is less than
12 \$100;

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

17 “(12) Service performed in the employ of a foreign
18 government (including service as a consular or other
19 officer or employee or a nondiplomatic representative);

20 “(13) Service performed in the employ of an instru-
21 mentality wholly owned by a foreign government—

22 “(A) If the service is of a character similar to
23 that performed in foreign countries by employees of
24 the United States Government or of an instrumen-
25 tality thereof; and

1 “(B) If the Secretary of State shall certify to
2 the Secretary of the Treasury that the foreign gov-
3 ernment, with respect to whose instrumentality and
4 employees thereof exemption is claimed, grants an
5 equivalent exemption with respect to similar service
6 performed in the foreign country by employees of
7 the United States Government and of instrumentali-
8 ties thereof;

9 “(14) Service performed as a student nurse in the
10 employ of a hospital or a nurses’ training school by an
11 individual who is enrolled and is regularly attending
12 classes in a nurses’ training school chartered or approved
13 pursuant to State law; and service performed as an
14 interne in the employ of a hospital by an individual who
15 has completed a four years’ course in a medical school
16 chartered or approved pursuant to State law;

17 “(15) Service performed by an individual in (or
18 as an officer or member of the crew of a vessel while
19 it is engaged in) the catching, taking, harvesting, cul-
20 tivating, or farming of any kind of fish, shellfish, crus-
21 tacea, sponges, seaweeds, or other aquatic forms of
22 animal and vegetable life (including service performed
23 by any such individual as an ordinary incident to any
24 such activity), except (A) service performed in con-

1 nection with the catching or taking of salmon or halibut,
2 for commercial purposes, and (B) service performed
3 on or in connection with a vessel of more than ten net
4 tons (determined in the manner provided for deter-
5 mining the register tonnage of merchant vessels under
6 the laws of the United States) ;

7 “(16) (A) Service performed by an individual
8 under the age of eighteen in the delivery or distribution
9 of newspapers or shopping news, not including delivery
10 or distribution to any point for subsequent delivery or
11 distribution ;

12 “(B) Service performed by an individual in, and
13 at the time of, the sale of newspapers or magazines to
14 ultimate consumers, under an arrangement under which
15 the newspapers or magazines are to be sold by him at
16 a fixed price, his compensation being based on the reten-
17 tion of the excess of such price over the amount at
18 which the newspapers or magazines are charged to him,
19 whether or not he is guaranteed a minimum amount of
20 compensation for such service, or is entitled to be
21 credited with the unsold newspapers or magazines turned
22 back ;

23 “(17) Service performed in the employ of an inter-
24 national organization entitled to enjoy privileges, ex-

1 emptions, and immunities as an international organiza-
2 tion under the International Organizations Immunities
3 Act (59 Stat. 669) ; or

4 “(18) Service performed by an individual in the
5 sale or distribution of goods or commodities for another
6 person, off the premises of such person, under an ar-
7 rangement whereby such individual receives his entire
8 remuneration (other than prizes) for such service
9 directly from the purchasers of such goods or commodi-
10 ties, if such person makes no provision (other than by
11 correspondence) with respect to the training of such
12 individual for the performance of such service and
13 imposes no requirement upon such individual with re-
14 spect to (A) the fitness of such individual to perform
15 such service, (B) the geographical area in which such
16 service is to be performed, (C) the volume of goods
17 or commodities to be sold or distributed, or (D) the
18 selection or solicitation of customers.

19 “Included and Excluded Service

20 “(b) If the services performed during one-half or more
21 of any pay period by an employee for the person employing
22 him constitute employment, all the services of such employee
23 for such period shall be deemed to be employment; but if
24 the services performed during more than one-half of any such
25 pay period by an employee for the person employing him do

1 not constitute employment, then none of the services of such
2 employee for such period shall be deemed to be employment.
3 As used in this subsection, the term 'pay period' means a
4 period (of not more than thirty-one consecutive days) for
5 which a payment of remuneration is ordinarily made to the
6 employee by the person employing him. This subsection
7 shall not be applicable with respect to services performed in
8 a pay period by an employee for the person employing him,
9 where any of such service is excepted by paragraph (10) of
10 subsection (a).

11 "American Vessel

12 "(c) The term 'American vessel' means any vessel
13 documented or numbered under the laws of the United
14 States; and includes any vessel which is neither documented
15 or numbered under the laws of the United States nor
16 documented under the laws of any foreign country, if its
17 crew is employed solely by one or more citizens or residents
18 of the United States or corporations organized under the
19 laws of the United States or of any State.

20 "American Aircraft

21 "(d) The term 'American aircraft' means an aircraft
22 registered under the laws of the United States.

23 "American Employer

24 "(e) The term 'American employer' means an em-
25 ployer which is (1) the United States or any instrumental-

1 ity thereof, (2) a State or any political subdivision thereof,
 2 or any instrumentality of any one or more of the foregoing,
 3 (3) an individual who is a resident of the United States,
 4 (4) a partnership, if two-thirds or more of the partners are
 5 residents of the United States, (5) a trust, if all of the
 6 trustees are residents of the United States, or (6) a corpora-
 7 tion organized under the laws of the United States or of any
 8 State.

9

“Agricultural Labor

10 “(f) The term ‘agricultural labor’ includes all service
 11 performed—

12 “(1) On a farm, in the employ of any person, in
 13 connection with cultivating the soil, or in connection
 14 with raising or harvesting any agricultural or horticul-
 15 tural commodity, including the raising, shearing, feeding,
 16 caring for, training, and management of livestock, bees,
 17 poultry, and fur-bearing animals and wildlife.

18 “(2) In the employ of the owner or tenant or other
 19 operator of a farm, in connection with the operation,
 20 management, conservation, improvement, or mainte-
 21 nance of such farm and its tools and equipment, or in
 22 salvaging timber or clearing land of brush and other
 23 debris left by a hurricane, if the major part of such
 24 service is performed on a farm.

25 “(3) In connection with the production or harvest-

1 ing of any commodity defined as an agricultural com-
2 modity in section 15 (g) of the Agricultural Marketing
3 Act, as amended, or in connection with the ginning of
4 cotton.

5 “(4) (A) In the employ of the operator of a farm
6 in handling, planting, drying, packing, packaging, proc-
7 essing, freezing, grading, storing, or delivering to storage
8 or to market or to a carrier for transportation to market,
9 in its unmanufactured state, any agricultural or horti-
10 cultural commodity; but only if such operator produced
11 more than one-half of the commodity with respect to
12 which such service is performed.

13 “(B) In the employ of a group of operators of
14 farms (other than a cooperative organization) in the
15 performance of services described in subparagraph (A),
16 but only if such operators produced all of the commodity
17 with respect to which such service is performed. For
18 the purposes of this subparagraph, any unincorporated
19 group of operators shall be deemed a cooperative organi-
20 zation if the number of operators comprising such group
21 is more than twenty at any time during the calendar
22 quarter in which such service is performed.

23 “(C) The provisions of subparagraphs (A) and
24 (B) shall not be deemed to be applicable with respect to
25 service performed in connection with commercial can-

1 ning or commercial freezing or in connection with any
2 agricultural or horticultural commodity after its delivery
3 to a terminal market for distribution for consumption.

4 “Farm

5 “(g) The term ‘farm’ includes stock, dairy, poultry,
6 fruit, fur-bearing animal, and truck farms, plantations,
7 ranches, nurseries, ranges, greenhouses or other similar
8 structures used primarily for the raising of agricultural or
9 horticultural commodities, and orchards.

10 “State

11 “(h) The term ‘State’ includes Alaska, Hawaii, and
12 the District of Columbia.

13 “United States

14 “(i) The term ‘United States’ when used in a geo-
15 graphical sense means the States, Alaska, Hawaii, and the
16 District of Columbia.

17 “Citizen of Puerto Rico or the Virgin Islands

18 “(j) An individual who is a citizen of Puerto Rico
19 or the Virgin Islands (but not otherwise a citizen of the
20 United States) and who is not a resident of the United
21 States shall not be considered, for the purposes of this sec-
22 tion, as a citizen of the United States.

23 “Employee

24 “(k) The term ‘employee’ means—

25 “(1) any officer of a corporation; or

1 “(2) any individual who, under the usual common
2 law rules applicable in determining the employer-
3 employee relationship, has the status of an employee.
4 For purposes of this paragraph, if an individual (either
5 alone or as a member of a group) performs service for
6 any other person under a written contract expressly
7 reciting that such person shall have complete control
8 over the performance of such service and that such in-
9 dividual is an employee, such individual with respect
10 to such service shall, regardless of any modification
11 not in writing, be deemed an employee of such person
12 (or, if such person is an agent or employee with respect
13 to the execution of such contract, the employee of the
14 principal or employer of such person) ; or

15 “(3) any individual (other than an individual who
16 is an employee under paragraph (1) or (2) of this
17 subsection) who performs services for remuneration
18 for any person—

19 “(A) as an outside salesman in the manufac-
20 turing or wholesale trade;

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

22 “(C) as a driver-lessee of a taxicab;

23 “(D) as a home worker on materials or goods
24 which are furnished by the person for whom the

1 services are performed and which are required to be
2 returned to such person or to a person designated
3 by him;

4 “(E) as a contract-logger;

5 “(F) as a lessee or licensee of space within
6 a mine when substantially all of the product of such
7 services is required to be sold or turned over to the
8 lessor or licensor; or

9 “(G) as a house-to-house salesman if under
10 the contract of service or in fact such individual (i)
11 is required to meet a minimum sales quota, or (ii)
12 is expressly or impliedly required to furnish the
13 services with respect to designated or regular cus-
14 tomers or customers along a prescribed route, or
15 (iii) is prohibited from furnishing the same or
16 similar services for any other person—

17 if the contract of service contemplates that substantially
18 all of such services (other than the services described
19 in subparagraph (F)) are to be performed personally
20 by such individual; except that an individual shall not
21 be included in the term ‘employee’ under the provi-
22 sions of this paragraph if such individual has a substan-
23 tial investment (other than the investment by a sales-
24 man in facilities for transportation) in the facilities of
25 the trade, occupation, business, or profession with

1 respect to which the services are performed, or if the
2 services are in the nature of a single transaction not
3 part of a continuing relationship with the person for
4 whom the services are performed.

5 “SELF-EMPLOYMENT

6 “SEC. 211. For the purposes of this title—

7 “Net Earnings From Self-Employment

8 “(a) The term ‘net earnings from self-employment’
9 means the gross income, as computed under chapter 1
10 of the Internal Revenue Code, derived by an indi-
11 vidual from any trade or business carried on by such indi-
12 vidual, less the deductions allowed under such chapter which
13 are attributable to such trade or business, plus his distributive
14 share (whether or not distributed) of the net income or loss,
15 as computed under such chapter, from any trade or busi-
16 ness carried on by a partnership of which he is a member;
17 except that in computing such gross income and deductions
18 and such distributive share of partnership net income or
19 loss—

20 “(1) There shall be excluded rentals from real
21 estate (including personal property leased with the real
22 estate) and deductions attributable thereto, unless such
23 rentals are received in the course of a trade or business
24 as a real-estate dealer;

25 “(2) There shall be excluded income derived from

1 any trade or business in which, if the trade or business
2 were carried on exclusively by employees, the major
3 portion of the services would constitute agricultural
4 labor as defined in section 210 (f) ; and there shall be
5 excluded all deductions attributable to such income;

6 “(3) There shall be excluded dividends on any
7 share of stock, and interest on any bond, debenture, note,
8 or certificate, or other evidence of indebtedness, issued
9 with interest coupons or in registered form by any
10 corporation (including one issued by a government or
11 political subdivision thereof) unless such dividends
12 and interest are received in the course of a trade or busi-
13 ness as a dealer in stocks or securities;

14 “(4) There shall be excluded any gain or loss
15 (A) which is considered under chapter 1 of the Internal
16 Revenue Code as gain or loss from the sale or exchange
17 of a capital asset, (B) from the cutting or disposal of
18 timber if section 117 (j) of such code is applicable
19 to such gain or loss, or (C) from the sale, exchange,
20 involuntary conversion, or other disposition of property
21 if such property is neither (i) stock in trade or other
22 property of a kind which would properly be includible
23 in inventory if on hand at the close of the taxable year,
24 nor (ii) property held primarily for sale to customers in
25 the ordinary course of the trade or business;

1 “(5) The deduction for net operating losses pro-
2 vided in section 23 (s) of such code shall not be allowed;

3 “(6) (A) If any of the income derived from a
4 trade or business (other than a trade or business car-
5 ried on by a partnership) is community income under
6 community property laws applicable to such income,
7 all of the gross income and deductions attributable to
8 such trade or business shall be treated as the gross in-
9 come and deductions of the husband unless the wife
10 exercises substantially all of the management and con-
11 trol of such trade or business, in which case all of such
12 gross income and deductions shall be treated as the gross
13 income and deductions of the wife;

14 “(B) If any portion of a partner’s distributive share
15 of the net income or loss from a trade or business carried
16 on by a partnership is community income or loss under
17 the community property laws applicable to such share, all
18 of such distributive share shall be included in computing
19 the net earnings from self-employment of such partner,
20 and no part of such share shall be taken into account
21 in computing the net earnings from self-employment of
22 the spouse of such partner;

23 “(7) There shall be excluded income derived from
24 a trade or business or publishing a newspaper or other
25 publication having a paid circulation, together with the

1 income derived from other activities conducted in con-
2 nection with such trade or business; and there shall be
3 excluded all deductions attributable to such income.

4 If the taxable year of a partner is different from that of the
5 partnership, the distributive share which he is required to
6 include in computing his net earnings from self-employment
7 shall be based upon the net income or loss of the partnership
8 for any taxable year of the partnership (even though begin-
9 ning prior to 1950) ending within or with his taxable year.

10 "Self-Employment Income

11 "(b) The term 'self-employment income' means the net
12 earnings from self-employment derived by an individual
13 (other than a nonresident alien individual) during any
14 taxable year beginning after 1949; except that such term
15 shall not include—

16 "(1) That part of the net earnings from self-
17 employment which is in excess of: (A) \$3,000, minus
18 (B) the amount of the wages paid to such individual
19 during the taxable year; or

20 "(2) The net earnings from self-employment, if
21 such net earnings for the taxable year are less than
22 \$400.

23 An individual who is a citizen of Puerto Rico or the Virgin
24 Islands (but not otherwise a citizen of the United States)
25 and who is not a resident of the United States shall be con-

1 sidered, for the purposes of this subsection, as a nonresident
2 alien individual.

3 “Trade or Business

4 “(c) The term ‘trade or business’, when used with
5 reference to self-employment income or net earnings from
6 self-employment, shall have the same meaning as when
7 used in section 23 of the Internal Revenue Code, except
8 that such term shall not include—

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

11 “(2) The performance of service by an individual
12 as an employee (other than service described in sec-
13 tion 210 (a) (16) (B) or section 210 (a) (18)
14 performed by an individual who has attained the age of
15 eighteen) ;

16 “(3) The performance of service by an individual
17 as an employee or employee representative as defined
18 in section 1532 of the Internal Revenue Code;

19 “(4) The performance of service by a duly or-
20 dained, commissioned, or licensed minister of a church
21 in the exercise of his ministry or by a member of a
22 religious order in the exercise of duties required by
23 such order; or

24 “(5) The performance of service by an individual
25 in the exercise of his profession as a physician, lawyer,

1 dentist, osteopath, veterinarian, chiropractor, or optome-
2 trist, or as a Christian Science practitioner, or as an
3 aeronautical, chemical, civil, electrical, mechanical,
4 metallurgical, or mining engineer; or the performance
5 of such service by a partnership.

6 "Partnership and Partner

7 "(d) The term 'partnership' and the term 'partner'
8 shall have the same meaning as when used in supplement
9 F of chapter 1 of the Internal Revenue Code.

10 "Taxable Year

11 "(e) The term 'taxable year' shall have the same
12 meaning as when used in chapter 1 of the Internal Revenue
13 Code; and the taxable year of any individual shall be a
14 calendar year unless he has a different taxable year for the
15 purposes of chapter 1 of such code, in which case his taxable
16 year for the purposes of this title shall be the same as his
17 taxable year under such chapter 1.

18 "CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR
19 YEARS

20 "SEC. 212. For the purposes of determining the average
21 monthly wage, quarters of coverage, and years of coverage,
22 the amount of self-employment income derived during any
23 taxable year shall be credited to calendar years as follows:

24 "(1) In the case of a taxable year which is a
25 calendar year, or which begins and ends in the same

1 calendar year, the self-employment income of such tax-
2 able year shall be credited to such calendar year.

3 “(2) In the case of a taxable year which begins
4 in one calendar year and ends in another calendar
5 year, the calendar year in which such taxable year
6 began shall be credited with the same proportion of
7 the self-employment income derived during the taxable
8 year as the number of months in such calendar year
9 which are included in such taxable year is of the num-
10 ber of months in the taxable year, and the balance of
11 such self-employment income shall be credited to the
12 calendar year in which such taxable year ended. For
13 the purposes of this paragraph a fractional part of a
14 month shall be considered as a month.

15 “QUARTER AND QUARTER OF COVERAGE

16 “Definitions

17 “SEC. 213. (a) For the purposes of this title—

18 “(1) The term ‘quarter’, and the term ‘calendar quar-
19 ter’, means a period of three calendar months ending on
20 March 31, June 30, September 30, or December 31.

21 “(2) (A) The term ‘quarter of coverage’ means, in the
22 case of any quarter occurring prior to 1950, a quarter in
23 which the individual has been paid \$50 or more in wages. In
24 the case of any individual who has been paid, in a calendar
25 year prior to 1950, \$3,000 or more in wages each quarter

1 of such year following his first quarter of coverage shall be
2 deemed a quarter of coverage, excepting any quarter in such
3 year in which such individual died or became entitled to a
4 primary insurance benefit and any quarter succeeding such
5 quarter in which he died or became so entitled.

6 “(B) The term ‘quarter of coverage’ means, in the case
7 of a quarter occurring after 1949, a quarter in which the
8 individual has been paid \$100 or more in wages or for which
9 he has been credited (as determined under subsection (b))
10 with \$200 or more of self-employment income, except
11 that—

12 “(i) no quarter after the quarter in which such
13 individual died shall be a quarter of coverage;

14 “(ii) if the sum of the wages paid to an individual
15 in a calendar year and his self-employment income
16 credited to such year (as determined under section 212)
17 is equal to or exceeds \$3,000, each quarter of such year
18 shall (subject to clause (i)) be a quarter of coverage;
19 and

20 “(iii) no quarter shall be counted as a quarter of
21 coverage prior to the beginning of such quarter.

22 “Crediting of Self-Employment Income to Quarters in a
23 Calendar Year

24 “(b) For the purposes of subsection (a)—

25 “(1) If an individual’s self-employment income

1 credited to a calendar year (as determined under sec-
2 tion 212) is \$800 or more, one-fourth of such self-
3 employment income shall be credited to each quarter
4 in such year.

5 “(2) Except as provided in paragraph (3), if an
6 individual’s self-employment income credited to the
7 calendar year is less than \$800, the first \$200 thereof
8 shall be credited to the last quarter of such year which
9 is not a quarter of coverage by reason of wages paid to
10 him in such year, and the balance of such self-employ-
11 ment income, if any, shall be credited at the rate of
12 \$200 to each preceding quarter in the calendar year
13 which is not a quarter of coverage by reason of wages
14 so paid until all of such balance has been credited.
15 If the individual died during such year, the quarter in
16 which he died shall be considered to be the last quarter
17 in such calendar year.

18 “(3) If an individual’s self-employment income
19 credited to the calendar year is less than \$800 and
20 such individual attained retirement age in or prior to
21 such calendar year, the first \$200 of such self-employ-
22 ment income shall be credited to the first quarter of such
23 year which is not a quarter of coverage by reason of
24 wages paid to him in such year, and the balance thereof,
25 if any, shall be credited at the rate of \$200 to each suc-

1 ceeding quarter in the calendar year which is not a
2 quarter of coverage by reason of wages so paid until
3 all of such balance has been credited.

4 “Crediting of Wages Paid in 1937

5 “(c) With respect to wages paid to an individual in
6 the six-month periods commencing either January 1, 1937,
7 or July 1, 1937; (A) if wages of not less than \$100 were
8 paid in any such period, one-half of the total amount thereof
9 shall be deemed to have been paid in each of the calendar
10 quarters in such period; and (B) if wages of less than \$100
11 were paid in any such period, the total amount thereof shall
12 be deemed to have been paid in the latter quarter of such
13 period, except that if in any such period, the individual
14 attained age sixty-five, all of the wages paid in such period
15 shall be deemed to have been paid before such age was
16 attained.

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

19 “SEC. 214. For the purposes of this title—

20 “Fully Insured Individual

21 “(a) The term ‘fully insured individual’ means any
22 individual who had not less than—

23 “(1) one quarter of coverage (as determined under
24 section 213 (a) (2)) for each two of the quarters

1 elapsing after 1936, or after the quarter in which he
 2 attained the age of twenty-one, whichever quarter is
 3 later, and up to but excluding the quarter in which he
 4 attained retirement age, or died, whichever first oc-
 5 curred, and in no case less than six quarters of coverage;
 6 or

7 “(2) twenty quarters of coverage within the forty-
 8 quarter period ending with the quarter in which he
 9 attained retirement age or with any subsequent quarter
 10 or ending with the quarter in which he died; or

11 “(3) forty quarters of coverage.

12 When the number of elapsed quarter specified in paragraph
 13 (1) is an odd number, for the purposes of such paragraph
 14 such number shall be reduced by one.

15 “Currently Insured Individual

16 “(b) The term ‘currently insured individual’ means any
 17 individual who had not less than six quarters of coverage
 18 during the thirteen-quarter period ending with the quarter
 19 in which he died.

20 “COMPUTATION OF PRIMARY INSURANCE AMOUNT

21 “SEC. 215. For the purposes of this title—

22 “Primary Insurance Amount

23 “(a) An individual’s ‘primary insurance amount’ means
 24 an amount equal to his base amount multiplied by his con-

1 continuation factor. When the primary insurance amount thus
2 computed is less than \$25, it shall be increased to \$25.
3 (For special rules applicable, in certain cases, for the compu-
4 tation of the primary insurance amount of an individual who
5 died prior to 1950 or who was paid a primary insurance
6 benefit prior to 1950, see section 109 of the Social Security
7 Act Amendments of 1949.)

8 "Base Amount

9 " (b) An individual's 'base amount' means an amount
10 equal to 50 per centum of the first \$100 of his average
11 monthly wage plus 10 per centum of the next \$150 of such
12 wage.

13 "Average Monthly Wage

14 " (c) (1) Except as provided in paragraph (2), an
15 individual's 'average monthly wage' means the quotient
16 obtained by dividing (A) the total of his wages and self-
17 employment income during the base period in which the
18 total of his wages and self-employment income was highest
19 (each base period to consist of the number of consecutive
20 years of coverage shown in column II of the following table
21 on the line on which appears his elapsed period), by (B)

1 the divisor appearing on the same line in column III of
2 such table:

I Elapsed period (years)	II Required number of consecutive years of coverage for such individual	III Divisor for such individual
5 or less -----	5	60
6 -----	6	72
7 -----	7	84
8 -----	8	96
9 -----	9	108
10 or more -----	10	120

3 An individual's elapsed period for purposes of column I of
4 the preceding table shall be the calendar years elapsing
5 after 1949 (or after the year in which he attained the age
6 of twenty-one, if later) and prior to the year in which he
7 attained retirement age, or died, whichever first occurred.

8 “(2) In the case of an individual who has less than
9 the number of years of coverage shown in such table in
10 column II on the line on which appears his elapsed period,
11 such individual's ‘average monthly wage’ means the total
12 of his wages and self-employment income during all years
13 which were years of coverage divided by the divisor appear-
14 ing in column III of such table on the line on which appears
15 his elapsed period.

1 “(3) If an individual’s average monthly wage com-
2 puted under the preceding paragraphs of this subsection is
3 less than \$50, his average monthly wage shall be increased
4 to \$50.

5 “(4) For the purposes of this subsection—

6 “(A) in determining an individual’s consecutive
7 years of coverage, any calendar year which was not
8 a year of coverage shall be disregarded;

9 “(B) in computing an individual’s average monthly
10 wage there shall not be counted, in the case of any
11 calendar year after 1949, the excess over \$3,000 of
12 (i) the wages paid to him in such year, plus (ii) the
13 self-employment income credited to such year (as
14 determined under section 212);

15 “(C) if the total of an individual’s wages and self-
16 employment income for any calendar year is not a
17 multiple of \$1, such total shall be reduced to the next
18 lower multiple of \$1; and

19 “(D) if an individual’s average monthly wage com-
20 puted under paragraph (1) or (2) of this subsection
21 is not a multiple of \$1, it shall be reduced to the next
22 lower multiple of \$1.

23 “Continuation Factor

24 “(d) In the case of any individual who dies or attains
25 retirement age before 1961 or dies before the year in which

1 he attains the age of thirty-three, the continuation factor
2 shall be one. In all cases, the continuation factor of an
3 individual shall be the quotient obtained by dividing (1)
4 the number of his years of coverage after his starting date,
5 or the number 10, whichever is the greater, by (2) the
6 number of his continuation factor years; except that if such
7 quotient is greater than one it shall be reduced to one. For
8 the purposes of this subsection, an individual's starting date
9 shall be 1936 or 1949, whichever results in the higher con-
10 tinuation factor. His continuation factor years shall be the
11 calendar years elapsing after his starting date (or after the
12 year in which he attained the age of twenty-one, if later)
13 and prior to the year in which he attained retirement age,
14 or died, whichever first occurred.

15 "Year of Coverage

16 "(e) A 'year of coverage' for any individual means—

17 "(1) in the case of any calendar year prior to 1950,
18 a year in which the sum of the wages paid to him in such
19 year was \$200 or more; and

20 "(2) in the case of any calendar year after 1949,
21 a year in which the sum of (A) the wages paid to him
22 in such year and (B) his self-employment income cred-
23 ited to such year (as determined under section 212)
24 was \$400 or more.

1 "Treatment of Wages and Self-employment Income in Year
2 of Computation

3 "(f) For the purposes of this section (other than sub-
4 section (g))—

5 "(1) in computing an individual's average monthly
6 wage and his years of coverage with respect to an appli-
7 cation for old-age insurance benefits, there shall be
8 taken into account only the self-employment income
9 of such individual for taxable years ending prior to the
10 date on which he filed such application, and there shall
11 be counted only the wages paid to him prior to the
12 quarter in which he filed such application; and

13 "(2) in computing the average monthly wage and
14 the years of coverage of an individual who died, there
15 shall not be counted wages (other than compensation
16 described in section 205 (p)) paid in or after the quarter
17 in which he died.

18 "Recomputation of Benefits

19 "(g) (1) After an individual's primary insurance
20 amount has been determined under this section (or under
21 section 109 of the Social Security Act Amendments of
22 1949, if applicable), there shall be no recomputation of
23 such individual's primary insurance amount except as pro-
24 vided in this subsection or, in the case of a World War II

1 veteran who dies after 1949 and prior to July 27, 1954,
2 as provided in section 217 (b).

3 “(2) Upon application by an individual entitled to
4 old-age insurance benefits, the Administrator shall recom-
5 pute his primary insurance amount if the application therefor
6 is filed after the twelfth month for which deductions under
7 section 203 (b) (1) and (2) have been imposed (within
8 a period of thirty-six months) with respect to such benefit,
9 not taking into account any month prior to 1950 or prior
10 to the earliest month for which the last previous compu-
11 tation of his primary insurance amount was effective. A
12 recomputation under this paragraph shall take into account
13 only (A) wages paid to such individual prior to the year
14 in which such application is filed and (B) his self-employ-
15 ment income for taxable years ending prior to the date of
16 such application. Such recomputation shall be effective
17 for and after the month in which such application is filed.

18 “(3) If upon application by an individual for old-age
19 insurance benefits such individual's average monthly wage
20 was computed under subsection (c) (2), the Administrator
21 shall recompute his primary insurance amount by taking into
22 account only (A) the wages and self-employment income
23 which were included in the original computation of his
24 average monthly wage and (B) his self-employment income

1 for the taxable year in which he filed application for the
2 old-age insurance benefits. Such recomputation shall be
3 effective for and after the first month following the close of
4 such taxable year.

5 “(4) Upon the death after 1949 of an individual en-
6 titled to old-age insurance benefits, if any person is entitled
7 to monthly benefits, or to a lump-sum death payment, on
8 the basis of the wages or self-employment income of such
9 individual, the Administrator shall recompute the decedent’s
10 primary insurance amount, but (except as provided in para-
11 graph (3)) only if—

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

15 “(B) the decedent during his lifetime was paid
16 compensation which is treated, under section 205 (p),
17 as remuneration for employment.

18 If the recomputation is required by subparagraph (A), the
19 recomputation shall take into account only the following:
20 The self-employment income of the decedent for all taxable
21 years other than his last taxable year, the wages (other than
22 compensation described in section 205 (p)) paid to him
23 prior to the year in which he died, and the compensation
24 (described in section 205 (p)) paid to him prior to his
25 death. If the recomputation is not permitted under sub-

1 paragraph (A) but is required by subparagraph (B), the
2 recomputation shall take into account only the following:
3 The wages and self-employment income which were per-
4 mitted to be taken into account in the last previous computa-
5 tion of the primary insurance amount of such individual
6 (including any recomputation required by paragraph (3)),
7 and the compensation (described in section 205 (p)) paid
8 to him prior to his death.

9 “(5) Any recomputation under this subsection shall
10 be effective only if such recomputation results in a higher
11 primary insurance amount. No such recomputation shall,
12 for the purposes of section 203 (a), lower the average
13 monthly wage.

14 “Rounding of Benefits

15 “(h) The amount of any primary insurance amount
16 and the amount of any monthly benefit computed under
17 section 202 which, after reduction under section 203 (a),
18 is not a multiple of \$0.10 shall be raised to the next higher
19 multiple of \$0.10.

20 “OTHER DEFINITIONS

21 “SEC. 216. For the purposes of this title—

22 “Retirement Age

23 “(a) The term ‘retirement age’ means age sixty-five.

24 “Wife

25 “(b) The term ‘wife’ means the wife of an individual,

1 but only if she (1) is the mother of his son or daughter, or
2 (2) was married to him for a period of not less than three
3 years immediately preceding the day on which her applica-
4 tion is filed.

5 "Widow

6 " (c) The term 'widow' (except when used in section
7 202 (g)) means the surviving wife of an individual, but only
8 if she (1) is the mother of his son or daughter, (2) legally
9 adopted his son or daughter while she was married to him
10 and while such son or daughter was under the age of eight-
11 een, (3) was married to him at the time both of them legally
12 adopted a child under the age of eighteen, or (4) was mar-
13 ried to him for a period of not less than one year immedi-
14 ately prior to the day on which he died.

15 "Former Wife Divorced

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

23 "Child

24 " (e) The term 'child' means (1) the child of an in-
25 dividual, and (2) in the case of a living individual, a step-

1 child or adopted child who has been such stepchild or
2 adopted child for not less than three years immediately
3 preceding the day on which application for child's benefits is
4 filed, and (3) in the case of a deceased individual, (A) an
5 adopted child, or (B) a stepchild who has been such stepchild
6 for not less than one year immediately preceding the day
7 on which such individual died. In determining whether an
8 adopted child has met the length of time requirement in
9 clause (2), time spent in the relationship of stepchild shall
10 be counted as time spent in the relationship of adopted child.

11 "Determination of Family Status

12 " (f) (1) In determining whether an applicant is the
13 wife, widow, child, or parent of a fully insured or currently
14 insured individual for purposes of this title, the Administrator
15 shall apply such law as would be applied in determining the
16 devolution of intestate personal property by the courts of the
17 State in which such insured individual is domiciled at the time
18 such applicant files application, or, if such insured individual
19 is dead, by the courts of the State in which he was domiciled
20 at the time of his death, or if such insured individual is or was
21 not so domiciled in any State, by the courts of the District of
22 Columbia. Applicants who according to such law would have
23 the same status relative to taking intestate personal property
24 as a wife, widow, child, or parent shall be deemed such.

25 " (2) A wife shall be deemed to be living with her hus-

1 band if they are both members of the same household, or she
2 is receiving regular contributions from him toward her sup-
3 port, or he has been ordered by any court to contribute to her
4 support; and a widow shall be deemed to have been living
5 with her husband at the time of his death if they were both
6 members of the same household on the date of his death, or
7 she was receiving regular contributions from him toward her
8 support on such date, or he had been ordered by any court to
9 contribute to her support.”

10 (b) The amendment made by subsection (a) shall
11 take effect January 1, 1950, except that—

12 (1) Section 214 of the Social Security Act shall
13 be applicable (A) in the case of applications filed after
14 September 1949 for monthly benefits for months after
15 1949, and (B) in the case of applications for lump-
16 sum death payments with respect to deaths after 1949.

17 (2) Section 216 of the Social Security Act shall
18 be applicable in the case of applications filed after Sep-
19 tember 1949 for monthly benefits for months after 1949.

20 (3) If the provisions of section 109 of this Act
21 are applicable in computing any benefits for months after
22 1949, section 215 of the Social Security Act shall not
23 be applicable with respect to such benefits unless and
24 until such benefits are recomputed under subsection (g)
25 of such section 215.

1 WORLD WAR II VETERANS

2 SEC. 105. Title II of the Social Security Act is
3 amended by striking out section 210 and by adding after
4 section 216 (added by section 104 (a) of this Act) the
5 following:

6 "BENEFITS IN CASE OF WORLD WAR II VETERANS

7 "SEC. 217. (a) For purposes of determining entitle-
8 ment to and the amount of any monthly benefit for any
9 month after 1949, or entitlement to and the amount of any
10 lump-sum death payment in case of a death after 1949,
11 payable under this title on the basis of the wages or self-
12 employment income of any World War II veteran, such
13 veteran shall be deemed to have been paid wages (in addi-
14 tion to the wages, if any, actually paid to him) of \$160 in
15 each month during any part of which he served in the active
16 military or naval service of the United States during World
17 War II. This subsection shall not be applicable in the case
18 of any monthly benefit or lump-sum death payment if a
19 larger benefit or payment, as the case may be, would be
20 payable without its application.

21 "(b) (1) In the case of any World War II veteran
22 who dies during the period of three years immediately fol-
23 lowing his separation from the active military or naval
24 service of the United States and who (i) died prior to 1950
25 and on the basis of whose wages no monthly benefit for any

1 month prior to 1952 was paid and no lump-sum death
2 payment was made, or (ii) died after 1949, such veteran
3 shall be deemed to have died a fully insured individual with
4 an average monthly wage of \$160. This subsection shall
5 not be applicable in the case of any monthly benefit or lump-
6 sum death payment if—

7 “(A) a larger such benefit or payment, as the case
8 may be, would be payable without its application;

9 “(B) any pension or compensation is determined
10 by the Veterans’ Administration to be payable by it on
11 the basis of the death of such veteran;

12 “(C) the death of the veteran occurred while he
13 was in the active military or naval service of the
14 United States; or

15 (D) such veteran has been discharged or released
16 from the active military or naval service of the United
17 States subsequent to July 26, 1951.

18 “(2) Upon an application for benefits or a lump-sum
19 death payment on the basis of the wages or self-employment
20 income of any World War II veteran, the Federal Security
21 Administrator shall make a decision without regard to para-
22 graph (1) (B) of this subsection unless he has been notified
23 by the Veterans’ Administration that pension or compensa-
24 tion is determined to be payable by the Veterans’ Admin-
25 istration by reason of the death of such veteran. The

1 Federal Security Administrator shall thereupon report such
2 decision to the Veterans' Administration. If the Veterans'
3 Administration in any such case has made an adjudication
4 or thereafter makes an adjudication that any pension or
5 compensation is payable under any law administered by
6 it, it shall notify the Federal Security Administrator, and the
7 Administrator shall certify no further benefits for payment,
8 or shall recompute the amount of any further benefits pay-
9 able, as may be required by paragraph (1) of this subsection.
10 Any payments theretofore certified by the Federal Security
11 Administrator on the basis of paragraph (1) of this sub-
12 section to any individual, not exceeding the amount of any
13 accrued pension or compensation payable to him by the
14 Veterans' Administration, shall (notwithstanding the pro-
15 visions of section 3 of the Act of August 12, 1935, as
16 amended (38 U. S. C., sec 454a)) be deemed to have been
17 paid to him by such Administration on account of such
18 accrued pension or compensation. No such payment certi-
19 fied by the Federal Security Administrator, and no payment
20 certified by him for any month prior to the first month for
21 which any pension or compensation is paid by the Veterans'
22 Administration shall be deemed by reason of this subsection
23 to have been an erroneous payment.

24 “(c) In the case of any World War II veteran who
25 has died prior to 1950, proof of support required under

1 section 202 (f) may be filed by a parent at any time prior
2 to July 1950 or prior to the expiration of two years after
3 the date of the death of such veteran, whichever is the later.

4 “(d) There are hereby authorized to be appropriated
5 annually to the Trust Fund such sums as may be neces-
6 sary to meet the additional cost, resulting from this section,
7 of the benefits (including lump-sum death payments) pay-
8 able under this title.

9 “(e) For the purposes of this section—

10 “(1) The term ‘World War II’ means the period be-
11 ginning with September 16, 1940, and ending at the close
12 of July 24, 1947.

13 “(2) The term ‘World War II veteran’ means any
14 individual who served in the active military or naval service
15 of the United States at any time during World War II and
16 who, if discharged or released therefrom, was so discharged
17 or released under conditions other than dishonorable after
18 active service of ninety days or more or by reason of a dis-
19 ability or injury incurred or aggravated in service in line of
20 duty; but such term shall not include any individual who
21 died while in the active military or naval service of the
22 United States if his death was inflicted (other than by an
23 enemy of the United States) as lawful punishment for a
24 military or naval offense.”

1 COVERAGE OF STATE AND LOCAL EMPLOYEES

2 SEC. 106. Title II of the Social Security Act is amended
3 by adding after section 217 (added by section 105 of this
4 Act) the following:

5 “VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND
6 LOCAL EMPLOYEES

7 “Purpose of Agreement

8 “SEC. 218. (a) (1) The Administrator shall, at the
9 request of any State, enter into an agreement with such
10 State for the purpose of extending the insurance system
11 established by this title to services (not otherwise included
12 as employment under this title) performed by individuals as
13 employees of such State or any political subdivision thereof.
14 Each such agreement shall contain such provisions, not incon-
15 sistent with the provisions of this section, as the State may
16 request.

17 “(2) Notwithstanding section 210 (a), for the purposes
18 of this title the term ‘employment’ includes any agricultural
19 labor, domestic service, or service performed by a student,
20 included under an agreement entered into under this section.

21 “Definitions

22 “(b) For the purposes of this section—

23 “(1) The term ‘State’ does not include the District
24 of Columbia.

25 “(2) The term ‘political subdivision’ includes an

1 instrumentality of (A) a State, (B) one or more po-
2 litical subdivisions of a State, or (C) a State and one or
3 more of its political subdivisions.

4 “(3) The term ‘employee’ includes an officer of
5 a State or political subdivision.

6 “(4) The term ‘retirement system’ means a pen-
7 sion, annuity, retirement, or similar fund or system estab-
8 lished by a State or by a political subdivision thereof.

9 “(5) The term ‘coverage group’ means (A) em-
10 ployees of the State other than those in positions covered
11 by a retirement system, or (B) employees of a political
12 subdivision of a State other than those in positions
13 covered by a retirement system.

14 “Services Covered

15 “(c) (1) An agreement under this section shall be
16 applicable with respect to any one or more coverage groups
17 designated by the State.

18 “(2) In the case of each coverage group to which the
19 agreement applies, the agreement must include all services
20 (other than services excluded by or pursuant to subsection
21 (d) or paragraph (3) or (5) of this subsection) per-
22 formed by individuals as members of such group.

23 “(3) Such agreement shall, if the State requests it,
24 exclude (in the case of any coverage group) any services
25 of an emergency nature or all services in any class or classes

1 of elective positions, part-time positions, or positions the
2 compensation for which is on a fee basis.

3 “(4) The Administrator shall, at the request of any
4 State, modify the agreement with such State so as to (A)
5 include any coverage group to which the agreement did
6 not previously apply, or (B) include, in the case of any
7 coverage group to which the agreement applies, services
8 previously excluded from the agreement; but the agreement
9 as so modified may not be inconsistent with the provisions
10 of this section applicable in the case of an original agreement
11 with a State.

12 “(5) Such agreement shall, if the State requests it,
13 exclude (in the case of any coverage group) any agricultural
14 labor, domestic service, or service performed by a student,
15 designated by the State. This paragraph shall apply only
16 with respect to service which, if performed in the employ
17 of an individual, would be excluded from employment by
18 section 210 (a).

19 “(6) Such agreement shall exclude services performed
20 by an individual who is employed to relieve him from unem-
21 ployment and shall exclude services performed in a hospital,
22 home, or other institution by a patient or inmate thereof.

23 “Exclusion of Employees Covered by a Retirement System

24 “(d) No agreement or modification of an agreement
25 with any State may include services performed in positions

1 covered by a retirement system on the date the agreement
2 or modification, as the case may be, is agreed to by the
3 Administrator and the State.

4 "Payments and Reports by States

5 "(e) Each agreement under this section shall provide—

6 "(1) that the State will pay to the Secretary of
7 the Treasury, at such time or times as the Adminis-
8 trator may by regulation prescribe, amounts equivalent
9 to the sum of the taxes which would be imposed
10 by sections 1400 and 1410 of the Internal Revenue
11 Code if the services of employees covered by the agree-
12 ment constituted employment as defined in section 1426
13 of such code;

14 "(2) that the State will comply with such regula-
15 tions relating to payments and reports as the Admin-
16 istrator may prescribe to carry out the purposes of this
17 section.

18 "Effective Date of Agreement

19 "(f) Any agreement or modification of an agreement
20 under this section shall be effective with respect to services
21 performed after an effective date specified in such agreement
22 or modification, but in no case prior to January 1, 1950, and
23 in no case (other than in the case of an agreement or
24 modification agreed to prior to January 1, 1952) prior to
25 the first day of the calendar year in which such agreement

1 or modification, as the case may be, is agreed to by the
2 Administrator and the State.

3 "Termination of Agreement

4 "(g) (1) Upon giving at least two years' advance
5 notice in writing to the Administrator, a State may terminate,
6 effective at the end of a calendar quarter specified in the
7 notice, its agreement with the Administrator either—

8 "(A) in its entirety, but only if the agreement has
9 been in effect from its effective date for not less than
10 five years prior to the receipt of such notice; or

11 "(B) with respect to any coverage group desig-
12 nated by the State, but only if the agreement has been
13 in effect with respect to such coverage group for not
14 less than five years prior to the receipt of such notice.

15 "(2) If the Administrator, after reasonable notice and
16 opportunity for hearing to a State with whom he has entered
17 into an agreement pursuant to this section, finds that the
18 State has failed or is no longer legally able to comply sub-
19 stantially with any provision of such agreement or of this
20 section, he shall notify such State that the agreement will be
21 terminated in its entirety, or with respect to any one or more
22 coverage groups designated by him, at such time, not later
23 than two years from the date of such notice, as he deems
24 appropriate, unless prior to such time he finds that there no

1 longer is any such failure or that the cause for such legal
2 inability has been removed.

3 “(3) If any agreement entered into under this section
4 is terminated in its entirety, the Administrator and the State
5 may not again enter into an agreement pursuant to this
6 section. If any such agreement is terminated with respect
7 to any coverage group, the Administrator and the State
8 may not thereafter modify such agreement so as to again
9 make the agreement applicable with respect to such cover-
10 age group.

11 “Deposits in Trust Fund; Adjustments

12 “(h) (1) All amounts received by the Secretary of
13 the Treasury under an agreement made pursuant to this
14 section shall be deposited in the Trust Fund.

15 “(2) If more or less than the correct amount due under
16 an agreement made pursuant to this section is paid with re-
17 spect to any payment of remuneration, proper adjustments
18 with respect to the amounts due under such agreement shall
19 be made, without interest, in such manner and at such times
20 as may be prescribed by regulations of the Administrator.

21 “(3) If an overpayment cannot be adjusted under para-
22 graph (2), the amount thereof and the time or times it
23 is to be paid shall be certified by the Administrator to the
24 Managing Trustee, and the Managing Trustee, through the
25 Fiscal Service of the Treasury Department and prior to any

1 action thereon by the General Accounting Office, shall make
2 payment in accordance with such certification. The Man-
3 aging Trustee shall not be held personally liable for any
4 payment or payments made in accordance with a certifica-
5 tion by the Administrator.

6 "Regulations

7 "(i) Regulations of the Administrator to carry out the
8 purposes of this section shall be designed to make the require-
9 ments imposed on States pursuant to this section the same,
10 so far as practicable, as those imposed on employers pur-
11 suant to this title and subchapter A of chapter 9 of the
12 Internal Revenue Code.

13 "Failure To Make Payments

14 "(j) In case any State does not make, at the time or
15 times due, the payments provided for under an agreement
16 pursuant to this section, there shall be added, as part of
17 the amounts due, interest at the rate of 6 per centum per
18 annum from the date due until paid, and the Administrator
19 may, in his discretion, deduct such amounts plus interest
20 from any amounts certified to the Secretary of the Treasury
21 for payment to such State under any other provision of
22 this Act. Amounts so deducted shall be deemed to have
23 been paid to the State under such other provision of this
24 Act. Amounts equal to the amounts deducted under this
25 subsection are hereby appropriated to the Trust Fund.

1 “Instrumentalities of Two or More States

2 “(k) The Administrator may, at the request of any
3 instrumentality of two or more States, enter into an agree-
4 ment with such instrumentality for the purpose of extend-
5 ing the insurance system established by this title to services
6 performed by individuals as employees of such instrumen-
7 tality. Such agreement, to the extent practicable, shall
8 be governed by the provisions of this section applicable in
9 the case of an agreement with a State.

10 “Delegation of Functions

11 “(l) The Administrator is authorized, pursuant to
12 agreement with the head of any Federal agency, to dele-
13 gate any of his functions under this section to any officer or
14 employee of such agency and otherwise to utilize the serv-
15 ices and facilities of such agency in carrying out such func-
16 tions, and payment therefor shall be in advance or by way
17 of reimbursement, as may be provided in such agreement.”

18 RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

19 SEC. 107. (a) Subsection (b) of section 205 of the
20 Social Security Act is amended by inserting “former wife
21 divorced,” after “widow,”.

22 (b) Subsection (c) of section 205 of the Social
23 Security Act is amended to read as follows:

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

25 “(A) The term ‘accounting period’ means a

1 calendar quarter when used with respect to wages, and
2 a taxable year (as defined in section 211 (e)) when
3 used with respect to self-employment income.

4 “(B) The term ‘time limitation’ when used with
5 respect to wages means a period of four years and one
6 month, and when used with respect to self-employment
7 income means a period of four years, two months, and
8 fifteen days.

9 “(C) The term ‘survivor’ means an individual’s
10 spouse, former wife divorced, child, or parent, who
11 survives such individual.

12 “(2) On the basis of information obtained by or sub-
13 mitted to the Administrator, and after such verification
14 thereof as he deems necessary, the Administrator shall estab-
15 lish and maintain records of the amounts of wages paid to,
16 and the amounts of self-employment income derived by,
17 each individual and of the accounting periods in which such
18 wages were paid and such income was derived and, upon
19 request, shall inform any individual or his survivor of the
20 amounts of wages and self-employment income of such
21 individual and the accounting periods during which such
22 wages were paid and such income was derived, as shown
23 by such records at the time of such request.

24 “(3) The Administrator’s records shall be evidence for
25 the purpose of proceedings before the Administrator or

1 any court of the amounts of wages paid to, and self-employ-
2 ment income derived by, an individual and of the accounting
3 periods in which such wages were paid and such income
4 was derived. The absence of an entry in such records as
5 to wages alleged to have been paid to, or as to self-employ-
6 ment income alleged to have been derived by, an individual
7 in any accounting period shall be evidence that no such
8 alleged wages were paid to, or that no such alleged income
9 was derived by, such individual during such accounting
10 period.

11 “(4) Prior to the expiration of the time limitation
12 following any accounting period the Administrator may,
13 if it is brought to his attention that any entry of wages or
14 self-employment income in his records for such period is
15 erroneous or that any item of wages or self-employment
16 income for such period has been omitted from such records,
17 correct such entry or include such omitted item in his
18 records, as the case may be. After the expiration of
19 the time limitation following any accounting period—

20 “(A) the Administrator’s records (with changes,
21 if any, made pursuant to paragraph (5)) of the amounts
22 of wages paid to, and self-employment income derived
23 by, an individual in such accounting period shall be
24 conclusive for the purposes of this title;

25 “(B) the absence of an entry in the Administrator’s

1 records as to the wages alleged to have been paid by
2 an employer to an individual in such accounting period
3 shall be presumptive evidence for the purposes of this
4 title that no such alleged wages were paid to such indi-
5 vidual in such accounting period; and

6 “(C) the absence of an entry in the Administra-
7 tor’s records as to the self-employment income alleged
8 to have been derived by an individual in such accounting
9 period shall be conclusive for the purposes of this title
10 that no such alleged self-employment income was de-
11 rived by such individual in such period unless it is
12 shown that he filed a tax return of his self-employment
13 income for such accounting period before the expiration
14 of the time limitation following such period, in which
15 case the Administrator shall include in his records the
16 self-employment income of such individual for such
17 accounting period.

18 “(5) After the expiration of the time limitation follow-
19 ing any accounting period in which wages were paid
20 or alleged to have been paid to, or self-employment income
21 was derived or alleged to have been derived by, an indi-
22 vidual, the Administrator may change or delete any entry
23 with respect to wages or self-employment income in his
24 records of such accounting period for such individual or
25 include in his records of such accounting period for such

1 individual any omitted item of wages or self-employment
2 income but only—

3 “(A) if an application for monthly benefits or for
4 a lump-sum death payment was filed within the time
5 limitation following such accounting period; except that
6 no such change, deletion, or inclusion may be made
7 pursuant to this subparagraph after a final decision upon
8 the application for monthly benefits or lump-sum death
9 payment;

10 “(B) if within the time limitation following such
11 accounting period an individual or his survivor makes
12 a request for a change or deletion, or for an inclusion
13 of an omitted item, and alleges in writing that the Ad-
14 ministrators’ records of the wages paid to, or the self-
15 employment income derived by, such individual in such
16 accounting period are in one or more respects erroneous;
17 except that no such change, deletion, or inclusion may
18 be made pursuant to this subparagraph after a final
19 decision upon such request. Written notice of the Ad-
20 ministrators’ decision on any such request shall be given
21 to the individual who made the request;

22 “(C) to correct errors apparent on the face of such
23 records;

24 “(D) to transfer items to records of the Railroad
25 Retirement Board if such items were credited under this

1 title when they should have been credited under the
2 Railroad Retirement Act, or to enter items transferred
3 by the Railroad Retirement Board which have been
4 credited under the Railroad Retirement Act when they
5 should have been credited under this title;

6 “(E) to delete or reduce the amount of any entry
7 which is erroneous as a result of fraud;

8 “(F) to conform his records to tax returns or por-
9 tions thereof (including information returns and other
10 written statements) filed with the Commissioner of
11 Internal Revenue under title VIII of the Social Security
12 Act, under subchapter A or F of chapter 9 of the In-
13 ternal Revenue Code, or under regulations made under
14 authority of such title or subchapter, and to information
15 returns filed by a State pursuant to an agreement
16 under section 218 or regulations of the Administrator
17 thereunder; except that no amount of self-employment
18 income of an individual for any taxable year (if such
19 return or statement was filed after the expiration of the
20 time limitation following the taxable year) shall be
21 included in the Administrator’s records pursuant to this
22 subparagraph in excess of the amount which has been
23 deleted pursuant to this subparagraph as payments
24 erroneously included in such records as wages paid to
25 such individual in such taxable year;

1 “(G) to include wages paid in such accounting
2 period to an individual by an employer if there is an
3 absence of any entry in the Administrator’s records of
4 wages having been paid by such employer to such indi-
5 vidual in such period; or

6 “(H) to enter items which constitute remuneration
7 for employment under subsection (p), such entries to
8 be in accordance with certified reports of records made
9 by the Railroad Retirement Board pursuant to section
10 5 (k) (3) of the Railroad Retirement Act of 1937.

11 “(6) Written notice of any deletion or reduction under
12 paragraph (4) or (5) shall be given to the individual whose
13 record is involved or to his survivor, except that (A) in
14 the case of a deletion or reduction with respect to any entry
15 of wages such notice shall be given to such individual only
16 if he has previously been notified by the Administrator of the
17 amount of his wages for the accounting period involved,
18 and (B) such notice shall be given to such survivor only if
19 he or the individual whose record is involved has previously
20 been notified by the Administrator of the amount of such
21 individual’s wages and self-employment income for the
22 accounting period involved.

23 “(7) Upon request in writing (within such period,
24 after any change or refusal of a request for a change of
25 his records pursuant to this subsection, as the Administrator

1 may prescribe), opportunity for hearing with respect to
2 such change or refusal shall be afforded to any individual
3 or his survivor. If a hearing is held pursuant to this para-
4 graph the Administrator shall make findings of fact and a
5 decision based upon the evidence adduced at such hearing
6 and shall include any omitted items, or change or delete
7 any entry, in his records as may be required by such find-
8 ings and decision.

9 “(8) Decisions of the Administrator under this sub-
10 section shall be reviewable by commencing a civil action
11 in the United States district court as provided in subsec-
12 tion (g).”

13 (c) Section 205 of the Social Security Act is amended
14 by adding at the end thereof the following subsections:

15 “Adjustment of Wages From Certain Nonprofit
16 Organizations

17 “(o) Notwithstanding any other provision of this title,
18 in the case of wages paid to an individual during any cal-
19 endar quarter by an employer entitled (under section 1412
20 of the Internal Revenue Code) to an exemption from the
21 tax imposed by section 1410 of such code, only one-half
22 of the amount of such wages paid during such calendar
23 quarter to such individual shall be considered as paid to him
24 for the purpose of determining the insured status of such
25 individual and for the purpose of determining the amount

1 of any insurance benefit or payment; but this paragraph
2 shall not apply if a waiver of such exemption of the employer
3 was in effect for such calendar quarter.

4 “Crediting of Compensation Under the Railroad Retirement
5 Act

6 “(p) If there is no person who would be entitled, upon
7 application therefor, to an annuity under section 5 of the
8 Railroad Retirement Act of 1937, or to a lump-sum pay-
9 ment under subsection (f) (1) of such section, with
10 respect to the death of an employee (as defined in such
11 Act), then, notwithstanding section 210 (a) (10) of this
12 Act, compensation (as defined in such Railroad Retirement
13 Act, but excluding compensation attributable as having been
14 paid during any month on account of military service
15 creditable under section 4 of such Act if wages are deemed
16 to have been paid to such employee during such month
17 under section 217 (a) of this Act) of such employee
18 shall constitute remuneration for employment for pur-
19 poses of determining (A) entitlement to and the amount
20 of any lump-sum death payment under this title on
21 the basis of such employee’s wages or self-employment
22 income and (B) entitlement to and the amount of any
23 monthly benefit under this title, for the month in which
24 such employee died or for any month thereafter, on the
25 basis of such wages or self-employment income. For such

1 purposes, compensation (as so defined) paid in a calendar
2 year shall, in the absence of evidence to the contrary, be
3 presumed to have been paid in equal proportions with
4 respect to all months in the year in which the employee
5 rendered services for such compensation. This paragraph
6 shall not be applicable in the case of any monthly benefit
7 or lump-sum death payment if a larger such benefit or
8 payment, as the case may be, would be payable without
9 its application.

10 “Special Rules in Case of Federal Service.

11 “(q) (1) With respect to service included as employ-
12 ment under section 210 which is performed in the employ
13 of the United States or in the employ of any instrumentality
14 which is wholly owned by the United States, the Admin-
15 istrator shall not make determinations as to whether an
16 individual has performed such service, the periods of such
17 service, the amounts of remuneration for such service which
18 constitute wages under the provisions of section 209, or the
19 periods in which or for which such wages were paid, but
20 shall accept the determinations with respect thereto of the
21 head of the appropriate Federal agency or instrumentality,
22 and of such agents as such head may designate, as evidenced
23 by returns filed in accordance with the provisions of section
24 1420 (e) of the Internal Revenue Code and certifications

1 made pursuant to this subsection. Such determinations shall
2 be final and conclusive.

3 “(2) The head of any such agency or instrumentality is
4 authorized and directed, upon written request of the Admin-
5 istrator, to make certification to him with respect to any
6 matter determinable for the Administrator by such head or
7 his agents under this subsection, which the Administrator
8 finds necessary in administering this title.

9 “(3) The provisions of paragraphs (1) and (2)
10 shall be applicable in the case of service performed by a
11 civilian employee, not compensated from funds appropriated
12 by the Congress, in the Army and Air Force Exchange
13 Service, Army and Air Force Motion Picture Service, Navy
14 Ship’s Service Stores, Marine Corps Post Exchanges, or
15 other activities, conducted by an instrumentality of the
16 United States subject to the jurisdiction of the Secretary of
17 Defense, at installations of the National Military Establish-
18 ment for the comfort, pleasure, contentment, and mental
19 and physical improvement of personnel of such Establish-
20 ment; and for purposes of paragraphs (1) and (2) the
21 Secretary of Defense shall be deemed to be the head of such
22 instrumentality.”

23

MISCELLANEOUS AMENDMENTS

24

SEC. 108. (a) (1) The second sentence of section 201

25

(a) of the Social Security Act is amended by striking out

1 “such amounts as may be appropriated to the Trust Fund”
2 and inserting in lieu thereof “such amounts as may be appro-
3 priated to, or deposited in, the Trust Fund”.

4 (2) The third sentence of section 201 (a) of such Act
5 is amended by striking out the words “the Federal Insurance
6 Contributions Act” and inserting in lieu thereof the follow-
7 ing: “subchapters A and F of chapter 9 of the Internal
8 Revenue Code”.

9 (3) Section 201 (a) of the Social Security Act is
10 amended by striking out the following: “There is also author-
11 ized to be appropriated to the Trust Fund such additional
12 sums as may be required to finance the benefits and payments
13 provided under this title.”

14 (4) Section 201 (b) of such Act is amended by striking
15 out “Chairman of the Social Security Board” and inserting
16 in lieu thereof “Federal Security Administrator”.

17 (5) Section 201 (b) of such Act is amended by add-
18 ing after the second sentence thereof the following new
19 sentence: “The Commissioner for Social Security shall serve
20 as secretary of the Board of Trustees.”.

21 (6) Paragraph (2) of section 201 (b) of such Act is
22 amended by striking out “on the first day of each regular
23 session of the Congress” and inserting in lieu thereof “not
24 later than the first day of March of each year”.

1 (7) Section 201 (b) of such Act is amended by striking
2 out the period at the end of paragraph (3) and inserting
3 in lieu thereof “; and”, and by adding the following new
4 paragraph:

5 “(4) Recommend administrative procedures and
6 policies designed to effectuate the proper coordination
7 of the social insurances.”

8 (8) Section 201 (b) of such Act is amended by adding
9 at the end thereof the following: “Such report shall be
10 printed as a House document of the session of the Congress
11 to which the report is made.”

12 (9) Section 201 (f) of such Act is amended to read as
13 follows:

14 “(f) (1) The Managing Trustee is directed to pay
15 from the Trust Fund into the Treasury the amount esti-
16 mated by him and the Federal Security Administrator
17 which will be expended during a three-month period by
18 the Federal Security Agency and the Treasury Department
19 for the administration of titles II and VIII of this Act and
20 subchapters A and F of chapter 9 of the Internal Revenue
21 Code. Such payments shall be covered into the Treasury
22 as repayments to the account for reimbursement of expenses
23 incurred in connection with the administration of titles II

1 and VIII of this Act and subchapters A and F of chapter 9
2 of the Internal Revenue Code.

3 “(2) The Managing Trustee is directed to pay from
4 the Trust Fund into the Treasury the amount estimated by
5 him which will be expended during each three-month period
6 after 1949 by the Treasury Department for refunds of taxes
7 (including interest, penalties, and additions to the taxes)
8 under title VIII of the Social Security Act and subchapters
9 A and F of chapter 9 of the Internal Revenue Code and for
10 interest on such refunds as provided by law. Such payments
11 shall be covered into the Treasury as repayments to the
12 account for refunding internal-revenue collections.

13 “(3) Repayments made under paragraph (1) or (2)
14 shall not be available for expenditures but shall be carried
15 to the surplus fund of the Treasury. If it subsequently
16 appear that the estimates under either such paragraph in
17 any particular three-month period were too high or too low,
18 appropriate adjustments shall be made by the Managing
19 Trustee in future payments.”

20 (b) (1) Sections 204, 205 (other than subsections (c)
21 and (1)), and 206 of such Act are amended by striking out
22 “Board” wherever appearing therein and inserting in lieu
23 thereof “Administrator”; by striking out “Board’s” wherever

1 appearing therein and inserting in lieu thereof "Adminis-
2 trator's"; and by striking out (where they refer to the Social
3 Security Board) "it" and "its" and inserting in lieu thereof
4 "he", "him", or "his", as the context may require.

5 (2) Section 205 (1) of such Act is amended to read as
6 follows:

7 " (1) The Administrator is authorized to delegate to any
8 member, officer, or employee of the Federal Security Agency
9 designated by him any of the powers conferred upon him by
10 this section, and is authorized to be represented by his own
11 attorneys in any court in any case or proceeding arising under
12 the provisions of subsection (e)."

13 (c) Section 208 of such Act is amended by striking
14 out the words "the Federal Insurance Contributions Act"
15 and inserting in lieu thereof the following: "subchapter A
16 or F of chapter 9 of the Internal Revenue Code".

17 INCREASE OF EXISTING BENEFITS; COMPUTATIONS IN
18 CASE OF ENTITLEMENT OR DEATH PRIOR TO 1950

19 SEC. 109. (a) Notwithstanding subsection (a) of sec-
20 tion 215 of the Social Security Act as amended by this
21 Act, the primary insurance amount (prior to any recompu-
22 tation under subsection (g) of such section) of any indi-
23 vidual who died prior to 1950 or who was entitled to a
24 primary insurance benefit for any month prior to 1950

- 1 shall, to the extent provided in the following subsections,
 2 be determined by use of the following table:

I Primary insurance benefit before 1950	II Primary insurance amount after 1949	III Assumed average monthly wage for purpose of computing maximum benefits
\$10-----	\$25.00	\$50.00
\$11-----	26.30	52.00
\$12-----	27.50	54.50
\$13-----	28.70	57.00
\$14-----	29.80	59.50
\$15-----	30.90	62.00
\$16-----	32.00	64.50
\$17-----	33.10	66.50
\$18-----	34.20	68.50
\$19-----	35.20	70.50
\$20-----	36.30	72.50
\$21-----	37.40	74.50
\$22-----	38.70	77.50
\$23-----	40.30	82.50
\$24-----	42.40	88.50
\$25-----	44.50	97.00
\$26-----	46.30	106.00
\$27-----	47.80	116.00
\$28-----	49.00	125.00
\$29-----	50.00	133.00
\$30-----	50.90	141.00
\$31-----	51.80	149.00
\$32-----	52.70	157.00
\$33-----	53.60	165.00
\$34-----	54.50	173.00
\$35-----	55.40	181.00
\$36-----	56.30	189.00
\$37-----	57.20	196.00
\$38-----	58.10	203.00
\$39-----	59.00	210.00
\$40-----	59.90	217.00
\$41-----	60.80	224.00
\$42-----	61.70	231.00
\$43-----	62.60	238.00
\$44-----	63.50	244.00
\$45-----	64.40	250.00
\$46-----	64.40	250.00

- 3 (b) (1) The primary insurance amount of an indi-
 4 vidual to whom a primary insurance benefit was paid for any
 5 month prior to 1950 shall (if he did not die prior to 1950)

1 be the amount in column II of the table (in subsection (a))
2 which is on the line on which in column I appears his
3 primary insurance benefit (as determined under subsec-
4 tion (c)).

5 (2) The primary insurance amount of an individual
6 who was entitled to primary insurance benefits prior to
7 1950 but who was not paid a primary insurance benefit for
8 any month prior to 1950 shall (if he did not die prior to
9 1950) be determined under section 215 of the Social Security
10 Act as amended by this Act.

11 (3) In the case of an individual who died prior to
12 1950 and—

13 (A) to whom a primary insurance benefit was
14 paid for any month prior to 1950, or

15 (B) on the basis of whose wages a monthly benefit
16 for any month prior to 1952 was paid or a lump-sum
17 death payment was made,

18 the primary insurance amount of such individual for January
19 1950 and for each month thereafter shall be the amount in
20 column II of the table which is on the line on which in
21 column I appears his primary insurance benefit. Such pri-
22 mary insurance benefit shall be determined under title II
23 of the Social Security Act as in effect prior to the enact-
24 ment of this Act; except that in the case of any World War
25 II veteran the provisions of section 217 (a) of the Social

1 Security Act as amended by this Act shall, if it results in
2 entitlement to a higher primary insurance benefit, be appli-
3 cable in lieu of section 210 of such Act as in effect prior to
4 the enactment of this Act.

5 (4) In the case of an individual who died prior to
6 1950, to whom a primary insurance benefit was not paid,
7 and on the basis of whose wages no monthly benefit for any
8 month prior to 1952 was paid and no lump-sum death pay-
9 ment was made, the primary insurance amount of such
10 individual shall be determined under section 215 of the
11 Social Security Act as amended by this Act.

12 (c) The primary insurance benefit of any individual
13 to whom subsection (b) (1) is applicable shall (for pur-
14 poses of column I of the table) be whichever of the follow-
15 ing is the larger: (A) The primary insurance benefit paid
16 to such individual for the last month prior to 1950 for which
17 he was paid such benefit, or (B) if the primary insurance
18 benefit is recomputed by the Administrator pursuant to the
19 following provisions of this subsection, the primary insurance
20 benefit as so recomputed. For the purposes of the preceding
21 sentence the Administrator shall recompute, without appli-
22 cation therefor, the primary insurance benefit for December
23 1949 of any individual to whom subsection (b) (1) is
24 applicable if such individual in such month rendered serv-
25 ices for wages of \$15 or more, or if such individual is a

1 World War II veteran; such recomputation to be made in
2 the same manner as if such individual had filed application
3 for, and was entitled to, a recomputation for December
4 1949 under section 209 (q) of the Social Security Act
5 prior to its amendment by this Act, except that in making
6 such recomputation section 217 (a) of the Social Security
7 Act as amended by this Act shall be applicable if such
8 individual is a World War II veteran.

9 (d) If the primary insurance amount of an individual
10 is determined from the table, the average monthly wage of
11 such individual shall, for the purposes of section 203 (a)
12 of the Social Security Act as amended by this Act, be the
13 amount which appears in column III of the table on the line
14 on which appears in column II the amount of his primary
15 insurance amount. Such average monthly wage shall not,
16 for the purposes of such section 203 (a), be reduced as the
17 result of any recomputation of the primary insurance
18 amount under section 215 (g) of the Social Security Act
19 as amended by this Act.

20 (e) In the case of any individual to whom paragraph
21 (1) or (3) of subsection (b) is applicable and the amount
22 of whose primary insurance benefit falls between the
23 amounts on any two consecutive lines in column I of the
24 table, his primary insurance amount, and his average

1 monthly wage for the purposes of section 203 (a) of the
2 Social Security Act as amended by this Act, shall be deter-
3 mined in accordance with regulations of the Administrator
4 designed to obtain results consistent with those obtained
5 pursuant to subsections (b) and (d).

6 TITLE II—AMENDMENTS TO INTERNAL
7 REVENUE CODE

8 RATE OF TAX ON WAGES

9 SEC. 201. (a) Clauses (2) and (3) of section 1400 of
10 the Internal Revenue Code are amended to read as follows:

11 “(2) With respect to wages received during the
12 calendar year 1950, the rate shall be $1\frac{1}{2}$ per centum.

13 “(3) With respect to wages received during the
14 calendar years 1951 to 1969, both inclusive, the rate
15 shall be 2 per centum.

16 “(4) With respect to wages received during the
17 calendar years 1970 to 1979, both inclusive, the rate
18 shall be $2\frac{1}{2}$ per centum.

19 “(5) With respect to wages received after Decem-
20 ber 31, 1979, the rate shall be 3 per centum.”

21 (b) Clauses (2) and (3) of section 1410 of the In-
22 ternal Revenue Code are amended to read as follows:

23 “(2) With respect to wages paid during the calen-
24 dar year 1950, the rate shall be $1\frac{1}{2}$ per centum.

1 “(3) With respect to wages paid during the calen-
2 dar years 1951 to 1969, both inclusive, the rate shall
3 be 2 per centum.

4 “(4) With respect to wages paid during the calen-
5 dar years 1970 to 1979, both inclusive, the rate shall
6 be $2\frac{1}{2}$ per centum.

7 “(5) With respect to wages paid after December
8 31, 1979, the rate shall be 3 per centum.”

9 EXEMPTION OF NONPROFIT ORGANIZATIONS

10 SEC. 202. (a) Section 1410 of the Internal Revenue
11 Code is amended by striking out “SEC. 1410. RATE OF TAX.”
12 and inserting in lieu thereof:

13 “SEC. 1410. IMPOSITION OF TAX.

14 “(a) RATE OF TAX.—”

15 and by adding at the end of such section the following:

16 “(b) EXEMPTION.—For exemption of certain nonprofit
17 organizations from the tax imposed by this section, see
18 section 1412.”

19 (b) Part II of subchapter A of chapter 9 of the
20 Internal Revenue Code is amended by adding at the end
21 thereof the following new section:

22 “SEC. 1412. EXEMPTION OF CERTAIN NONPROFIT OR-
23 GANIZATIONS.

24 “(a) EXEMPTION.—Any employer which is a cor-
25 poration, community chest, fund, or foundation, organized

1 and operated exclusively for religious, charitable, scientific,
2 literary, or educational purposes, or for the prevention of
3 cruelty to children or animals, no part of the net earnings
4 of which inures to the benefit of any private shareholder
5 or individual, and no substantial part of the activities of
6 which is carrying on propaganda, or otherwise attempting, to
7 influence legislation, shall be exempt from the tax imposed
8 by section 1410; but such exemption shall not be applicable
9 with respect to wages paid by such employer during the
10 period for which a waiver, filed by such employer pursuant
11 to subsection (b) of this section, is in effect.

12 “(b) WAIVER OF EXEMPTION.—An employer de-
13 scribed in subsection (a) may waive its exemption from
14 the tax imposed by section 1410 by filing a waiver thereof
15 in such form and manner, and with such official, as may be
16 prescribed by regulations made under this subchapter.
17 Such waiver shall be effective for the period begin-
18 ning with the first day following the close of the cal-
19 endar quarter in which such waiver is filed, but in no case
20 shall such period begin prior to January 1, 1950. The
21 period covered by such waiver may be terminated by the
22 employer, effective at the end of a calendar quarter, upon
23 giving two years' advance notice in writing, but only if
24 the waiver has been in effect for not less than five years
25 prior to the receipt of such notice. Such notice of termina-

1 tion may be revoked by the employer by giving, prior to
2 the close of the calendar quarter specified in the notice of
3 termination, a written notice of such revocation. Notice of
4 termination or of revocation thereof shall be filed in such
5 form and manner, and with such official, as may be pre-
6 scribed by regulations made under this subchapter.

7 “(c) TERMINATION OF WAIVER PERIOD BY COMMIS-
8 SIONER.—If the Commissioner finds that any employer
9 which filed a waiver pursuant to this section has failed to
10 comply substantially with the requirements of this sub-
11 chapter or is no longer able to comply therewith, the Com-
12 missioner shall give such employer not less than sixty days’
13 advance notice in writing that the period covered by such
14 waiver will terminate at the end of the calendar quarter
15 specified in such notice. Such notice of termination may
16 be revoked by the Commissioner by giving, prior to the
17 close of the calendar quarter specified in the notice of ter-
18 mination, written notice of such revocation to the employer.
19 No notice of termination or of revocation thereof shall be
20 given under this subsection to an employer without the prior
21 concurrence of the Federal Security Administrator.

22 “(d) NO RENEWAL OF WAIVER.—In the event the
23 period covered by a waiver filed pursuant to this section is
24 terminated by the employer, no waiver may again be made
25 by such employer pursuant to this section.”

1 (c) The amendments made by this section shall be
2 applicable only with respect to remuneration paid after 1949.

3 FEDERAL SERVICE

4 SEC. 203. (a) Part II of subchapter A of chapter 9
5 of the Internal Revenue Code is amended by adding after
6 section 1412 (added by section 202 of this Act) the follow-
7 ing new section:

8 **“SEC. 1413. INSTRUMENTALITIES OF THE UNITED STATES.**

9 “Notwithstanding any other provision of law (whether
10 enacted before or after the enactment of this section) which
11 grants to any instrumentality of the United States an exemp-
12 tion from taxation, such instrumentality shall not be exempt
13 from the tax imposed by section 1410 unless such other pro-
14 vision of law grants a specific exemption, by reference to
15 section 1410, from the tax imposed by such section.”

16 (b) Section 1420 of the Internal Revenue Code is
17 amended by adding at the end thereof the following new
18 subsection:

19 “(e) **FEDERAL SERVICE.**—In the case of the taxes im-
20 posed by this subchapter with respect to service performed
21 in the employ of the United States or in the employ of
22 any instrumentality which is wholly owned by the United
23 States, the determination whether an individual has per-
24 formed service which constitutes employment as defined
25 in section 1426, the determination of the amount of remu-

1 neration for such service which constitutes wages as defined
2 in such section, and the return and payment of the taxes im-
3 posed by this subchapter, shall be made by the head of the
4 Federal agency or instrumentality having the control of such
5 service, or by such agents as such head may designate. The
6 person making such return may, for convenience of adminis-
7 tration, make payments of the tax imposed under section
8 1410 with respect to such service without regard to the
9 \$3,000 limitation in section 1426 (a) (1), and he shall not
10 be required to obtain a refund of the tax paid under section
11 1410 on that part of the remuneration not included in wages
12 by reason of section 1426 (a) (1). The provisions of this
13 subsection shall be applicable in the case of service per-
14 formed by a civilian employee, not compensated from funds
15 appropriated by the Congress, in the Army and Air Force
16 Exchange Service, Army and Air Force Motion Picture
17 Service, Navy Ship's Service Stores, Marine Corps Post Ex-
18 changes, or other activities, conducted by an instrumentality
19 of the United States subject to the jurisdiction of the Secre-
20 tary of Defense, at installations of the National Military
21 Establishment for the comfort, pleasure, contentment, and
22 mental and physical improvement of personnel of such
23 Establishment; and for purposes of this subsection the
24 Secretary of Defense shall be deemed to be the head of
25 such instrumentality."

1 (c) Section 1411 of the Internal Revenue Code is
2 amended by adding at the end thereof the following new
3 sentence: "For the purposes of this section, in the case of
4 remuneration received from the United States or a wholly
5 owned instrumentality thereof during any calendar year
6 after the calendar year 1949, each head of a Federal agency
7 or instrumentality who makes a return pursuant to section
8 1420 (e) and each agent, designated by the head of a
9 Federal agency or instrumentality, who makes a return
10 pursuant to such section shall be deemed a separate
11 employer."

12 (d) The amendments made by this section shall be
13 applicable only with respect to remuneration paid after
14 1949.

15 DEFINITION OF WAGES

16 SEC. 204. (a) Section 1426 (a) of the Internal
17 Revenue Code is amended to read as follows:

18 "(a) WAGES.—The term 'wages' means all remunera-
19 tion for employment, including the cash value of all remunera-
20 tion paid in any medium other than cash; except that
21 such term shall not include—

22 "(1) That part of the remuneration which, after
23 remuneration (other than remuneration referred to in
24 the succeeding paragraphs of this subsection) equal to
25 \$3,000 with respect to employment has been paid to

1 an individual by an employer during any calendar year,
2 is paid to such individual by such employer during such
3 calendar year. If an employer during any calendar
4 year acquires substantially all the property used in a
5 trade or business of another person (hereinafter referred
6 to as a predecessor), or used in a separate unit of a trade
7 or business of a predecessor, and immediately after the
8 acquisition employs in his trade or business an individual
9 who immediately prior to the acquisition was employed
10 in the trade or business of such predecessor, then, for
11 the purpose of determining whether such employer has
12 paid remuneration (other than remuneration referred
13 to in the succeeding paragraphs of this subsection) with
14 respect to employment equal to \$3,000 to such indi-
15 vidual during such calendar year, any remuneration
16 with respect to employment paid (or considered under
17 this paragraph as having been paid) to such individual
18 by such predecessor during such calendar year and prior
19 to such acquisition shall be considered as having been
20 paid by such employer;

21 “(2) The amount of any payment made to, or on
22 behalf of, an employee under a plan or system estab-
23 lished by an employer which makes provision for his
24 employees generally or for a class or classes of his em-
25 ployees (including any amount paid by an employer

1 for insurance or annuities, or into a fund, to provide for
2 any such payment), on account of (A) retirement, or
3 (B) sickness or accident disability, or (C) medical or
4 hospitalization expenses in connection with sickness or
5 accident disability, or (D) death;

6 “(3) Any payment made to an employee (includ-
7 ing any amount paid by an employer for insurance or
8 annuities, or into a fund, to provide for any such pay-
9 ment) on account of retirement;

10 “(4) Any payment on account of sickness or acci-
11 dent disability, or medical or hospitalization expenses
12 in connection with sickness or accident disability, made
13 by an employer to, or on behalf of, an employee after
14 the expiration of six calendar months following the last
15 calendar month in which the employee worked for such
16 employer;

17 “(5) Any payment made to, or on behalf of, an
18 employee (A) from or to a trust exempt from tax
19 under section 165 (a) at the time of such payment
20 unless such payment is made to an employee of the
21 trust as remuneration for services rendered as such
22 employee and not as a beneficiary of the trust, or (B)
23 under or to an annuity plan which, at the time of such
24 payment, meets the requirements of section 165 (a)
25 (3), (4), (5), and (6);

1 “(6) The payment by an employer (without de-
2 duction from the remuneration of the employee) (A)
3 of the tax imposed upon an employee under section
4 1400, or (B) of any payment required from an employee
5 under a State unemployment compensation law;

6 “(7) Remuneration paid in any medium other than
7 cash to an employee for service not in the course of the
8 employer’s trade or business (including domestic service
9 in a private home of the employer) ; or

10 “(8) Any payment (other than vacation or sick
11 pay) made to an employee after the month in which he
12 attains the age of sixty-five, if he did not work for the
13 employer in the period for which such payment is made.

14 Tips and other cash remuneration customarily received by
15 an employee in the course of his employment from persons
16 other than the person employing him shall, for the purposes
17 of this subchapter, be considered as remuneration paid to
18 him by his employer; except that, in the case of tips, only
19 so much of the amount thereof received during any calendar
20 quarter as the employee, before the expiration of ten days
21 after the close of such quarter, reports in writing to his
22 employer as having been received by him in such quarter
23 shall be considered as remuneration paid by his employer,
24 and the amount so reported shall be considered as having

1 been paid to him by his employer on the date on which
2 such report is made to the employer.”

3 (b) Section 1401 (d) of the Internal Revenue Code
4 is amended by adding at the end thereof the following new
5 paragraph:

6 “(3) SPECIAL RULES IN THE CASE OF FEDERAL
7 AND STATE EMPLOYEES.—

8 “(A) Federal Employees.—In the case of re-
9 munerated received from the United States or a
10 wholly owned instrumentality thereof during any
11 calendar year after the calendar year 1949, each
12 head of a Federal agency or instrumentality who
13 makes a return pursuant to section 1420 (e) and
14 each agent, designated by the head of a Federal
15 agency or instrumentality, who makes a return pur-
16 suant to such section shall, for the purposes of
17 subsection (c) and paragraph (2) of this subsec-
18 tion, be deemed a separate employer; and the term
19 ‘wages’ includes, for the purposes of paragraph (2)
20 of this subsection, the amount, not to exceed \$3,000,
21 determined by each such head or agent as consti-
22 tuting wages paid to an employee.

23 “(B) State Employees.—For the purposes of
24 paragraph (2) of this subsection, in the case of

1 remuneration received during any calendar year
2 after the calendar year 1949, the term 'wages'
3 includes remuneration for services covered by an
4 agreement made pursuant to section 218 of the
5 Social Security Act; the term 'employer' includes
6 a State or any political subdivision thereof, or any
7 instrumentality of any one or more of the foregoing;
8 the term 'tax' or 'tax imposed by section 1400'
9 includes, in the case of services covered by an
10 agreement made pursuant to section 218 of the
11 Social Security Act, an amount equivalent to the
12 tax which would be imposed by section 1400, if
13 such services constituted employment as defined in
14 section 1426; and the provisions of paragraph (2)
15 of this subsection shall apply whether or not any
16 amount deducted from the employee's remuneration
17 as a result of an agreement made pursuant to sec-
18 tion 218 of the Social Security Act has been paid
19 to the Secretary of the Treasury."

20 (c) The amendment made by subsection (a) of this
21 section shall be applicable only with respect to remuneration
22 paid after 1949. In the case of remuneration paid prior to
23 1950, the determination under section 1426 (a) (1) of the
24 Internal Revenue Code (prior to its amendment by this
25 Act) of whether or not such remuneration constituted wages

1 shall be made as if subsection (a) of this section had not
2 been enacted and without inferences drawn from the fact
3 that the amendment made by subsection (a) is not made
4 applicable to periods prior to 1950.

5 DEFINITION OF EMPLOYMENT

6 SEC. 205. (a) Effective January 1, 1950, section 1426
7 (b) of the Internal Revenue Code is amended to read as
8 follows:

9 “(b) EMPLOYMENT.—The term ‘employment’ means
10 any service performed after 1936 and prior to 1950
11 which was employment for the purposes of this sub-
12 chapter under the law applicable to the period in which
13 such service was performed, and any service, of whatever
14 nature, performed after 1949 either (A) by an employee
15 for the person employing him, irrespective of the citizen-
16 ship or residence of either, (i) within the United States, or
17 (ii) on or in connection with an American vessel or Amer-
18 ican aircraft under a contract of service which is entered into
19 within the United States or during the performance of
20 which the vessel or aircraft touches at a port in the United
21 States, if the employee is employed on and in connection
22 with such vessel or aircraft when outside the United States,
23 or (B) outside the United States by a citizen of the United
24 States as an employee for an American employer (as defined
25 in subsection (i) of this section) ; except that, in the case of

1 service performed after 1949, such term shall not include—

2 “(1) Agricultural labor (as defined in subsection
3 (h) of this section) ;

4 “(2) (A) Service not in the course of the em-
5 ployer’s trade or business (including domestic service
6 in a private home of the employer) performed on a farm
7 operated for profit;

8 “(B) Domestic service performed in a local college
9 club, or local chapter of a college fraternity or sorority,
10 by a student who is enrolled and is regularly attending
11 classes at a school, college, or university;

12 “(3) Service not in the course of the employer’s
13 trade or business performed in any calendar quarter by
14 an employee, unless the cash remuneration paid for such
15 service is \$25 or more and such service is performed
16 by an individual who is regularly employed by such
17 employer to perform such service. For the purposes of
18 this paragraph, an individual shall be deemed to be
19 regularly employed by an employer during a calendar
20 quarter only if (A) such individual performs for such
21 employer service not in the course of the employer’s
22 trade or business during some portion of at least six days
23 during such quarter, each day being in a different calen-
24 dar week, or (B) such individual was regularly em-
25 ployed (as determined under clause (A)) by such

1 employer in the performance of such service during the
2 preceding calendar quarter. As used in this paragraph,
3 the term 'service not in the course of the employer's
4 trade or business' includes domestic service in a private
5 home of the employer;

6 " (4) Service performed by an individual in the
7 employ of his son, daughter, or spouse, and service
8 performed by a child under the age of twenty-one in
9 the employ of his father or mother;

10 " (5) Service performed by an individual on or in
11 connection with a vessel not an American vessel, or
12 on or in connection with an aircraft not an American
13 aircraft, if the individual is employed on and in connec-
14 tion with such vessel or aircraft when outside the United
15 States;

16 " (6) Service performed in the employ of any in-
17 strumentality of the United States, if such instrumen-
18 tality is exempt from the tax imposed by section 1410
19 by virtue of any provision of law which specifically
20 refers to such section in granting such exemption;

21 " (7) Service performed in the employ of the
22 United States, or in the employ of any instrumentality
23 of the United States which is partly or wholly owned by
24 the United States, but only if (i) such service is covered
25 by a retirement system, established by a law of the

1 United States, for employees of the United States or of
2 such instrumentality, or (ii) such service is performed—

3 “(A) by the President or Vice President of
4 the United States or by a Member, Delegate, or
5 Resident Commissioner, of or to the Congress;

6 “(B) in the legislative branch;

7 “(C) in the field service of the Post Office
8 Department;

9 “(D) in or under the Bureau of the Census of
10 the Department of Commerce by temporary em-
11 ployees employed for the taking of any census;

12 “(E) by any employee who is excluded by
13 Executive order from the operation of the Civil
14 Service Retirement Act of 1930 because he is paid
15 on a contract or fee basis;

16 “(F) by any employee receiving nominal com-
17 pensation of \$12 or less per annum,

18 “(G) in a hospital, home, or other institution
19 of the United States by a patient or inmate thereof;

20 “(H) by any employee who is excluded by
21 Executive order from the operation of the Civil
22 Service Retirement Act of 1930 because he is
23 serving under a temporary appointment pending
24 final determination of eligibility for permanent or
25 indefinite appointment;

1 “(I) by any consular agent appointed under
2 authority of section 551 of the Foreign Service Act
3 of 1946 (22 U. S. C., sec. 951) ;

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

9 “(K) in the employ of the Tennessee Valley
10 Authority in a position which is covered by a retire-
11 ment system established by such Authority;

12 “(L) by any employee serving on a temporary
13 basis in case of fire, storm, earthquake, flood, or
14 other emergency; or

15 “(M) by any employee who is employed
16 under a Federal relief program to relieve him from
17 unemployment;

18 “(8) (A) Service (other than service to which
19 subparagraph (B) of this paragraph is applicable)
20 performed in the employ of a State, or any political
21 subdivision thereof, or any instrumentality of any one
22 or more of the foregoing which is wholly owned by one
23 or more States or political subdivisions;

24 “(B) Service performed in the employ of any
25 political subdivision of a State in connection with the

1 operation of any public transportation system unless such
2 service is performed by an employee whose service is
3 not included under an agreement entered into pursuant
4 to the provisions of section 218 of the Social Security
5 Act and who—

6 “(i) became an employee of such political sub-
7 division in connection with and at the time of its
8 acquisition after 1936 of such transportation system
9 or any part thereof; and

10 “(ii) prior to such acquisition rendered serv-
11 ices which constituted employment in connection
12 with the operation of such transportation system or
13 part thereof.

14 In the case of an employee described in clauses (i) and
15 (ii) who became such an employee in connection with
16 an acquisition made prior to 1950, this subparagraph
17 shall not be applicable with respect to such employee
18 if the political subdivision employing him files with the
19 Commissioner prior to January 1, 1950, a statement
20 that it does not favor the inclusion under this subpara-
21 graph of any individual who became an employee in
22 connection with such acquisitions made prior to 1950.
23 For the purposes of this subparagraph the term ‘political
24 subdivision’ includes an instrumentality of one or more
25 political subdivisions of a State;

1 “(9) Service performed by a duly ordained, com-
2 missioned, or licensed minister of a church in the
3 exercise of his ministry or by a member of a religious
4 order in the exercise of duties required by such order;

5 “(10) Service performed by an individual as an
6 employee or employee representative as defined in
7 section 1532;

8 “(1) (A) Service performed in any calendar
9 quarter in the employ of any organization exempt from
10 income tax under section 101, if the remuneration for
11 such service is less than \$100;

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

16 “(12) Service performed in the employ of a foreign
17 government (including service as a consular or other
18 officer or employee or a nondiplomatic representative) ;

19 “(13) Service performed in the employ of an in-
20 strumentality wholly owned by a foreign government—

21 “(A) If the service is of a character similar
22 to that performed in foreign countries by employees
23 of the United States Government or of an instru-
24 mentality thereof; and

25 “(B) If the Secretary of State shall certify to

1 the Secretary of the Treasury that the foreign gov-
2 ernment, with respect to whose instrumentality and
3 employees thereof exemption is claimed, grants an
4 equivalent exemption with respect to similar service
5 performed in the foreign country by employees of
6 the United States Government and of instrumen-
7 talities thereof;

8 “(14) Service performed as a student nurse in the
9 employ of a hospital or a nurses’ training school by an
10 individual who is enrolled and is regularly attending
11 classes in a nurses’ training school chartered or approved
12 pursuant to State law; and service performed as an
13 interne in the employ of a hospital by an individual who
14 has completed a four years’ course in a medical school
15 chartered or approved pursuant to State law;

16 “(15) Service performed by an individual in (or
17 as an officer or member of the crew of a vessel while
18 it is engaged in) the catching, taking, harvesting, cul-
19 tivating, or farming of any kind of fish, shellfish, crus-
20 tacea, sponges, seaweeds, or other aquatic forms of
21 animal and vegetable life (including service performed
22 by any such individual as an ordinary incident to any
23 such activity), except (A) service performed in con-
24 nection with the catching or taking of salmon or halibut,
25 for commercial purposes, and (B) service performed

1 on or in connection with a vessel of more than ten net
2 tons (determined in the manner provided for deter-
3 mining the register tonnage of merchant vessels under
4 the laws of the United States) ;

5 “(16) (A) Service performed by an individual
6 under the age of eighteen in the delivery or distribution
7 of newspapers or shopping news, not including delivery
8 or distribution to any point for subsequent delivery or
9 distribution ;

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

21 “(17) Service performed in the employ of an
22 international organization ; or

23 “(18) Service performed by an individual in the
24 sale or distribution of goods or commodities for another
25 person, off the premises of such person, under an arrange-

1 ment whereby such individual receives his entire re-
2 muneration (other than prizes) for such service directly
3 from the purchasers of such goods or commodities, if such
4 person makes no provision (other than by correspond-
5 ence) with respect to the training of such individual for
6 the performance of such service and imposes no require-
7 ment upon such individual with respect to (A) the fit-
8 ness of such individual to perform such service, (B) the
9 geographical area in which such service is to be per-
10 formed, (C) the volume of goods or commodities to be
11 sold or distributed, or (D) the selection or solicitation of
12 customers.”

13 (b) Effective January 1, 1950, section 1426 (e) of the
14 Internal Revenue Code is amended to read as follows:

15 “(e) STATE, AND SO FORTH—

16 “(1) The term ‘State’ includes Alaska, Hawaii,
17 and the District of Columbia.

18 “(2) CITIZEN.—An individual who is a citizen of
19 Puerto Rico or the Virgin Islands (but not otherwise a
20 citizen of the United States) and who is not a resident
21 of the United States shall not be considered for the pur-
22 poses of this section, as a citizen of the United States.”

23 (c) Section 1426 (g) of the Internal Revenue Code
24 is amended by striking out “(g) American Vessel.—” and

1 inserting in lieu thereof “(g) American Vessel and Air-
2 craft.—”; and by striking out the period at the end of such
3 subsection and inserting in lieu thereof the following: “; and
4 the term ‘American aircraft’ means an aircraft registered
5 under the laws of the United States.”

6 (d) Section 1426 (h) of the Internal Revenue Code
7 is amended to read as follows:

8 “(h) AGRICULTURAL LABOR.—The term ‘agricultural
9 labor’ includes all services performed—

10 “(1) On a farm, in the employ of any person, in
11 connection with cultivating the soil, or in connection
12 with raising or harvesting any agricultural or horticultural
13 commodity, including the raising, shearing, feeding,
14 caring for, training, and management of livestock, bees,
15 poultry, and fur-bearing animals and wildlife.

16 “(2) In the employ of the owner or tenant or other
17 operator of a farm, in connection with the operation,
18 management, conservation, improvement, or maintenance
19 of such farm and its tools and equipment, or in
20 salvaging timber or clearing land of brush and other
21 debris left by a hurricane, if the major part of such
22 service is performed on a farm.

23 “(3) In connection with the production or harvesting
24 of any commodity defined as an agricultural

1 commodity in section 15 (g) of the Agricultural Mar-
2 keting Act, as amended, or in connection with the
3 ginning of cotton.

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

12 “(B) In the employ of a group of operators of
13 farms (other than a cooperative organization) in the
14 performance of services described in subparagraph (A),
15 but only if such operators produced all of the com-
16 modity with respect to which such service is performed.
17 For the purposes of this subparagraph, any unincor-
18 porated group of operators shall be deemed a coopera-
19 tive organization if the number of operators comprising
20 such group is more than twenty at any time during
21 the calendar quarter in which such service is performed.

22 “(C) The provisions of subparagraphs (A) and
23 (B) shall not be deemed to be applicable with respect
24 to service performed in connection with commercial
25 canning or commercial freezing or in connection with

1 any agricultural or horticultural commodity after its
2 delivery to a terminal market for distribution for
3 consumption.

4 As used in this section, the term 'farm' includes stock,
5 dairy, poultry, fruit, fur-bearing animal, and truck farms,
6 plantations, ranches, nurseries, ranges, greenhouses or other
7 similar structures used primarily for the raising of agricul-
8 tural or horticultural commodities, and orchards."

9 (e) Section 1426 of the Internal Revenue Code is
10 amended by striking out subsections (i) and (j) and insert-
11 ing in lieu thereof the following:

12 "(i) AMERICAN EMPLOYER.—The term 'American
13 employer' means an employer which is (1) the United
14 States or any instrumentality thereof, (2) an individual
15 who is a resident of the United States, (3) a partnership,
16 if two-thirds or more of the partners are residents of the
17 United States, (4) a trust, if all of the trustees are residents
18 of the United States, or (5) a corporation organized under
19 the laws of the United States or of any State."

20 (f) Section 1426 (c) of the Internal Revenue Code is
21 amended by striking out "paragraph (9)" and inserting in
22 lieu thereof "paragraph (10)".

23 (g) The amendments made by subsections (c), (d),
24 (e), and (f) of this section shall be applicable only with
25 respect to services performed after 1949.

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DEFINITION OF EMPLOYEE

SEC. 206. (a) Section 1426 (d) of the Internal Revenue Code is hereby amended to read as follows:

“(d) **EMPLOYEE.**—The term ‘employee’ means—

“(1) any officer of a corporation; or

“(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee. For purposes of this paragraph, if an individual (either alone or as a member of a group) performs service for any other person under a written contract expressly reciting that such person shall have complete control over the performance of such service and that such individual is an employee, such individual with respect to such service shall, regardless of any modification not in writing, be deemed an employee of such person (or, if such person is an agent or employee with respect to the execution of such contract, the employee of the principal or employer of such person); or

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

“(A) as an outside salesman in the manufacturing or wholesale trade;

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

2 “(C) as a driver-lessee of a taxicab;

3 “(D) as a home worker on materials or goods
4 which are furnished by the person for whom the
5 services are performed and which are required to be
6 returned to such person or to a person designated
7 by him;

8 “(E) as a contract-logger;

9 “(F) as a lessee or licensee of space within
10 a mine when substantially all of the product of such
11 services is required to be sold or turned over to the
12 lessor or licensor; or

13 “(G) as a house-to-house salesman if under
14 the contract of service or in fact such individual (i)
15 is required to meet a minimum sales quota, or (ii)
16 is expressly or impliedly required to furnish the
17 services with respect to designated or regular cus-
18 tomers or customers along a prescribed route, or
19 (iii) is prohibited from furnishing the same or
20 similar services for any other person—

21 if the contract of service contemplates that substantially
22 all of such services (other than the services described
23 in subparagraph (F)) are to be performed personally
24 by such individual; except that an individual shall not

1 be included in the term 'employee' under the provi-
2 sions of this paragraph if such individual has a substan-
3 tial investment (other than the investment by a sales-
4 man in facilities for transportation) in the facilities of
5 the trade, occupation, business, or profession with
6 respect to which the services are performed, or if the
7 services are in the nature of a single transaction not
8 part of a continuing relationship with the person for
9 whom the services are performed."

10 (b) The amendment made by this section shall be ap-
11 plicable only with respect to services performed after 1949.

12 **SELF-EMPLOYMENT INCOME**

13 **SEC. 207.** (a) Chapter 9 of the Internal Revenue Code
14 is amended by adding at the end thereof the following new
15 subchapter:

16 **"SUBCHAPTER F—TAX ON SELF-EMPLOYMENT**
17 **INCOME**

18 **"SEC. 1640. RATE OF TAX.**

19 "In addition to other taxes, there shall be levied, col-
20 lected, and paid for each taxable year beginning after De-
21 cember 31, 1949, upon the self-employment income of every
22 individual, a tax as follows:

23 "(1) In the case of any taxable year beginning
24 in 1950, the tax shall be equal to $2\frac{1}{4}$ per centum of

1 the amount of the self-employment income for such
2 taxable year.

3 “(2) In the case of any taxable year beginning
4 after December 31, 1950, and before January 1, 1970,
5 the tax shall be equal to 3 per centum of the amount
6 of the self-employment income for such taxable year.

7 “(3) In the case of any taxable year beginning
8 after December 31, 1969, and before January 1, 1980,
9 the tax shall be equal to $3\frac{3}{4}$ per centum of the amount
10 of the self-employment income for such taxable year.

11 “(4) In the case of any taxable year beginning
12 after December 31, 1979, the tax shall be equal to $4\frac{1}{2}$
13 per centum of the amount of the self-employment income
14 for such taxable year.

15 **“SEC. 1641. DEFINITIONS.**

16 “For the purposes of this subchapter—

17 “(a) **NET EARNINGS FROM SELF-EMPLOYMENT.**—The
18 term ‘net earnings from self-employment’ means the gross
19 income, as computed under chapter 1, derived by an indi-
20 vidual from any trade or business carried on by such indi-
21 vidual, less the deductions allowed under such chapter which
22 are attributable to such trade or business, plus his distributive
23 share (whether or not distributed) of the net income or loss,
24 as computed under such chapter, from any trade or busi-

1 ness carried on by a partnership of which he is a member;
2 except that in computing such gross income and deductions
3 and such distributive share of partnership net income or
4 loss—

5 “(1) There shall be excluded rentals from real estate
6 (including personal property leased with the real estate)
7 and deductions attributable thereto, unless such rentals
8 are received in the course of a trade or business as a
9 real estate dealer;

10 “(2) There shall be excluded income derived from
11 any trade or business in which, if the trade or business
12 were carried on exclusively by employees, the major
13 portion of the services would constitute agricultural labor
14 as defined in section 1426 (h); and there shall be ex-
15 cluded all deductions attributable to such income;

16 “(3) There shall be excluded dividends on any
17 share of stock, and interest on any bond, debenture, note,
18 or certificate, or other evidence of indebtedness, issued
19 with interest coupons or in registered form by any cor-
20 poration (including one issued by a government or po-
21 litical subdivision thereof) unless such dividends and
22 interest are received in the course of a trade or business
23 as a dealer in stocks or securities;

24 “(4) There shall be excluded any gain or loss
25 (A) which is considered under chapter 1 as gain or loss

1 from the sale or exchange of a capital asset, (B) from
2 the cutting or disposal of timber if section 117 (j) is
3 applicable to such gain or loss, or (C) from the sale,
4 exchange, involuntary conversion, or other disposition
5 of property if such property is neither (i) stock in
6 trade or other property of a kind which would properly
7 be includible in inventory if on hand at the close of the
8 taxable year, nor (ii) property held primarily for sale
9 to customers in the ordinary course of the trade or
10 business;

11 “(5) The deduction for net operating losses pro-
12 vided in section 23 (s) shall not be allowed;

13 “(6) (A) If any of the income derived from a
14 trade or business (other than a trade or business car-
15 ried on by a partnership) is community income under
16 community-property laws applicable to such income,
17 all of the gross income and deductions attributable to
18 such trade or business shall be treated as the gross in-
19 come and deductions of the husband unless the wife
20 exercises substantially all of the management and con-
21 trol of such trade or business, in which case all of such
22 gross income and deductions shall be treated as the
23 gross income and deductions of the wife;

24 “(B) If any portion of a partner’s distributive share
25 of the net income or loss from a trade or business carried

1 on by a partnership is community income or loss under
2 the community-property laws applicable to such share, all
3 of such distributive share be included in computing
4 the net earnings from self-employment of such partner,
5 and no part of such share shall be taken into account in
6 computing the net earnings from self-employment of the
7 spouse of such partner;

8 “(7) There shall be excluded income derived from
9 a trade or business of publishing a newspaper or other
10 publication having a paid circulation, together with the
11 income derived from other activities conducted in con-
12 nection with such trade or business; and there shall be
13 excluded all deductions attributable to such income.

14 If the taxable year of a partner is different from that
15 of the partnership, the distributive share which he is
16 required to include in computing his net earnings from self-
17 employment shall be based upon the net income or loss of
18 the partnership for any taxable year of the partnership
19 (even though beginning prior to January 1, 1950) end-
20 ing within or with his taxable year.

21 “(b) SELF-EMPLOYMENT INCOME.—The term ‘self-
22 employment income’ means the net earnings from self-
23 employment derived by an individual (other than a non-
24 resident alien individual) during any taxable year beginning

1 after December 31, 1949; except that such term shall not
2 include—

3 “(1) That part of the net earnings from self-
4 employment which is in excess of: (A) \$3,000, minus
5 (B) the amount of the wages paid to such individual
6 during the taxable year; or

7 “(2) The net earnings from self-employment, if
8 such net earnings for the taxable year are less than
9 \$400.

10 For the purposes of clause (1) the term ‘wages’ includes
11 remuneration paid to an employee if such remuneration
12 is for services included under an agreement entered into
13 pursuant to the provisions of section 218 of the Social
14 Security Act (relating to coverage of State employees).
15 An individual who is a citizen of Puerto Rico or the Virgin
16 Islands (but not otherwise a citizen of the United States)
17 and who is not a resident of the United States shall be
18 considered, for the purposes of this subsection, as a non-
19 resident alien individual.

20 “(c) TRADE OR BUSINESS.—The term ‘trade or busi-
21 ness’, when used with reference to self-employment income
22 or net earnings from self-employment, shall have the same
23 meaning as when used in section 23, except that such term
24 shall not include—

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

3 “(2) The performance of service by an individual
4 as an employee (other than service described in sec-
5 tion 1426 (b) (16) (B) or section 1426 (b) (18)
6 performed by an individual who has attained the age of
7 eighteen) ;

8 “(3) The performance of service by an individual
9 as an employee or employee representative as defined
10 in section 1532;

11 “(4) The performance of service by a duly or-
12 dained, commissioned, or licensed minister of a church
13 in the exercise of his ministry or by a member of a
14 religious order in the exercise of duties required by
15 such order; or

16 “(5) The performance of service by an individual
17 in the exercise of his profession as a physician, lawyer,
18 dentist, osteopath, veterinarian, chiropractor, or optome-
19 trist, or as a Christian Science practitioner, or as an
20 aeronautical, chemical, civil, electrical, mechanical, met-
21 allurgical, or mining engineer; or the performance of
22 such service by a partnership.

23 “(d) EMPLOYEE AND WAGES.—The term ‘employee’
24 and the term ‘wages’ shall have the same meaning as when
25 used in subchapter A of this chapter.

1 “(e) **TAXABLE YEAR.**—The term ‘taxable year’ shall
2 have the same meaning as when used in chapter 1; and
3 the taxable year of any individual shall be a calendar year
4 unless he has a different taxable year for the purposes of
5 chapter 1, in which case his taxable year for the purposes
6 of this subchapter shall be the same as his taxable year under
7 chapter 1.

8 **“SEC. 1642. NONDEDUCTIBILITY OF TAX.**

9 “For the purposes of the income tax imposed by chapter
10 1 or by any Act of Congress in substitution therefor, the
11 tax imposed by section 1640 shall not be allowed as a deduc-
12 tion to the taxpayer in computing his net income for any
13 taxable year.

14 **“SEC. 1643. COLLECTION AND PAYMENT OF TAX.**

15 “(a) **ADMINISTRATION.**—The tax imposed by this sub-
16 chapter shall be collected by the Bureau of Internal Revenue
17 under the direction of the Secretary and shall be paid into
18 the Treasury of the United States as internal revenue collec-
19 tions.

20 “(b) **ADDITION TO TAX IN CASE OF DELINQUENCY.**—
21 If the tax is not paid when due, there shall be added, as part
22 of the tax, interest at the rate of 6 per centum per annum
23 from the date the tax became due until paid.

24 “(c) **METHOD OF COLLECTION AND PAYMENT.**—Such
25 tax shall be collected and paid in such manner, at such times,

1 and under such conditions, not inconsistent with this sub-
2 chapter, as may be prescribed by the Commissioner with
3 the approval of the Secretary.

4 “(d) FRACTIONAL PARTS OF A CENT.—In the pay-
5 ment of any tax under this subchapter a fractional part of
6 a cent shall be disregarded unless it amounts to one-half cent
7 or more, in which case it shall be increased to one cent.

8 **“SEC. 1644. OVERPAYMENTS AND UNDERPAYMENTS.**

9 “If more or less than the correct amount of tax imposed
10 by section 1640 is paid with respect to any taxable year, the
11 amount of the overpayment shall be refunded, and the
12 amount of the underpayment shall be collected, in such man-
13 ner and at such times (subject to the applicable statute of
14 limitations provided in section 3312 or 3313) as may be
15 prescribed by regulations made under this subchapter.

16 **“SEC. 1645. RULES AND REGULATIONS.**

17 “The Commissioner, with the approval of the Secretary,
18 shall make and publish such rules and regulations as may be
19 necessary for the enforcement of this subchapter.

20 **“SEC. 1646. OTHER LAWS APPLICABLE.**

21 “All provisions of law (including penalties and statutes
22 of limitations) applicable with respect to the tax imposed
23 by section 2700 shall, insofar as applicable and not incon-
24 sistent with the provisions of this subchapter, be applicable
25 with respect to the tax imposed by this subchapter.

1 "SEC. 1647. TITLE OF SUBCHAPTER.

2 "This subchapter may be cited as the 'Self-Employment
3 Contributions Act'."

4 (b) Section 3801 of the Internal Revenue Code is
5 amended by adding at the end thereof the following new
6 subsection:

7 "(g) TAXES IMPOSED BY CHAPTER 9.—The provisions
8 of this section shall not be construed to apply to any tax
9 imposed by chapter 9."

10 MISCELLANEOUS AMENDMENTS

11 SEC. 208. (a) (1) Section 1607 (b) of the Internal
12 Revenue Code is amended to read as follows:

13 "(b) WAGES.—The term 'wages' means all remunera-
14 tion for employment, including the cash value of all remu-
15 nation paid in any medium other than cash; except that
16 such term shall not include—

17 "(1) That part of the remuneration which, after
18 remuneration (other than remuneration referred to in
19 the succeeding paragraphs of this subsection) equal to
20 \$3,000 with respect to employment has been paid to
21 an individual by an employer during any calendar year
22 is paid to such individual by such employer during such
23 calendar year. If an employer during any calendar
24 year acquires substantially all the property used in a
25 trade or business of another person (hereinafter referred

1 to as a predecessor), or used in a separate unit of a
2 trade or business of a predecessor, and immediately
3 after the acquisition employs in his trade or business
4 an individual who immediately prior to the acquisition
5 was employed in the trade or business of such prede-
6 cessor, then, for the purpose of determining whether
7 such employer has paid remuneration (other than
8 remuneration referred to in the succeeding paragraphs
9 of this subsection) with respect to employment equal
10 to \$3,000 to such individual during such calendar year,
11 any remuneration with respect to employment paid (or
12 considered under this paragraph as having been paid)
13 to such individual by such predecessor during such cal-
14 endar year and prior to such acquisition shall be con-
15 sidered as having been paid by such employer;

16 “(2) The amount of any payment made to, or on
17 behalf of, an employee under a plan or system estab-
18 lished by an employer which makes provision for his
19 employees generally or for a class or classes of his em-
20 ployees (including any amount paid by an employer
21 for insurance or annuities, or into a fund, to provide for
22 any such payment), on account of (A) retirement, or
23 (B) sickness or accident disability, or (C) medical or
24 hospitalization expenses in connection with sickness or
25 accident disability, or (D) death;

1 “(3) Any payment made to an employee (includ-
2 ing any amount paid by an employer for insurance or
3 annuities, or into a fund, to provide for any such pay-
4 ment) on account of retirement;

5 “(4) Any payment on account of sickness or acci-
6 dent disability, or medical or hospitalization expenses in
7 connection with sickness or accident disability, made
8 by an employer to, or on behalf of, an employee after
9 the expiration of six calendar months following the last
10 calendar month in which the employee worked for such
11 employer;

12 “(5) Any payment made to, or on behalf of, an
13 employee (A) from or to a trust exempt from tax under
14 section 165 (a) at the time of such payment unless such
15 payment is made to an employee of the trust as re-
16 muneration for services rendered as such employee and
17 not as a beneficiary of the trust, or (B) under or to an
18 annuity plan which, at the time of such payment, meets
19 the requirements of section 165 (a) (3), (4), (5),
20 and (6);

21 “(6) The payment by an employer (without de-
22 duction from the remuneration of the employee) (A)
23 of the tax imposed upon an employee under section 1400,
24 or (B) of any payment required from an employee under
25 a State unemployment compensation law;

1 “(7) Remuneration paid in any medium other than
2 cash to an employee for service not in the course of the
3 employer’s trade or business; or

4 “(8) Any payment (other than vacation or sick
5 pay) made to an employee after the month in which he
6 attains the age of sixty-five, if he did not work for the
7 employer in the period for which such payment is made.

8 Tips and other cash remuneration customarily received by
9 an employee in the course of his employment from persons
10 other than the person employing him shall, for the purposes
11 of this subchapter, be considered as remuneration paid to
12 him by his employer; except that, in the case of tips, only
13 so much of the amount thereof received during any calendar
14 quarter as the employee, before the expiration of ten days
15 after the close of such quarter, reports in writing to his
16 employer as having been received by him in such quarter
17 shall be considered as remuneration paid by his employer,
18 and the amount so reported shall be considered as having
19 been paid to him by his employer on the date on which
20 such report is made to the employer.”

21 (2) The amendment made by paragraph (1) shall be
22 applicable only with respect to remuneration paid after 1949.
23 In the case of remuneration paid prior to 1950, the deter-
24 mination under section 1607 (b) (1) of the Internal

1 Revenue Code (prior to its amendment by this Act) of
2 whether or not such remuneration constituted wages shall be
3 made as if paragraph (1) of this subsection had not been
4 enacted and without inferences drawn from the fact that
5 the amendment made by paragraph (1) is not made appli-
6 cable to periods prior to 1950.

7 (b) (1) Section 1607 (c) (3) of the Internal Revenue
8 Code is amended to read as follows:

9 “(3) Service not in the course of the employer’s
10 trade or business performed in any calendar quarter by
11 an employee, unless the cash remuneration paid for such
12 service is \$25 or more and such service is performed
13 by an individual who is regularly employed by such
14 employer to perform such service. For the purposes of
15 this paragraph, an individual shall be deemed to be
16 regularly employed by an employer during a calendar
17 quarter only if (A) such individual performs for such
18 employer service not in the course of the employer’s
19 trade or business during some portion of at least six
20 days during such quarter, each day being in a different
21 calendar week, or (B) such individual was regularly
22 employed (as determined under clause (A)) by such
23 employer in the performance of such service during
24 the preceding calendar quarter;”.

1 (2) Section 1607 (c) (10) (A) (i) of the Internal
2 Revenue Code is amended by striking out “does not exceed
3 \$45” and inserting in lieu thereof “is less than \$100”.

4 (3) Section 1607 (c) (10) (E) of the Internal Rev-
5 enue Code is amended by striking out “in any calendar quar-
6 ter” and by striking out “, and the remuneration for such
7 service does not exceed \$45 (exclusive of room, board, and
8 tuition)”.

9 (4) The amendments made by paragraphs (1), (2),
10 and (3) shall be applicable only with respect to services
11 performed after 1949.

12 (c) (1) Section 1621 (a) (4) of the Internal Reve-
13 nue Code is amended to read as follows:

14 “(4) for service not in the course of the employer’s
15 trade or business performed in any calendar quarter by
16 an employee, unless the cash remuneration paid for such
17 service is \$25 or more and such service is performed by
18 an individual who is regularly employed by such em-
19 ployer to perform such service. For the purposes of
20 this paragraph, an individual shall be deemed to be
21 regularly employed by an employer during a calendar
22 quarter only if (A) such individual performs for such
23 employer service not in the course of the employer’s
24 trade or business during some portion of at least six days
25 during such quarter, each day being in a different calen-

1 dar week, or (B) such individual was regularly em-
2 ployed (as determined under clause (A)) by such
3 employer in the performance of such service during the
4 preceding calendar quarter;”.

5 (2) Section 1621 (a) of the Internal Revenue Code
6 is amended by striking out paragraph (9) thereof and
7 inserting in lieu thereof the following:

8 “(9) for services performed by a duly ordained,
9 commissioned, or licensed minister of a church in the
10 exercise of his ministry or by a member of a religious
11 order in the exercise of duties required by such order; or

12 “(10) (A) for services performed by an indi-
13 vidual under the age of eighteen in the delivery or dis-
14 tribution of newspapers or shopping news, not including
15 delivery or distribution to any point for subsequent
16 delivery or distribution; or

17 “(B) for services performed by an individual in,
18 and at the time of, the sale of newspapers or magazines
19 to ultimate consumers, under an arrangement under
20 which the newspapers or magazines are to be sold by
21 him at a fixed price, his compensation being based on
22 the retention of the excess of such price over the
23 amount at which the newspapers or magazines are
24 charged to him, whether or not he is guaranteed a

1 minimum amount of compensation for such service, or
2 is entitled to be credited with the unsold newspapers
3 or magazines turned back.

4 Tips and other cash remuneration customarily received by
5 an employee in the course of his employment from persons
6 other than the person employing him shall, for the purposes
7 of this subchapter, be considered as remuneration paid to
8 him by his employer; except that, in the case of tips, only
9 so much of the amount thereof received during any calendar
10 quarter as the employee, before the expiration of ten days
11 after the close of such quarter, reports in writing to his
12 employer as having been received by him in such quarter
13 shall be considered as remuneration paid by his employer,
14 and the amount so reported shall be considered as having
15 been paid to him by his employer on the date on which
16 such report is made to the employer.”

17 (3) The amendments made by paragraphs (1) and
18 (2) shall be applicable only with respect to remuneration
19 paid after 1949.

20 (d) Effective January 1, 1950, section 1403 (b) of
21 the Internal Revenue Code is amended by striking out “of
22 not more than \$5.” and inserting in lieu thereof the follow-
23 ing: “of \$5. Such penalty shall be assessed and collected
24 in the same manner as the tax imposed by section 1410.”

1 (e) Effective January 1, 1950, section 165 of the
2 Internal Revenue Code is amended by adding a new sub-
3 section to read:

4 “(d) For the purposes of this section and of sections
5 22 (b) (2) (B) and 23 (p), the term ‘employee’ shall be
6 construed to mean a person included within the definition
7 of employee under the provisions of section 1426 of this
8 Code.”

9 TITLE III—AMENDMENTS TO PUBLIC ASSIST-
10 ANCE AND CHILD WELFARE PROVISIONS
11 OF THE SOCIAL SECURITY ACT

12 PART 1—OLD-AGE ASSISTANCE

13 REQUIREMENTS OF STATE OLD-AGE ASSISTANCE PLANS

14 SEC. 301. (a) Clauses (4) and (5) of subsection (a)
15 of section 2 of the Social Security Act are amended to read:
16 “(4) provide for granting an opportunity for a fair hearing
17 before the State agency to any individual whose claim for
18 old-age assistance is denied or is not acted upon within a
19 reasonable time; (5) provide such methods of administra-
20 tion as are found by the Administrator to be necessary for
21 the proper and efficient operation of the plan, including
22 (A) methods relating to the establishment and maintenance
23 of personnel standards on a merit basis, except that the
24 Administrator shall exercise no authority with respect to

1 the selection, tenure of office, and compensation of any in-
2 dividual employed in accordance with such methods, and
3 (B) a training program for the personnel necessary to the
4 administration of the plan;”.

5 (b) Such subsection is further amended by striking out
6 “and” before clause (8) thereof, and by striking out the
7 period at the end of such subsection and inserting in lieu
8 thereof a semicolon and the following new clauses:
9 “(9) provide that all individuals wishing to make applica-
10 tion for old-age assistance shall have opportunity to do so,
11 and that old-age assistance shall be furnished promptly to all
12 eligible individuals; and (10) effective July 1, 1953, pro-
13 vide, if the plan includes payments to individuals in private
14 or public institutions, for the establishment or designation of
15 a State authority or authorities which shall be responsible
16 for establishing and maintaining standards for such
17 institutions.”

18 (c) The amendments made by subsections (a) and
19 (b) shall take effect July 1, 1951.

20 COMPUTATION OF FEDERAL PORTION OF OLD-AGE

21 ASSISTANCE

22 SEC. 302. (a) Section 3 (a) of the Social Security Act
23 is amended to read as follows:

24 “SEC. 3. (a) From the sums appropriated therefor, the
25 Secretary of the Treasury shall pay to each State which has

1 an approved plan for old-age assistance, for each quarter,
2 beginning with the quarter commencing October 1, 1949,
3 (1) in the case of any State other than Puerto Rico and
4 the Virgin Islands, an amount, which shall be used ex-
5 clusively as old-age assistance, equal to the sum of the
6 following proportions of the total amounts expended during
7 such quarter as old-age assistance under the State plan, not
8 counting so much of such expenditure with respect to any
9 individual for any month as exceeds \$50—

10 “(A) four-fifths of such expenditures, not counting
11 so much of the expenditures with respect to any month
12 as exceeds the product of \$25 multiplied by the total
13 number of such individuals who received old-age assist-
14 ance for such month, plus

15 “(B) one-half of the amount by which such ex-
16 penditures exceed the product obtained under clause
17 (A), not counting so much of the expenditures with
18 respect to any month as exceeds the product of \$35
19 multiplied by the total number of such individuals who
20 received old-age assistance for such month, plus

21 “(C) one-third of the amount by which such ex-
22 penditures exceed the sum of the products obtained under
23 clauses (A) and (B);

24 and (2) in the case of Puerto Rico and the Virgin Islands,
25 an amount, which shall be used exclusively as old-age assist-

1 ance, equal to one-half of the total of the sums expended
2 during such quarter as old-age assistance under the State
3 plan, not counting so much of such expenditure with respect
4 to any individual for any month as exceeds \$30, and (3) in
5 the case of any State, an amount equal to one-half of the total
6 of the sums expended during such quarter as found necessary
7 by the Administrator for the proper and efficient adminis-
8 tration of the State plan, which amount shall be used for
9 paying the costs of administering the State plan or for old-
10 age assistance, or both, and for no other purpose.”

11 (b) The amendment made by subsection (a) shall take
12 effect October 1, 1949.

13 DEFINITION OF OLD-AGE ASSISTANCE

14 SEC. 303. (a) Section 6 of the Social Security Act is
15 amended to read as follows:

16 “DEFINITION

17 “SEC. 6. For purposes of this title, the term ‘old-age
18 assistance’ means money payments to or medical care in
19 behalf of needy individuals who are sixty-five years of age or
20 older, but does not include money payments to or medical
21 care in behalf of any individual who is an inmate of a public
22 institution (except as a patient in a medical institution) and,
23 effective July 1, 1951, does not include money payments to
24 or medical care in behalf of any individual (a) who is a
25 patient in an institution for tuberculosis or mental diseases,

1 or (b) who has been diagnosed as having tuberculosis or
2 psychosis and is a patient in a medical institution as a result
3 thereof.”

4 (b) The amendment made by subsection (a) shall
5 take effect October 1, 1949.

6 PART 2—AID TO DEPENDENT CHILDREN
7 REQUIREMENTS OF STATE PLANS FOR AID TO DEPENDENT
8 CHILDREN

9 SEC. 321. (a) Clauses (4) and (5) of subsection (a)
10 of section 402 of the Social Security Act are amended to
11 read as follows: “(4) provide for granting an opportunity
12 for a fair hearing before the State agency to any individual
13 whose claim for aid to dependent children is denied or is
14 not acted upon within a reasonable time; (5) provide such
15 methods of administration as are found by the Administra-
16 tor to be necessary for the proper and efficient operation
17 of the plan, including (A) methods relating to the estab-
18 lishment and maintenance of personnel standards on a merit
19 basis, except that the Administrator shall exercise no author-
20 ity with respect to the selection, tenure of office, and com-
21 pensation of any individual employed in accordance with
22 such methods, and (B) a training program for the person-
23 nel necessary to the administration of the plan;”.

24 (b) Such subsection is further amended by striking
25 out “and” before clause (8) thereof, and by striking out

1 the period at the end of such subsection and inserting in
2 lieu thereof a semicolon and the following new clauses:
3 “(9) provide that all individuals wishing to make appli-
4 cation for aid to dependent children shall have opportunity
5 to do so, and that aid to dependent children shall be
6 furnished promptly to all eligible individuals; (10) pro-
7 vide for prompt notice to appropriate law-enforcement
8 officials of the furnishing of aid to dependent children in
9 respect of a child who has been deserted or abandoned by a
10 parent; and (11) provide that no aid will be furnished any
11 individual under the plan with respect to any period with
12 respect to which he is receiving old-age assistance under
13 the State plan approved under section 2 of this Act.”

14 (c) The amendments made by subsections (a) and
15 (b) shall take effect July 1, 1951.

16 COMPUTATION OF FEDERAL PORTION OF AID TO
17 DEPENDENT CHILDREN

18 SEC. 322. (a) Section 403 (a) of the Social Security
19 Act is amended to read as follows:

20 “SEC. 403. (a) From the sums appropriated therefor,
21 the Secretary of the Treasury shall pay to each State which
22 has an approved plan for aid to dependent children, for
23 each quarter, beginning with the quarter commencing October
24 1, 1949, (1) in the case of any State other than Puerto
25 Rico and the Virgin Islands, an amount, which shall be

1 used exclusively as aid to dependent children, equal to the
2 sum of the following proportions of the total amounts ex-
3 pended during such quarter as aid to dependent children
4 under the State plan, not counting so much of such expendi-
5 ture with respect to any dependent child for any month
6 as exceeds \$27, or if there is more than one dependent child
7 in the same home, as exceeds \$27 with respect to one such
8 dependent child and \$18 with respect to each of the other
9 dependent children, and not counting so much of such
10 expenditure for any month with respect to a relative with
11 whom any dependent child is living as exceeds \$27—

12 “(A) four-fifths of such expenditures, not counting
13 so much of the expenditures with respect to any month
14 as exceeds the product of \$15 multiplied by the total
15 number of dependent children and other individuals
16 with respect to whom aid to dependent children is paid
17 for such month, plus

18 “(B) one-half of the amount by which such ex-
19 penditures exceed the product obtained under clause
20 (A), not counting so much of the expenditures with
21 respect to any month as exceeds the product of \$21
22 multiplied by the total number of dependent children
23 and other individuals with respect to whom aid to
24 dependent children is paid for such month, plus

25 “(C) one-third of the amount by which such

1 expenditures exceed the sum of the products obtained
2 under clauses (A) and (B);
3 and (2) in the case of Puerto Rico and the Virgin Islands,
4 an amount, which shall be used exclusively as aid to de-
5 pendent children, equal to one-half of the total of the sums
6 expended during such quarter as aid to dependent children
7 under the State plan, not counting so much of such expendi-
8 ture with respect to any dependent child for any month as
9 exceeds \$18, or if there is more than one dependent child
10 in the same home, as exceeds \$18 with respect to one such
11 dependent child and \$12 with respect to each of the other
12 dependent children, and (3) in the case of any State, an
13 amount equal to one-half of the total of the sums expended
14 during such quarter as found necessary by the Administrator
15 for the proper and efficient administration of the State plan,
16 which amount shall be used for paying the costs of admin-
17 istering the State plan or for aid to dependent children, or
18 both, and for no other purpose.”

19 (b) The amendment made by subsection (a) shall take
20 effect October 1, 1949.

21 DEFINITION OF AID TO DEPENDENT CHILDREN

22 SEC. 323. (a) Section 406 of the Social Security Act
23 is amended by striking out subsection (b) and inserting in
24 lieu thereof the following:

25 “(b) The term ‘aid to dependent children’ means money

1 payments with respect to or medical care in behalf of a
2 dependent child or dependent children, and (except when
3 used in clause (2) of section 403 (a)) includes money
4 payments or medical care for any month to meet the needs
5 of the relative with whom any dependent child is living
6 if money payments have been made under the State plan
7 with respect to such child for such month;

8 “(c) The term ‘relative with whom any dependent
9 child is living’ means the individual who is one of the
10 relatives specified in subsection (a) and with whom such
11 child is living (within the meaning of such subsection) in
12 a place of residence maintained by such individual (himself
13 or together with any one or more of the other relatives so
14 specified) as his (or their) own home.”

15 (b) The amendment made by subsection (a) shall take
16 effect October 1, 1949.

17 PART 3—CHILD-WELFARE SERVICES

18 SEC. 331. (a) Section 521 (a) of the Social Security
19 Act is amended by striking out “\$3,500,000” and inserting
20 in lieu thereof “\$7,000,000”, by striking out “\$20,000” and
21 inserting in lieu thereof “\$40,000”, and by striking out the
22 third sentence thereof and inserting in lieu of such sentence
23 the following: “The amount so allotted shall be expended for
24 payment of part of the cost of district, county, or other local
25 child-welfare services in areas predominantly rural, for devel-

1 oping State services for the encouragement and assistance of
2 adequate methods of community child-welfare organization in
3 areas predominantly rural and other areas of special need,
4 and for paying the cost of returning any runaway child who
5 has not attained the age of sixteen to his own community in
6 another State in cases in which such return is in the interest
7 of the child and the cost thereof cannot otherwise be met.”

8 (b) The amendments made by subsection (a) shall be
9 effective with respect to fiscal years beginning after June
10 30, 1950.

11 PART 4—AID TO THE BLIND

12 REQUIREMENTS OF STATE PLANS FOR AID TO THE BLIND

13 SEC. 341. (a) Clauses (4) and (5) of subsection (a)
14 of section 1002 of the Social Security Act are amended
15 to read as follows: “(4) provide for granting an oppor-
16 tunity for a fair hearing before the State agency to any in-
17 dividual whose claim for aid to the blind is denied or is not
18 acted upon within a reasonable time; (5) provide such
19 methods of administration as are found by the Administrator
20 to be necessary for the proper and efficient operation of the
21 plan, including (A) methods relating to the establishment
22 and maintenance of personnel standards on a merit basis,
23 except that the Administrator shall exercise no authority
24 with respect to the selection, tenure of office, and compensa-
25 tion of any individual employed in accordance with such

1 methods, and (B) a training program for the personnel
2 necessary to the administration of the plan;”.

3 (b) Clause (7) of such subsection is amended to read
4 as follows: “(7) provide that no aid will be furnished any
5 individual under the plan with respect to any period with
6 respect to which he is receiving old-age assistance under the
7 State plan approved under section 2 of this Act or aid to
8 dependent children under the State plan approved under
9 section 402 of this Act;”.

10 (c) (1) Effective for the period beginning October 1,
11 1949, and ending June 30, 1951, clause (8) of such
12 subsection is amended to read as follows: “(8) provide that
13 the State agency shall, in determining need, take into con-
14 sideration any other income and resources of an individual
15 claiming aid to the blind; except that the State agency may
16 (in making such determination) disregard such amount of
17 earned income, not to exceed \$50 per month, as the State
18 agency, administering that part of the State plan of voca-
19 tional rehabilitation (approved under the Vocational Reha-
20 bilitation Act (29 U. S. C., ch. 4)) which relates to
21 vocational rehabilitation of the blind, certifies will serve to
22 encourage or assist the blind to prepare for, engage in,
23 or continue to engage in remunerative employment to the
24 maximum extent practicable;”.

25 (2) Effective July 1, 1951, such clause (8) is amended

1 to read as follows: “(8) provide that the State agency shall,
2 in determining need, take into consideration the special
3 expenses arising from blindness, and any other income and
4 resources of the individual claiming aid to the blind; except
5 that, in determining need, the State agency (A) shall not
6 consider any income or resources which are not predictable
7 or are not actually available to the individual, and (B) may
8 disregard such amount of earned income, not to exceed \$50
9 per month, as the State agency, administering that part of
10 the State plan of vocational rehabilitation (approved under
11 the Vocational Rehabilitation Act (29 U. S. C., ch. 4))
12 which relates to vocational rehabilitation of the blind,
13 certifies will serve to encourage or assist the blind to prepare
14 for, engage in, or to continue to engage in remunerative
15 employment to the maximum extent practicable;”.

16 (d) Such subsection is further amended by striking out
17 “and” before clause (9) thereof, and by striking out the
18 period at the end of such subsection and inserting in lieu
19 thereof a semicolon and the following new clauses: “(10)
20 provide that, in determining whether an individual is blind,
21 there shall be an examination by a physician skilled in
22 diseases of the eye or by an optometrist; (11) effective
23 July 1, 1951, provide that all individuals wishing to make
24 application for aid to the blind shall have opportunity to
25 do so, and that aid to the blind shall be furnished promptly

1 to all eligible individuals; and (12) effective July 1, 1953,
2 provide, if the plan includes payments to individuals in
3 private or public institutions, for the establishment or desig-
4 nation of a State authority or authorities which shall be
5 responsible for establishing and maintaining standards for
6 such institutions.”

7 (e) The amendments made by subsection (d) shall
8 take effect October 1, 1949; and the amendments made
9 by subsections (a) and (b) shall take effect July 1, 1951.

10 **RESIDENCE REQUIREMENT**

11 **SEC. 342.** Subparagraph (1) of section 1002 (b) of
12 the Social Security Act is amended to read as follows:

13 “(1) Any residence requirement which excludes
14 any resident of the State who has resided therein con-
15 tinuously for one year immediately preceding the appli-
16 cation for aid, except that the State may impose,
17 effective until July 1, 1951, any residence requirement
18 which is not in excess of the requirement of residence
19 contained on July 1, 1949, in its State plan approved
20 under this title on or prior to such date; or”.

21 **COMPUTATION OF FEDERAL PORTION OF AID TO THE BLIND**

22 **SEC. 343.** (a) Section 1003 (a) of the Social Security
23 Act is amended to read as follows:

24 “**SEC. 1003.** (a) From the sums appropriated therefor,
25 the Secretary of the Treasury shall pay to each State which

1 has an approved plan for aid to the blind, for each quarter,
2 beginning with the quarter commencing October 1, 1949,
3 (1) in the case of any State other than Puerto Rico and
4 the Virgin Islands, an amount, which shall be used ex-
5 clusively as aid to the blind, equal to the sum of the fol-
6 lowing proportions of the total amounts expended during
7 such quarter as aid to the blind under the State plan, not
8 counting so much of such expenditure with respect to any
9 individual for any month as exceeds \$50—

10 “(A) four-fifths of such expenditures, not counting
11 so much of the expenditures with respect to any month
12 as exceeds the product of \$25 multiplied by the total
13 number of such individuals who received aid to the
14 blind for such month, plus

15 “(B) one-half of the amount by which such ex-
16 penditures exceed the product obtained under clause
17 (A), not counting so much of the expenditures with
18 respect to any month as exceeds the product of \$35
19 multiplied by the total number of such individuals who
20 received aid to the blind for such month, plus

21 “(C) one-third of the amount by which such ex-
22 penditures exceed the sum of the products obtained
23 under clauses (A) and (B) ;

24 and (2) in the case of Puerto Rico and the Virgin Islands,
25 an amount, which shall be used exclusively as aid to the

1 blind, equal to one-half of the total of the sums expended
2 during such quarter as aid to the blind under the State plan,
3 not counting so much of such expenditure with respect to
4 any individual for any month as exceeds \$30, and (3) in
5 the case of any State, an amount equal to one-half of the
6 total of the sums expended during such quarter as found
7 necessary by the Administrator for the proper and efficient
8 administration of the State plan, which amount shall be
9 used for paying the costs of administering the State plan
10 or for aid to the blind, or both, and for not other purpose.”

11 (b) The amendment made by subsection (a) shall take
12 effect October 1, 1949.

13 DEFINITION OF AID TO THE BLIND

14 SEC. 344. (a) Section 1006 of the Social Security Act
15 is amended to read as follows:

16 “DEFINITION

17 “SEC. 1006. For purposes of this title, the term ‘aid
18 to the blind’ means money payments to or medical care in
19 behalf of blind individuals who are needy, but does not
20 include money payments to or medical care in behalf of any
21 individual who is an inmate of a public institution (except
22 as a patient in a medical institution) and, effective July 1,
23 1951, does not include money payments to or medical care
24 in behalf of any individual (a) who is a patient in an insti-

1 tution for tuberculosis or mental diseases, or (b) who has
2 been diagnosed as having tuberculosis or psychosis and is a
3 patient in a medical institution as a result thereof.”

4 (b) The amendment made by subsection (a) shall take
5 effect October 1, 1949.

6 APPROVAL OF CERTAIN STATE PLANS

7 SEC. 345. (a) In the case of any State (as defined in
8 the Social Security Act, but excluding Puerto Rico and the
9 Virgin Islands) which did not have on January 1, 1949,
10 a State plan for aid to the blind approved under title X
11 of the Social Security Act, the Administrator shall approve
12 a plan of such State for aid to the blind for purposes of such
13 title X, even though it does not meet the requirements of
14 clause (8) of section 1002 (a) of the Social Security Act,
15 if it meets all other requirements of such title X for an ap-
16 proved plan for aid to the blind; but payments under section
17 1003 of the Social Security Act shall be made, in the case
18 of any such plan, only with respect to expenditures there-
19 under which would be included as expenditures for purposes
20 of such section under a plan approved under such title X
21 without regard to the provisions of this section.

22 (b) The provisions of subsection (a) shall be effective
23 only for the period beginning October 1, 1949, and ending
24 June 30, 1953.

1 PART 5—AID TO THE PERMANENTLY AND TOTALLY
2 DISABLED

3 SEC. 351. The Social Security Act is further amended
4 by adding after title XIII thereof the following new title:

5 "TITLE XIV—GRANTS TO STATES FOR AID TO
6 THE PERMANENTLY AND TOTALLY DIS-
7 ABLED

8 "APPROPRIATION

9 "SEC. 1401. For the purpose of enabling each State to
10 furnish financial assistance, as far as practicable under the
11 conditions in such State, to needy individuals who are per-
12 manently and totally disabled, there is hereby authorized
13 to be appropriated for the fiscal year ending June 30, 1950,
14 the sum of \$50,000,000, and there is hereby authorized to
15 be appropriated for each fiscal year thereafter a sum suffi-
16 cient to carry out the purposes of this title. The sums made
17 available under this section shall be used for making pay-
18 ments to States which have submitted, and had approved
19 by the Administrator, State plans for aid to the permanently
20 and totally disabled.

21 "STATE PLANS FOR AID TO THE PERMANENTLY AND
22 TOTALLY DISABLED

23 "SEC. 1402. (a) A State plan for aid to the per-
24 manently and totally disabled must (1) provide that it shall

1 be in effect in all political subdivisions of the State, and, if
2 administered by them, be mandatory upon them; (2) pro-
3 vide for financial participation by the State; (3) either
4 provide for the establishment or designation of a single State
5 agency to administer the plan, or provide for the establish-
6 ment or designation of a single State agency to supervise
7 the administration of the plan; (4) provide for granting an
8 opportunity for a fair hearing before the State agency to any
9 individual whose claim for aid to the permanently and
10 totally disabled is denied or is not acted upon within a
11 reasonable time; (5) provide such methods of adminis-
12 tration as are found by the Administrator to be necessary
13 for the proper and efficient operation of the plan, including
14 (A) methods relating to the establishment and maintenance
15 of personnel standards on a merit basis, except that the
16 Administrator shall exercise no authority with respect to the
17 selection, tenure of office, and compensation of any indi-
18 vidual employed in accordance with such methods, and
19 (B) a training program for the personnel necessary to the
20 administration of the plan; (6) provide that the State agency
21 will make such reports, in such form and containing such
22 information, as the Administrator may from time to time
23 require, and comply with such provisions as the Admin-
24 istrator may from time to time find necessary to assure
25 the correctness and verification of such reports; (7)

1 provide that no aid will be furnished any individual under
2 the plan with respect to any period with respect to
3 which he is receiving old-age assistance under the
4 State plan approved under section 2 of this Act, aid to
5 dependent children under the State plan approved under
6 section 402 of this Act, or aid to the blind under the State
7 plan approved under section 1002 of this Act; (8) provide
8 that the State agency shall, in determining need, take into
9 consideration any other income and resources of an individual
10 claiming aid to the permanently and totally disabled; (9)
11 provide safeguards which restrict the use or disclosure of
12 information concerning applicants and recipients to purposes
13 directly connected with the administration of aid to the
14 permanently and totally disabled; (10) provide that all
15 individuals wishing to make application for aid to the per-
16 manently and totally disabled shall have opportunity to do so,
17 and that aid to the permanently and totally disabled shall
18 be furnished promptly to all eligible individuals; and (11)
19 effective July 1, 1953, provide, if the plan includes payments
20 to individuals in private or public institutions, for the estab-
21 lishment or designation of a State authority or authorities
22 which shall be responsible for establishing and maintaining
23 standards for such institutions.

24 “(b) The Administrator shall approve any plan which
25 fulfills the conditions specified in subsection (a), except

1 that he shall not approve any plan which imposes, as a
2 condition of eligibility for aid to the permanently and totally
3 disabled under the plan—

4 “(1) Any residence requirement which excludes
5 any resident of the State who has resided therein con-
6 tinuously for one year immediately preceding the appli-
7 cation for aid, except that the State may impose,
8 effective until July 1, 1951, any residence requirement
9 which is not in excess of the requirement of residence
10 contained on July 1, 1949, in its State plan for aid to
11 the blind approved under title X on or prior to such date;

12 “(2) Any citizenship requirement which excludes
13 any citizen of the United States.

14 “PAYMENT TO STATES

15 “SEC. 1403. (a) From the sums appropriated therefor,
16 the Secretary of the Treasury shall pay to each State which
17 has an approved plan for aid to the permanently and totally
18 disabled, for each quarter, beginning with the quarter com-
19 mencing October 1, 1949, (1) in the case of any State other
20 than Puerto Rico and the Virgin Islands, an amount, which
21 shall be used exclusively as aid to the permanently and
22 totally disabled, equal to the sum of the following propor-
23 tions of the total amounts expended during such quarter
24 as aid to the permanently and totally disabled under the
25 State plan, not counting so much of such expenditure with

1 respect to any individual for any month as exceeds \$50—

2 “(A) four-fifths of such expenditures, not count-
3 ing so much of the expenditures with respect to any
4 month as exceeds the product of \$25 multiplied by the
5 total number of such individuals who received aid to
6 the permanently and totally disabled for such month,
7 plus

8 “(B) one-half of the amount by which such ex-
9 penditures exceed the product obtained under clause
10 (A), not counting so much of the expenditures with
11 respect to any month as exceeds the product of \$35
12 multiplied by the total number of such individuals who
13 received aid to the permanently and totally disabled
14 for such month, plus

15 “(C) one-third of the amount by which such ex-
16 penditures exceed the sum of the products obtained
17 under clauses (A) and (B) ;

18 and (2) in the case of Puerto Rico and the Virgin Islands,
19 an amount, which shall be used exclusively as aid to the
20 permanently and totally disabled, equal to one-half of the
21 total of the sums expended during such quarter as aid to the
22 permanently and totally disabled under the State plan, not
23 counting so much of such expenditure with respect to any
24 individual for any month as exceeds \$30, and (3) in the
25 case of any State, an amount equal to one-half of the total

1 of the sums expended during such quarter as found necessary
2 by the Administrator for the proper and efficient adminis-
3 tration of the State plan, which amount shall be used for
4 paying the costs of administering the State plan or for aid
5 to the permanently and totally disabled, or both, and for no
6 other purpose.

7 “(b) The method of computing and paying such
8 amounts shall be as follows:

9 “(1) The Administrator shall, prior to the begin-
10 ning of each quarter, estimate the amount to be paid
11 to the State for such quarter under the provisions of
12 subsection (a), such estimate to be based on (A) a
13 report filed by the State containing its estimate of the
14 total sum to be expended in such quarter in accordance
15 with the provisions of such subsection, and stating the
16 amount appropriated or made available by the State and
17 its political subdivisions for such expenditures in such
18 quarter, and if such amount is less than the State’s
19 proportionate share of the total sum of such estimated
20 expenditures, the source or sources from which the
21 difference is expected to be derived, (B) records show-
22 ing the number of permanently and totally disabled indi-
23 viduals in the State, and (C) such other investigation as
24 the Administrator may find necessary.

25 “(2) The Administrator shall then certify to the

1 Secretary of the Treasury the amount so estimated by
2 the Administrator, (A) reduced or increased, as the
3 case may be, by any sum by which he finds that his
4 estimate for any prior quarter was greater or less than
5 the amount which should have been paid to the State
6 under subsection (a) for such quarter, and (B) reduced
7 by a sum equivalent to the pro rata share to which the
8 United States is equitably entitled, as determined by the
9 Administrator, of the net amount recovered during a
10 prior quarter by the State or any political subdivision
11 thereof with respect to aid to the permanently and
12 totally disabled furnished under the State plan; except
13 that such increases or reductions shall not be made to
14 the extent that such sums have been applied to make the
15 amount certified for any prior quarter greater or less than
16 the amount estimated by the Administrator for such prior
17 quarter: *Provided*, That any part of the amount re-
18 covered from the estate of a deceased recipient which is
19 not in excess of the amount expended by the State or
20 any political subdivision thereof for the funeral expenses
21 of the deceased shall not be considered as a basis for
22 reduction under clause (B) of this paragraph.

23 “(3) The Secretary of the Treasury shall there-
24 upon, through the Fiscal Service of the Treasury De-
25 partment, and prior to audit or settlement by the Gen-

1 eral Accounting Office, pay to the State, at the time or
2 times fixed by the Administrator, the amount so
3 certified.

4 "OPERATION OF STATE PLANS

5 "SEC. 1404. In the case of any State plan for aid to
6 the permanently and totally disabled which has been ap-
7 proved by the Administrator, if the Administrator after
8 reasonable notice and opportunity for hearing to the State
9 agency administering or supervising the administration of
10 such plan, finds—

11 " (1) that the plan has been so changed as to
12 impose any residence or citizenship requirement pro-
13 hibited by section 1402 (b), or that in the administra-
14 tion of the plan any such prohibited requirement is
15 imposed, with the knowledge of such State agency, in a
16 substantial number of cases; or

17 " (2) that in the administration of the plan there
18 is a failure to comply substantially with any provision
19 required by section 1402 (a) to be included in the
20 plan;

21 the Administrator shall notify such State agency that further
22 payments will not be made to the State until he is satisfied
23 that such prohibited requirement is no longer so imposed,
24 and that there is no longer any such failure to comply. Until

1 he is so satisfied he shall make no further certification to the
2 Secretary of the Treasury with respect to such State.

3 "DEFINITION

4 "SEC. 1405. For purposes of this title, the term 'aid to
5 the permanently and totally disabled' means money payments
6 to or medical care in behalf of needy individuals who are
7 permanently and totally disabled, but does not include money
8 payments to or medical care in behalf of any individual who
9 is an inmate of a public institution (except as a patient in a
10 medical institution) and, effective July 1, 1951, does not in-
11 clude money payments to or medical care in behalf of any
12 individual (a) who is a patient in an institution for tuber-
13 culosis or mental diseases, or (b) who has been diagnosed
14 as having tuberculosis or psychosis and is a patient in a
15 medical institution as a result thereof."

16 PART 6—MISCELLANEOUS AMENDMENTS

17 SEC. 361. (a) Section 1 of the Social Security Act is
18 amended by striking out "Social Security Board established
19 by Title VII (hereinafter referred to as the 'Board')" and
20 inserting in lieu thereof "Federal Security Administrator
21 (hereinafter referred to as the 'Administrator')".

22 (b) Section 1001 of the Social Security Act is amended
23 by striking out "Social Security Board" and inserting in
24 lieu thereof "Administrator".

1 (c) The following provisions of the Social Security Act
2 are each amended by striking out "Board" and inserting in
3 lieu thereof "Administrator": Sections 2 (a) (6) ; 2 (b) ;
4 3 (b) ; 4; 402 (a) (6) ; 402 (b) ; 403 (b) ; 404; 1002
5 (a) (6) ; 1002 (b) (other than subparagraph (1)
6 thereof) ; 1003 (b) ; and 1004.

7 (d) The following provisions of the Social Security Act
8 are each amended by striking out (when they refer to the
9 Social Security Board) "it" or "its" and inserting in lieu
10 thereof "he", "him", or "his", as the context may require:
11 Sections 2 (b) ; 3 (b) ; 4; 402 (b) ; 403 (b) ; 404; 1002
12 (b) (other than subparagraph (1) thereof) ; 1003 (b) ; and
13 1004.

14 (e) Title V of the Social Security Act is amended by
15 striking out "Children's Bureau", "Chief of the Children's
16 Bureau", "Secretary of Labor", and (in sections 503 (a)
17 and 513 (a)) "Board" and inserting in lieu thereof
18 "Administrator".

19 TITLE IV—MISCELLANEOUS PROVISIONS

20 OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

21 SEC. 401. (a) Section 701 of the Social Security Act is
22 amended to read:

23 "OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

24 "SEC. 701. There shall be in the Federal Security
25 Agency a Commissioner for Social Security, appointed by

1 the Administrator, who shall perform such functions relating
2 to social security as the Administrator shall assign to him.”

3 (b) Section 908 of the Social Security Act Amend-
4 ments of 1939 is repealed.

5 REPORTS TO CONGRESS

6 SEC. 402. (a) Subsection (c) of section 541 of the
7 Social Security Act is repealed.

8 (b) Section 704 of such Act is amended to read:

9 “REPORTS

10 “SEC. 704. The Administrator shall make a full report
11 to Congress, at the beginning of each regular session, of the
12 administration of the functions with which he is charged
13 under this Act. In addition to the number of copies of such
14 report authorized by other law to be printed, there is hereby
15 authorized to be printed not more than five thousand
16 copies of such report for use by the Administrator for dis-
17 tribution to Members of Congress and to State and other
18 public or private agencies or organizations participating in
19 or concerned with the social security program.”

20 AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

21 SEC. 403. (a) (1) Paragraph (1) of section 1101
22 (a) of the Social Security Act is amended to read as follows:

23 “(1) The term ‘State’ includes Alaska, Hawaii, and
24 the District of Columbia, and when used in titles I, IV,

1 V, X, and XIV includes Puerto Rico and the Virgin
2 Islands.”

3 (2) Paragraph (6) of section 1101 (a) of the Social
4 Security Act is amended to read as follows:

5 “(6) The term ‘Administrator’, except when the
6 context otherwise requires, means the Federal Security
7 Administrator.”

8 (3) The amendment made by paragraph (1) of this
9 subsection shall take effect October 1, 1949, and the amend-
10 ment made by paragraph (2) of this subsection, insofar as
11 it repeals the definition of “employee”, shall be effective only
12 with respect to services performed after 1949.

13 (b) Section 1102 of the Social Security Act is amended
14 by striking out “Social Security Board” and inserting in lieu
15 thereof “Federal Security Administrator”.

16 (c) Section 1106 of the Social Security Act is amended
17 to read as follows:

18 “DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY

19 “SEC. 1106. No disclosure of any return or portion of
20 a return (including information returns and other written
21 statements) filed with the Commissioner of Internal Revenue
22 under title VIII of the Social Security Act or under subchap-
23 ter A or F of chapter 9 of the Internal Revenue Code, or
24 under regulations made under authority thereof, which has

1 been transmitted to the Administrator by the Commissioner
2 of Internal Revenue, or of any file, record, report, or other
3 paper, or any information, obtained at any time by the
4 Administrator or by any officer or employee of the Federal
5 Security Agency in the course of discharging the duties of
6 the Administrator under this Act, and no disclosure of any
7 such file, record, report, or other paper, or information, ob-
8 tained at any time by any person from the Administrator or
9 from any officer or employee of the Federal Security Agency,
10 shall be made except as the Administrator may by regula-
11 tions prescribe. Any person who shall violate any provision
12 of this section shall be deemed guilty of a misdemeanor and,
13 upon conviction thereof, shall be punished by a fine not
14 exceeding \$1,000, or by imprisonment not exceeding one
15 year, or both.”

16 (d) Section 1107 (a) of the Social Security Act is
17 amended by striking out “the Federal Insurance Contribu-
18 tions Act, or the Federal Unemployment Tax Act,” and
19 inserting in lieu thereof the following: “subchapter A, C,
20 or F of chapter 9 of the Internal Revenue Code,”.

21 (e) Section 1107 (b) of the Social Security Act is
22 amended by striking out “Board” and inserting in lieu
23 thereof “Administrator”, and by striking out “wife, parent,
24 or child”, wherever appearing therein, and inserting in lieu

1 thereof "wife, widow, former wife divorced, child, or parent".

2 (f) Title XI of the Social Security Act is amended by
3 adding at the end thereof the following new section:

4 "FURNISHING OF WAGE RECORD AND OTHER INFORMATION

5 "SEC. 1108. (a) (1) The Administrator is author-
6 ized, at the request of any agency charged with the admin-
7 istration of a State unemployment compensation law (with
8 respect to which such State is entitled to payments under
9 section 302 (a) of this Act) and to the extent consistent
10 with the efficient administration of this Act, to furnish to
11 such agency, for use by it in the administration of such law
12 or a State temporary disability insurance law administered
13 by it, information from or pertaining to records, including
14 account numbers, maintained by the Administrator in ac-
15 cordance with section 205 (c) of this Act.

16 "(2) At the request of any agency, person, or organ-
17 ization, the Administrator is authorized, to the extent con-
18 sistent with efficient administration of this Act and subject
19 to such conditions or limitations as he deems necessary to
20 furnish special reports on the wage and employment rec-
21 ords of individuals and to conduct special statistical studies
22 of, and compile special data with respect to, any matters
23 related to the programs authorized by this Act.

24 "(b) Requests under subsection (a) shall be complied
25 with only if the agency, person, or organization making the

1 request agrees to make payment for the work or information
2 requested in such amount, if any (not exceeding the cost of
3 performing the work or furnishing the information), as may
4 be determined by the Administrator. A State agency may
5 make the payments for information furnished pursuant to
6 paragraph (1) of subsection (a) by authorizing deductions
7 from amounts certified by the Administrator under section
8 302 (a) of this Act for payment to such State. Payments
9 for work performed or information furnished pursuant to this
10 section, including deductions authorized to be made from
11 amounts certified under section 302 (a), shall be made in
12 advance or by way of reimbursement, as may be requested
13 by the Administrator, and shall be deposited in the Treasury
14 as a special deposit to be used to reimburse the appropria-
15 tions (including authorizations to make expenditures from
16 the Federal Old-Age, Survivors, and Disability Insurance
17 Trust Fund) for the unit or units of the Federal Security
18 Agency which performed the work or furnished the
19 information.

20 “(c) No information shall be furnished pursuant to this
21 section in violation of section 1106 or regulations prescribed
22 thereunder.”

81st CONGRESS
1st Session

H. R. 6297

A BILL

To extend the coverage of the Federal Old-Age and Survivors Insurance System, to increase benefits payable under such system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

By Mr. KEAN

OCTOBER 3, 1949

Referred to the Committee on Ways and Means

Social Security Act Amendments of 1950: A Summary and Legislative History

by WILBUR J. COHEN and ROBERT J. MYERS*

THE Social Security Act Amendments of 1950 became law on August 28, 1950, when President Truman affixed his signature to H. R. 6000. The new social security bill became Public Law 734 (81st Congress, second session).

In signing the bill, President Truman stated that "passage of this legislation is an outstanding achievement." He pointed out that "by making it possible for most families to obtain protection through the contributory insurance system, and by increasing insurance benefits, the Act will ultimately reduce dependence on public charity. This measure demonstrates our determination to achieve real economic security for the American family. This kind of progressive, forward-looking legislation is the best possible way to prove that our democratic institutions can provide both freedom and security for all our citizens.

"We still have much to do before our social security programs are fully adequate. While the new Act greatly increases coverage, many more people still need to be brought into the old age and survivors insurance system. Expanded coverage and increased benefits in old age insurance should now be matched by steps to strengthen our unemployment insurance system. At the same time, we urgently need a system of insurance against loss of wages through temporary or permanent disability. These and other vital improvements in our social security laws are needed in addition to the Act which I have signed today. I shall continue to urge action on this unfinished business and I know that the Commit-

tees of Congress are now preparing to give these matters serious consideration."

The amendments provide the first significant revision of the Social Security Act since the changes made by Congress in 1939. There are four titles in the new law: I—Amendments to Title II of the Social Security Act; II—Amendments to Internal Revenue Code; III—Amendments to Public Assistance and Maternal and Child Welfare Provisions of the Social Security Act; and IV—Miscellaneous Provisions.

Summary of Chief Provisions

The major provisions of the new social security law may be summarized briefly. They extend coverage and liberalize the benefits of the Federal old-age and survivors insurance program, broaden and liberalize Federal grants to the States for public assistance and for maternal and child health and child welfare services, and restrict the authority of the Secretary of Labor in connection with State unemployment insurance laws.

Old-Age and Survivors Insurance

The new law makes three important changes in the Federal old-age and survivors insurance program. First, coverage is extended to approximately 10 million additional persons, including the nonfarm self-employed other than doctors, lawyers, engineers, and members of certain other professional groups. Regularly employed domestic and farm workers, a small number of Federal employees who are not covered under the civil service retirement program, and a few others—members of very small occupational groups—are also included; and workers in Puerto Rico and the Virgin Islands are covered. In addition to the automatic coverage extended to these groups, the opportunity to be included is extended to the 1.5 million people

who work for State and local governments and are not under retirement systems and to about 600,000 employees of nonprofit organizations. Table 1 presents estimates of the number of persons in the newly covered groups.

The second major change substantially liberalizes the amount of benefits payable to individuals. Table 2 gives estimates of the average payments under the old law and the new law, while table 3 shows illustrative monthly benefits under the new law. For a retired worker the average benefit is increased from around \$26 a month to \$46 for persons who are on the rolls now and to around \$50–55 a month for those who retire after the new law takes full effect. This increase means that, for a man and wife who are both aged 65, average benefits will be around \$75–80 a month.

The new law also increases insurance benefits for widows and orphans. The average monthly benefit for a widow and two children will be increased immediately from about \$50 a month to \$90–95 and to \$100–105 a month when death occurs after the new law takes full effect. The face value of life insurance in force under the law will be increased from about \$85 billion under the old law to \$190 billion immediately, which is almost as much as the face value of the life insurance in effect at the present time in all the life insurance companies in the United States. When the new law becomes fully effective, in about 2 years, the face value of life insurance will be about \$250 billion.

The third group of major changes provides for payment of benefits in cases in which no benefits were payable previously. Benefits will now be paid to dependent husbands and dependent widowers, to children of insured women under certain circumstances, and with respect to an individual who could not have met the insured status requirement under the old law but is insured under the more

*Mr. Cohen is the Technical Adviser to the Commissioner for Social Security, and Mr. Myers is the Chief Actuary of the Social Security Administration. The authors wish to acknowledge the assistance of Elizabeth G. Sanders of the Bureau of Old-Age and Survivors Insurance in the preparation of this article.

OLD-AGE AND SURVIVORS INSURANCE BENEFIT CHART 1950 AMENDMENTS

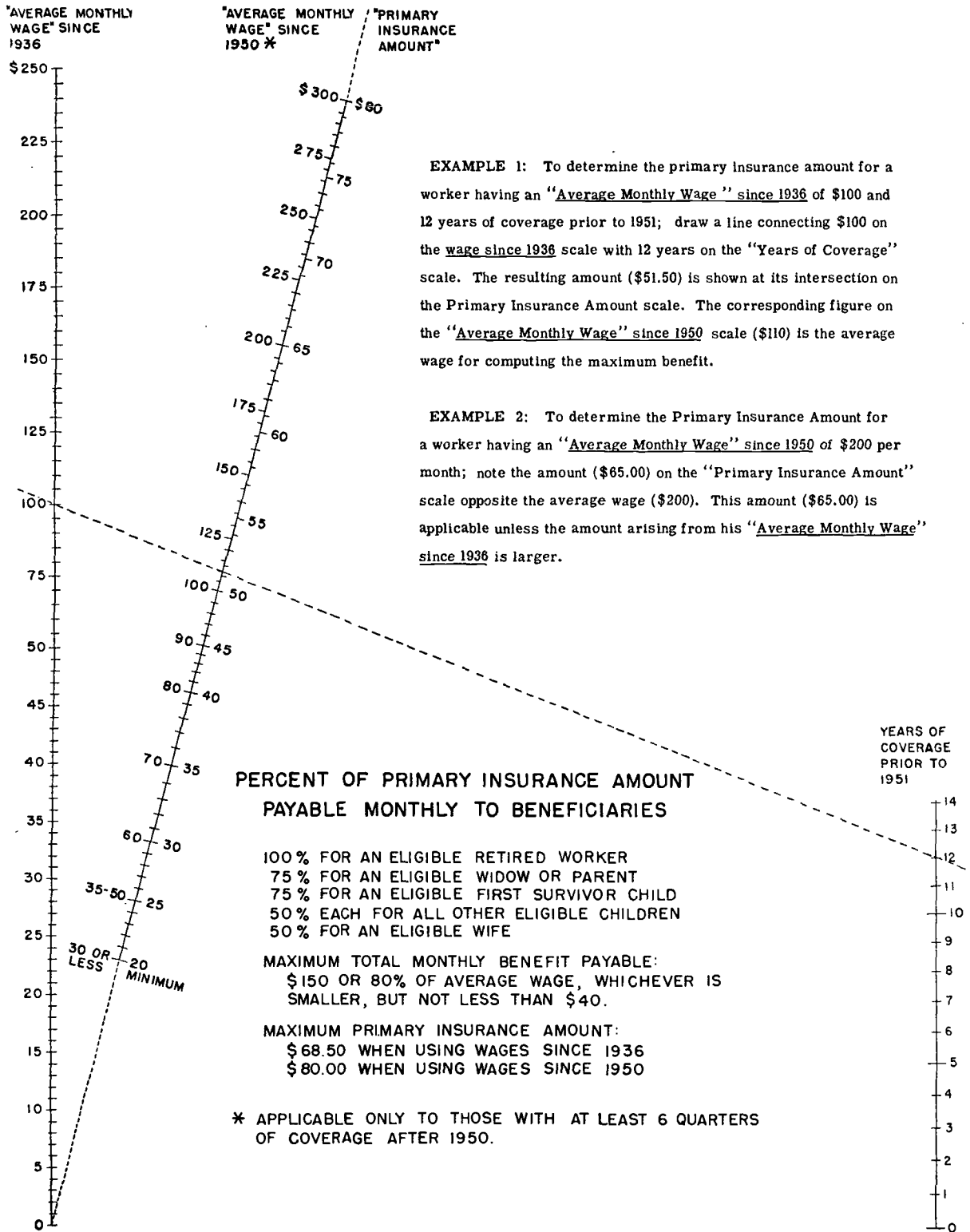


Table 1.—Old-age and survivors insurance: Extension of coverage under the 1950 amendments

[Number in an average week]

Category	Number covered
Total.....	9,800,000
Compulsory coverage, total.....	7,750,000
Nonfarm self-employed.....	4,700,000
Agricultural workers.....	850,000
Borderline employment.....	200,000
Regularly employed on farms.....	650,000
Domestic workers.....	1,000,000
Federal civilian employees not under a retirement system.....	250,000
Employees outside the United States.....	150,000
Employment in Puerto Rico and Virgin Islands.....	400,000
New definition of "employee".....	400,000
Voluntary coverage, total.....	2,050,000
Employees of nonprofit organizations.....	600,000
Employees of State and local governments.....	1,450,000

¹ Excludes a relatively small number of transit workers who will be compulsorily covered.

liberal requirements in the new law (table 4). Lump-sum death payments will be made, moreover, in the case of all insured deaths. Eligible beneficiaries may earn as much as \$50 a month in covered employment and still receive benefits (as against a maximum on earnings of \$14.99 under previous law); moreover, for those aged 75 or over there is now no withholding of benefits because of work in covered employment.

Public Assistance

Public Law 734 makes four significant changes in the public assistance provisions of the Social Security Act. Perhaps the most important is the addition to the Federal grants-in-aid program of a new category—Federal grants-in-aid to the States for needy individuals who are permanently and totally disabled.

Another important change remedies a basic defect in the aid to dependent children program. Before, there was no provision for the need of the parent or other relative with whom the child was living. The new legislation includes the relative with whom the dependent child is living as a recipient for Federal matching purposes.

Third, the Federal Government will match expenditures for assistance to aged and blind persons in certain types of public medical institutions. Under the old law no ex-

penditures made to persons in public institutions were matchable. Further, if the State plan includes provision for payments to persons in any private or public institution, the State must establish or designate some State agency that will be responsible for establishing and maintaining standards for such institutions. This requirement will raise the standards of those institutions that have been understaffed and underfinanced, that have been firetraps, and in which people have been badly treated.

Fourth, Federal matching funds will be available for direct payments made by the States to doctors, hospitals, or other persons furnishing medical care. Under previous law the Federal Government did not participate in the cost of medical care unless payment for such care was made directly to the assistance recipient. This new provision will make it possible to develop working relations with the medical profession, hospitals, public health officials, and other groups to improve the quality and quantity of medical care for the 5 million persons receiving assistance under the Social Security Act.

Maternal and Child Health and Child Welfare Services

Another major provision in the amendments authorizes increases in Federal grants for maternal and child health services, child welfare services, and services for crippled children. A total of \$22 million had been authorized for grants to the States for the maternal and child health, child welfare, and crippled children programs under title V of the Social Security Act. This total is increased to \$37 million for the fiscal year ending June 30, 1951, and to \$41.5 million for each year thereafter.

Costs

The estimated level-premium costs of the new insurance program are shown in table 5. As will be seen from the table, the level-premium cost under the old law—taking into account 2-percent interest—is 4.50 percent of payroll. This amount is considerably lower than the cost estimated when the program was revised

in 1939, largely because of the rise in the wage level during the past decade (higher wages result in lower cost as a percentage of payroll because of the weighted nature of the benefit formula).

Under the new law the level-premium cost of the benefits is increased to 6.10 percent of payroll. This figure must be adjusted slightly, however, for two factors—the administrative costs, which are charged directly to the trust fund, and the interest earnings on the present trust fund, which will be about \$13.5 billion at the end of 1950. When these elements are considered the net level-premium cost of the amended law is shown to be 6.05 percent of payroll.

The additional Federal costs for the public assistance and maternal and child health and child welfare amendments are estimated at \$177-220 million a year, as shown in table 6, which also notes the assumptions on which the estimates are based. These estimates may be high, because they do not consider the possible effect on the assistance programs of the old-age and survivors insurance amendments, which increase benefit amounts and make more persons eligible immediately for insurance benefits; as a result, some persons may be able to leave the assistance rolls and others may have their assistance payments lowered. On the other hand, should assistance rolls and the amount of the average assistance payments continue to increase as they have in the

Table 2.—Old-age and survivors insurance: Average monthly benefit payments and average lump-sum death payments in June 1950 and under the 1950 amendments

Type of benefit	Average benefit, June 1950	Estimated average benefit under the 1950 amendments		
		1951	1960	2000
Old-age (primary).....	\$26	\$45-46	\$50-50	\$49-50
Male.....	27	47-47	53-53	57-58
Female.....	21	37-37	38-38	36-38
Wife's ¹	14	24-25	27-27	29-30
Widow's ¹	21	35-36	39-39	44-45
Parent's.....	14	35-36	38-38	42-43
Child's.....	13	33-34	35-36	36-37
Mother's (widow's current).....	21	40-40	43-44	45-46
Lump-sum death payment ²	168	143-146	156-159	149-156

¹ Also represents husband's and widower's benefits.

² Average amount per deceased worker.

past, the estimates given in table 6 may be low. In any case the full financial effect will not become known for a year or two.

Legislative History

Action in the House of Representatives

Under the Constitution, all revenue bills must originate in the House of Representatives. Since social security legislation involves taxes, it must be first introduced in the House. For this reason, on February 21, 1949, President Truman transmitted his recommendations and drafts of two bills to Mr. Doughton, Chairman of the House Committee on Ways and Means. The two bills were introduced in the House by Mr. Doughton and became the basis of Committee consideration. H. R. 2892 dealt with public assistance and child welfare services, and H. R. 2893 dealt with Federal old-age, survivors, and temporary and permanent total disability insurance.

After extended hearings the House Committee on Ways and Means on August 22, 1949, reported out a single bill, H. R. 6000, covering insurance, assistance, and child welfare services. The vote in the Committee was 23 to 2 for reporting out the bill. On October 3, 1949, Mr. Kean, a member of the Committee, introduced H. R. 6297, which carried out the minority views on H. R. 6000.

H. R. 6000 was considered in the

House under a closed rule prohibiting any amendments from the floor except one motion to recommit the bill to the Ways and Means Committee. On October 5, 1949, H. R. 6297 was offered on the floor of the House of Representatives as a substitute for H. R. 6000 but was defeated by a vote of 232 to 112. Then, on the same date, H. R. 6000 was passed in the House by a vote of 333 to 14.

Action in the Senate

Since Congress adjourned shortly after the House action, it was not possible for the Senate to consider H. R. 6000 before 1950.

The Senate Finance Committee held extended hearings on social security and adopted a number of important amendments to H. R. 6000. The bill was reported to the Senate on May 17, 1950, and debate began on June 12.

There were 28 amendments offered from the floor of the Senate. Twelve were adopted, 15 were rejected, and one was eliminated on a point of order. Action on the most important of those adopted was as follows:

1. The increase in the maximum taxable wage base to \$3,600, passed by the House but eliminated by the Senate Finance Committee, was restored.

2. The definition of "employee" was expanded slightly to include certain wholesale salesmen and agent-drivers.

3. Self-employed funeral directors

and accountants were excluded from coverage.

4. Compulsory coverage was extended to employees of transit systems taken over, in whole or in part, from private ownership by State or local governments after 1936.

5. The provision, included in the House but eliminated by the Finance Committee, for Federal matching of payments under the aid to dependent children program to the mother or other adult relative caring for dependent children, was restored.

6. A provision was added to limit the authority of the Secretary of Labor in determining whether a State conforms to the Federal requirements in the Internal Revenue Code and the Social Security Act relating to unemployment insurance.

All the amendments adopted except the one relating to unemployment insurance were approved by the Finance Committee.

There were record votes on three amendments. An amendment by Senator Myers to increase to \$4,200 the maximum wage base in Federal old-age and survivors insurance was defeated, 36 to 45. An amendment offered by Senator Long to provide Federal grants to the States for needy disabled persons was also defeated, 41 to 42. The amendment offered by Senator Knowland to require State court review in State unemployment insurance was adopted, 45 to 37.

The Senate passed H. R. 6000 on June 20 by a vote of 81 to 2. The Senate also passed a resolution, recommended by the Committee on Finance, for further study of the social security program by the Committee or "any duly authorized subcommittee thereof." The Committee is to determine the scope of the study, which is to include (but is not limited to) certain specified points. The first of these points is "the type of social-security programs which are most consistent with the needs of the people of the United States and with our economic system, including study and investigation of proposed programs for a pay-as-you-go universal coverage system and the problems of transition to such a system." The other points listed for study are extension of coverage to farm operators and farm

Table 3.—Old-age and survivors insurance: Illustrative monthly benefits under the 1950 amendments

Family classification	Monthly benefit by specified amount of average monthly wage					
	\$50	\$100	\$150	\$200	\$250	\$300
Retired worker families:						
Worker only.....	25	50	58	65	72	80
Worker and wife, aged 65 or over.....	38	75	86	98	109	120
Worker and 1 child.....	38	75	86	98	109	120
Worker and 2 children.....	40	80	115	130	145	150
Worker, wife, and 1 child.....	40	80	115	130	145	150
Worker and dependent husband, aged 65 or over.....	38	75	86	98	109	120
Worker, dependent aged husband, and 1 child.....	40	80	115	130	145	150
Survivor families:						
Widowed mother and 1 child.....	38	75	86	98	109	120
Widowed mother and 2 children.....	40	80	115	130	145	150
Widowed mother and 3 or more children.....	40	80	120	160	160	150
1 child only.....	19	38	43	49	54	60
2 children.....	31	62	72	81	91	100
Widow only, aged 65 or over.....	19	38	43	49	54	60
Dependent widower, aged 65 or over.....	19	38	43	49	54	60
1 aged dependent parent.....	19	38	43	49	54	60
2 aged dependent parents.....	38	75	86	98	109	120

Table 4.—Old-age and survivors insurance: Illustrative numbers of quarters of coverage required under the 1950 amendments for fully insured status

Year of attaining age 65 ¹	Quarters of coverage required ²	Year of attaining age 65 ¹	Quarters of coverage required ²
1954 or earlier.....	6	1963.....	24
1955.....	8	1964.....	26
1956.....	10	1965.....	28
1957.....	12	1966.....	30
1958.....	14	1967.....	32
1959.....	16	1968.....	34
1960.....	18	1969.....	36
1961.....	20	1970.....	38
1962.....	22	1971 and after.....	40

¹ Applicable to persons attaining age 65 in first half of year. For those attaining age 65 in the second half of any of the years 1954-70, 1 more quarter of coverage is required.

² Quarters may be those obtained at any time after 1936.

workers still outside the coverage of old-age and survivors insurance, the financing of the program, increased work opportunities for the aged, relationship of the program to private pension plans, and relationship to the care and rehabilitation of and income maintenance for disabled workers. The Committee is authorized to employ a technical and clerical staff and to appoint advisors.

Action of the Conference Committee

The conferees of the House were Representatives Doughton, Mills, Camp, Lynch, Reed, Woodruff, and Jenkins. The conferees of the Senate were Senators George, Connally, Byrd, Millikin, and Taft. Senator George acted as chairman. The Conference Report was submitted to the House on August 1, 1950. Mr. Lynch did not sign the Conference Report because of his opposition to the Knowland amendment and to the deletion of the provision for permanent and total disability insurance.

Action on the major points of difference between the House and Senate bills that the Conference Committee had to reconcile is summarized below. Chart 2 gives a detailed description of the old-age and survivors insurance, public assistance, and maternal and child health and child welfare provisions of the old law, the bill as passed by the House and as passed by the Senate, and the final law.

Old-age and survivors insurance.—

Seventeen of the major differences between the House and the Senate versions of the bill concerned the insurance program. The final decisions on these points were as follows:

1. Elimination of the House provision for permanent and total disability insurance.

2. Elimination of the House provision for increment in the benefits for years of coverage under the program.

3. Elimination of the House provision specifically including tips in covered wages.

4. Coverage of some salesmen, some homeworkers, certain kinds of agent-drivers, and certain other groups as employees. (Compromise between Senate and House.)

5. Exclusion of State and local government employees covered under retirement plans (coverage under voluntary agreement had been provided in the House version for all State and local employees).

6. Exclusion of certified, registered, and licensed public accountants, full-time practicing public accountants, naturopaths, architects, funeral directors, and all professional engineers from coverage as self-employed persons. (Senate provision.)

7. Inclusion of regularly employed agricultural labor. (Substantially the same as Senate provision.)

8. Inclusion of publishers under coverage as self-employed persons. (Senate provision.)

9. Inclusion on a compulsory basis of employees of certain transit systems taken over in whole or in part by State or local governments after 1936. (Compromise between Senate and House.)

10. Provision for voluntary coverage of employees of nonprofit organizations through an election by the employer and a statement that two-thirds of the employees desire coverage. (Compromise between Senate and House.)

11. Increase in the second step in the benefit formula from 10 percent to 15 percent. (Senate provision.)

12. A substantial increase—77½ percent in the average benefit—for current beneficiaries. (Midway between Senate and House provision.)

13. Liberalization of the eligibility provisions to make it easier for persons to become insured for benefits

during the next two decades. (Senate provision.)

14. Liberalization of the method of computing the "average monthly wage" for benefit purposes. (Senate provision.)

15. Payment of benefits to dependent husbands and widowers of insured women workers. (Senate provision.)

16. Liberalization of survivors insurance benefits with respect to deaths of insured married women. (Senate provision.)

17. Lump-sum death payment to be made for all deaths of insured persons. (House provision.)

Public assistance.—On the eight chief points of difference in the assistance program, the decisions were:

1. Elimination of the House provision that would have increased assistance payments by providing a higher percentage of Federal funds under a formula weighted in favor of States making low payments.

2. Acceptance with amendments of the House provision for Federal grants to the States for the needy permanently and totally disabled.

3. Acceptance with amendments of the House provision extending Fed-

Table 5.—Old-age and survivors insurance: Estimated level-premium costs as percent of payroll by specified change in law¹

Item	Level-premium cost (percent)
Cost of benefits under old law.....	4.50
Effect of changes:	
Benefit formula.....	+1.60
New benefit percentages ²	+3.75
New average monthly wage basis.....	+ .05
Reduction in increment.....	-2.00
Increase in wage base.....	- .20
Liberalized eligibility conditions.....	+ .10
Liberalized work clause.....	+ .15
Revised lump-sum death payment.....	- .05
Additional dependents' benefits ³	+ .15
Extension of coverage.....	- .35
Cost of benefits under amendments.....	6.10
Administrative costs.....	+ .15
Interest on trust fund at end of 1950.....	- .20
Net level-premium cost under amendments.....	6.05

¹ Figures relate only to benefit payments after 1950 and represent an intermediate estimate that is subject to a significant range because of the possible variation in the cost factors involved in the future. Computations are based on a compound interest rate of 2 percent per annum. The order in which these various changes are considered in this table affects the amount of the increase in cost to be attributed to a specific element.

² Includes effect of minimum and maximum benefit provisions.

³ Includes higher rate for the first survivor child and for parents, more liberal eligibility conditions for determining child dependency on married women workers, wife's benefits for wives under age 65 with children, and husband's and widower's benefits.

eral grants for public assistance to Puerto Rico and the Virgin Islands.

4. Elimination of the Senate provision for Federal matching of State supplementary old-age assistance payments on a 50-50 basis for persons who become insurance beneficiaries after the effective date of the bill.

5. Elimination of the Senate provision increasing the maximum payment for aid to dependent children in which the Federal Government would share from \$27 to \$30 a month for the first child and from \$18 to \$20 for each additional child.

6. Acceptance of the Senate provision for mandatory exemption of \$50 of earned income for the blind, beginning July 1952.

7. Acceptance of the Senate provision for continuing the present maximum 5-year residence requirement for aid to the blind instead of the House requirement of 1 year.

8. Extending to 1955 the provisions in the House-approved bill for Federal grants to aid to the blind programs in Pennsylvania, Missouri, and Nevada. (Compromise between Senate and House.)

Other programs.—The following decisions were made on four major differences affecting other programs.

1. Increase in Federal grants for maternal and child health services from \$11 million to \$16.5 million annually (except that for the present fiscal year the grant is to be \$15 million); for services for crippled children from \$7.5 million to \$15 million (for the present fiscal year, \$12 mil-

Table 6.—Public assistance and maternal and child health and child welfare: Estimates of additional annual Federal cost under the 1950 amendments¹

Amendment	Additional Federal cost (in millions)
Total.....	\$176.9-219.9
Aid to the disabled.....	\$60.0- 75.0
Aid to dependent children.....	75.0- 95.0
Medical care.....	15.0- 20.0
Puerto Rico and Virgin Islands.....	4.4- 4.4
Temporary provisions for the blind.....	3.0- 6.0
Mandatory income exemption for blind, maternal and child health and child welfare.....	(?)
	19.5- 19.5

¹ Based on the assumption that all States participate on a full-year basis. The public assistance estimates are based on the assumption that the States will continue to spend as much as they spend in September 1950.

² Less than \$50,000.

Chart 1.—Effective dates of major provisions under the 1950 amendments

Provision	Date
<i>Old-age and survivors insurance</i>	
First month for which increased old-age and survivors insurance benefits are payable to present beneficiaries.....	September 1950
First day of coverage of new groups.....	January 1, 1951
First month of benefits for which new benefit formula is applicable.....	April 1952
First month for which benefits are payable for persons insured under new law who were previously uninsured.....	September 1950
First month for which liberalized retirement test is applicable.....	September 1950
First month for which dependent husband's insurance benefits are payable.....	September 1950
First month for which dependent widower's insurance benefits are payable.....	September 1950 (for death of wife after August 1950)
First month in which first survivor child's and parent's benefit is increased from 50 percent to 75 percent of primary amount.....	September 1950
First month in which lump-sum death payment is payable in all insured death cases.....	September 1950 (for death after August 1950)
First month for which benefits are payable to children of deceased currently insured women.....	September 1950
First month for which benefits are payable to wife of old-age beneficiary with child in her care, regardless of wife's age.....	September 1950
First month for which benefits based on World War II wage credits are payable.....	September 1950
<i>Public assistance</i>	
First month for which Federal grants to States for needy disabled persons are payable.....	October 1950
First month for which Federal grants are payable to States for payments to adult relative caring for dependent child.....	October 1950
First month for which Federal Government will share direct payments for medical care.....	October 1950
First month for which Federal Government will share in payments to persons in public medical institutions.....	October 1950
First month in which mandatory exemption of earned income for blind is effective.....	July 1952
First month in which requirement that State plan must provide for use of optometrists or physicians skilled in diseases of eye in examination of the blind is effective.....	July 1951
First month for which Federal grants may be made to Puerto Rico and the Virgin Islands.....	October 1950

lion); and for child welfare services from \$3.5 million to \$10 million. (Compromise between Senate and House.)

2. Amendment of the child welfare program by adding the following Senate provision: "Provided that in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child care programs and arrangements in the State and local communities as may be authorized by the State."

3. Continuation through 1952 of the loan fund within the Federal unemployment account, which permits advances to State unemployment insurance funds that run low. (Senate provision.)

4. Provision restricting the authority of the Secretary of Labor to withhold grants to States for administration of unemployment insurance in certain questions of compliance with the Federal Unemployment Tax Act and title III of the Social Security Act. (Senate provision.)

Adoption and Approval

During consideration of the Conference Report in the House of Representatives, Representative Byrnes, a

member of the Ways and Means Committee, moved to recommit the Conference Report to the Conference Committee. Mr. Byrnes indicated that his motion to recommit was made in order "to try to close out any attempt to remove the Knowland amendment from the Conference Report." Mr. Lynch, also a member of the Ways and Means Committee, had indicated previously that if he were recognized he would offer a motion to recommit with instructions to the House conferees to strike out the Knowland amendment and insert permanent total disability insurance. Mr. Lynch did not have an opportunity, however, to present his recommittal motion since Mr. Byrnes was recognized to make his motion to recommit. On the parliamentary question of ordering the previous question the vote was 188 to 186, which thus prevented Mr. Lynch from amending Mr. Byrnes' recommittal motion. When this action had been taken, Mr. Byrnes' motion was rejected.

The Report was adopted in the House of Representatives on August 16, 1950, by a vote of 374 to 1 and by the Senate the following day without a roll-call vote. The bill received President Truman's approval on August 28, 1950.

Basic Documents Relating to H. R. 6000

H. R. 2892, 81st Congress, First Session (see House Hearings).

H. R. 2893, 81st Congress, First Session (see House Hearings).

Hearings before the Committee on Ways and Means, House of Representatives, 81st Congress, First Session, on H. R. 2892 and H. R. 2893 (Parts 1 and 2).

H. R. 6000, 81st Congress, First Session, as introduced on August 15, 1949, as reported out on August 22, 1949, and as passed by the House of Representatives on October 5, 1949.

Report of the Committee on Ways and Means on H. R. 6000 (Report No. 1300, 81st Cong., 1st sess.), August 22, 1949.

Actuarial Cost Estimates for Expanded Coverage and Liberalized Benefits proposed for the Old-Age and Survivors Insurance System by H. R. 6000, October 3, 1949 (House version), June 26, 1950 (comparison of House and Senate versions), and July 27, 1950 (final law). Prepared by Robert J. Myers, Actuary to the Committee on Ways and Means.

H. R. 6297, 81st Congress, First Session.

House debate on H. R. 6000, *Congressional Record*, October 4 and 5, 1949 (Vol. 95, Nos. 184 and 185).

Hearings before a Subcommittee of the Committee on Ways and Means, House of Representatives, 81st Congress, 1st Session, on Extension of Social Security to Puerto Rico and the Virgin Islands.

Report to the Committee on Ways and Means from the Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands, February 6, 1950.

Recommendations for Social Security Legislation, the Reports of the Advisory Council on Social Security to the Senate Committee on Finance, 1949 (S. Doc. No. 208, 80th Cong., 2d sess.).

Hearings before the Committee on Finance, United States Senate, 81st Congress, 2d Session, on H. R. 6000 (Parts 1, 2, and 3).

The Major Differences in the Present Social Security Law, the Recommendations of the Advisory Council, and H. R. 6000 (as passed by the House), printed in Part 1 of the Senate Hearings, pp. 2-18.

Report of the Senate Committee on Finance on H. R. 6000 (Report No. 1669, 81st Cong., 2d sess.), May 17, 1950.

H. R. 6000 (in the Senate of the

United States), 81st Congress, 2d Session, as reported by the Senate Finance Committee.

Senate debate on H. R. 6000, *Congressional Record*, June 12-20, 1950 (Vol. 96, Nos. 115-121).

Summary of Principal Changes in the Old-Age and Survivors Insurance System Under H. R. 6000, According to Conference Agreement. Prepared by Robert J. Myers, Actuary to the Committee on Ways and Means, July 25, 1950.

Summary of Principal Changes in the Social Security Act Under H. R.

6000 As Passed by the House of Representatives, As Passed by the Senate, and According to Conference Agreement. Prepared by Robert J. Myers, Actuary to the Committee on Ways and Means, July 25, 1950.

Conference Report on H. R. 6000 (H. Rpt. No. 2771, 81st Cong., 2d sess.), August 1, 1950.

House and Senate debate on Conference Report, *Congressional Record*, August 16 and 17, 1950 (Vol. 96, Nos. 162 and 163).

President's Statement, White House press release, August 28, 1950.

Chronology of Public Law No. 734 (H. R. 6000)

January 5, 1949.—President Truman recommends revision of social security law in message on State of the Union.

February 21, 1949.—President Truman sends letter and draft bills to Mr. Doughton.

February 21, 1949.—H. R. 2892 and H. R. 2893 are introduced by Mr. Doughton.

February 28–April 27, 1949.—House Ways and Means Committee holds public hearings on social security legislation.

May 2–August 19, 1949.—House Ways and Means Committee holds executive sessions.

August 15, 1949.—H. R. 6000 is introduced by Mr. Doughton.

August 22, 1949.—H. R. 6000 is reported out by House Ways and Means Committee.

September 29–October 3, 1949.—House Rules Committee holds public hearings on closed rule on H. R. 6000.

October 3, 1949.—H. R. 6297 is introduced by Mr. Kean.

October 4, 1949.—House of Representatives passes closed rule on H. R. 6000.

October 4, 1949.—House begins debate on H. R. 6000.

October 5, 1949.—H. R. 6297 is rejected as a substitute for H. R. 6000 on a motion to recommit, 112-232.

October 5, 1949.—H. R. 6000 is passed by House of Representatives, 333-14.

January 17–March 23, 1950.—Senate Finance Committee holds public hearings on H. R. 6000.

February 6, 1950.—Subcommittee on Puerto Rico and Virgin Islands of House Ways and Means Committee files report recommending inclusion of those Territories in the insurance and assistance programs.

April 3–May 17, 1950.—Senate Finance Committee holds executive sessions on H. R. 6000.

May 17, 1950.—Amended version of H. R. 6000 is reported out by Senate Finance Committee.

June 12, 1950.—Senate begins debate on H. R. 6000.

June 20, 1950.—Senate passes H. R. 6000, 81-2.

July 17–August 1, 1950.—Conference Committee holds executive sessions on H. R. 6000.

August 1, 1950.—Conference Committee files report.

August 16, 1950.—House of Representatives approves Conference Report.

August 17, 1950.—Senate approves Conference Report.

August 28, 1950.—President Truman approves H. R. 6000.

Chart 2.—Principal changes in the Social Security Act under the 1950 amendments—as passed by the House of Representatives, as passed by the Senate, and as enacted

Old law	H. R. 6000 as passed by House	H. R. 6000 as passed by Senate	New law
OLD-AGE AND SURVIVORS INSURANCE			
(1) Benefits payable to—			
(a) Insured worker, aged 65 or over. (b) Wife, aged 65 or over, of insured worker.	No change. No change in age requirement other than that no age requirement if child under age 18 is present.	No change. No change from existing law, except benefits provided for dependent husbands aged 65 or over.	No change. Same as Senate bill but with provision in House bill for no age requirement if child under age 18 is present.
(c) Widow, aged 65 or over, of insured worker.	No change.	No change, except benefits provided for dependent widowers aged 65 or over.	Same as Senate bill.
(d) Children (under age 18) of retired worker, and children of deceased worker and their mother regardless of her age.	Certain dependency and relationship requirements liberalized, especially with respect to dependency on married insured women.	Same as House bill, except provisions as to dependency on married women further liberalized.	Same as Senate bill.
(e) Dependent parents, aged 65 or over, of deceased worker if no surviving spouse or child could receive monthly benefits.	No change.	No change.	No change.
(f) Lump-sum death payment when no monthly benefits immediately payable.	Lump sum for all insured deaths.	Same as existing law, except special provision when monthly benefits paid in first year are less than lump sum.	Same as House bill.
(2) Insured status			
(a) Based on "quarters of coverage," namely, calendar quarters with \$50 or more of wages.	After effective date, \$100 of wages and \$200 of self-employment income required for quarter of coverage. Special provision for converting annual self-employment income into quarters of coverage.	Same as House bill, except only \$50 of wages and \$100 of self-employment income required for quarter of coverage.	Same as Senate bill.
(b) Fully insured (eligible for all benefits) requires 1 quarter of coverage for each 2 quarters after 1936 and before age 65 (or death if earlier). In no case more than 40 quarters of coverage required. Minimum of 6 quarters of coverage required.	Alternative requirement provided; namely, 20 quarters of coverage out of 40 quarters preceding death or attainment of age 65, or any later date.	Same as present law, except "new start" provides that such quarters of coverage (acquired after 1936) must at least equal half the quarters after 1950. Thus all now aged 62 or over need have only 6 quarters of coverage. Not applicable for deaths prior to effective date.	Same as Senate bill.
(c) Currently insured (eligible only for child's, widowed mother's, and lump-sum survivor benefits) requires 6 quarters of coverage in the 13-quarter period consisting of the quarter of death and the 12 preceding quarters.	No change.	No change.	No change.
(3) Worker's monthly old-age benefit ("primary amount")			
(a) Average monthly wage based on period from 1937 to age 65 (or death if earlier) regardless of whether in covered employment in all such years. A year of coverage is a calendar year in which \$200 is credited.	Average monthly wage based on average over years of coverage (after either 1936 or 1949, whichever is higher). A year of coverage is a calendar year in which \$400 is credited (\$200 before 1950).	Same as existing law, except "new start" average beginning after 1950 may be used for those with 6 quarters of coverage after 1950.	Same as Senate bill.
(b) Monthly amount is 40 percent of first \$50 of average wage plus 10 percent of next \$200, all increased by 1 percent for each year of coverage.	Monthly amount is 50 percent of first \$100 of average wage plus 10 percent of next \$200, increased by ½ percent for each year of coverage and unless in covered employment in entire period reduced by percentage of time out of covered employment since 1936 or 1949, whichever gives smaller reduction. Benefits of present beneficiaries increased by conversion table that gives effect to new benefit formula and new average wage concept; the average primary benefit will be increased by 70 percent, with somewhat greater relative increases for those receiving smallest amounts, as indicated by the following tabulation for certain illustrative cases:	For those with "new start" average wage, monthly amount is 50 percent of first \$100 of average wage plus 15 percent of next \$200. For all others (including present beneficiaries) and those with "new start" if it produces a larger benefit, the benefit is computed under existing law (but with no 1-percent increase for years after 1950) and then increased by conversion table; the average primary benefit will be increased on the average by 85 percent, as indicated by the following tabulation for certain illustrative cases:	Same as Senate bill except that conversion table is lowered so that the average primary benefit is increased by 77½ percent, as indicated by the following tabulation for certain illustrative cases:
<i>Primary insurance benefit</i>	<i>Primary insurance amount</i>	<i>Primary insurance amount</i>	<i>Primary insurance amount</i>
\$10.00	\$25.00	\$20.00	\$20.00
15.00	30.90	31.00	30.00
20.00	36.30	37.00	37.00
25.00	44.50	48.50	46.50
30.00	50.90	56.20	54.00
35.00	55.40	62.20	59.20
40.00	59.90	67.60	64.00
45.00	64.40	72.50	68.50
(c) Minimum primary benefit, \$10.	\$25.	\$25, unless average monthly wage is less than \$34—then \$20.	\$25 unless average monthly wage is less than \$35—then graded down to \$20 for average monthly wage of \$30 or less.
(d) Maximum family benefit, \$85 or 80 percent of average wage or twice the primary benefit, whichever is least (but in no case less than \$20).	\$150, or 80 percent of average wage if less (but in no case less than \$40).	Same as House bill.	Same as House bill.

Chart 2.—Principal changes in the Social Security Act under the 1950 amendments—as passed by the House of Representatives, as passed by the Senate, and as enacted—Continued

Old law	H. R. 6000 as passed by House	H. R. 6000 as passed by Senate	New law
(4) Benefit amounts of dependents and survivors relative to worker's primary benefit			
(a) Wife, one-half of primary benefit. (b) Widow, three-quarters of primary benefit. (c) Child, one-half of primary benefit.	No change. No change. No change, except for deceased worker family, when first child gets three-quarters of primary benefit.	No change. No change. Same as House bill.	No change. No change. Same as House bill.
(d) Parent, one-half of primary benefit. (e) Lump sum at death, six times primary benefit.	Three-quarters of primary benefit. Three times primary benefit.	Same as existing law. Same as House bill.	Same as House bill. Same as House bill.
(5) Amount of employment permitted beneficiary for benefit receipt (work clause)			
No benefits paid for month in which \$15 or more earned in covered employment.	Same except \$15 limit is increased to \$50 and no limitation at all after age 75.	Same as House Bill.	Same as House bill.
(6) Covered employment			
All employment except self-employment and employment in Federal and State Governments, railroads, nonprofit (charitable, educational, and religious), agriculture, and domestic service. Employment covered only in the 48 States, the District of Columbia, Alaska, and Hawaii, and on American ships outside the United States under certain circumstances.	In addition to existing coverage, includes the following groups: (a) Nonfarm self-employed other than certain professions (physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, optometrists, Christian Science practitioners, and certain professional engineers); (b) State and local government employees on elective basis by the State, except that, where retirement system exists, employees and beneficiaries must favor by two-thirds majority in referendum, and except for certain transit workers who are covered compulsorily; (c) Regularly employed nonfarm domestic servants (based on 26 days of work during a quarter); (d) Employees of nonprofit institutions other than ministers (on compulsory basis for employees and voluntary basis for employer); (e) Agricultural processing workers off the farm; (f) Federal employees not covered under retirement system other than those in very temporary or casual employment; (g) Americans employed by American employer outside the United States and employees on American aircraft outside the United States in the same manner as for ships; (h) Employment in Puerto Rico and Virgin Islands; (i) Salesmen and certain other employees who were deprived of coverage as employees by Public Law 642, Eightieth Congress; (j) Tips reported to the employer included as wages.	Same as House bill except: (a) Coverage of regularly employed farm workers, based on 60 days of work during a quarter; (b) Exemption from coverage as professional self-employed extended to architects, naturopaths, certified, licensed, and registered public accountants, funeral directors and all professional engineers (instead of certain named ones), while publishers are covered; (c) Coverage of regularly employed nonfarm domestic servants, based on 24 days of work during a quarter; (d) Coverage of nonprofit employees on compulsory basis for nonreligious organizations and on completely voluntary basis for religious organizations; (e) Coverage of Federal civilian employees not covered by a retirement system clarified and extended to those occupying positions pending permanent or indefinite appointment; (f) Coverage not permitted for State and local employees covered by an existing retirement plan; (g) Definition of "employee" restricted to strict common-law basis except for following named occupational groups covered as "employees": full-time life insurance salesmen; agent-drivers and commission-drivers distributing meat products, bakery products, or laundry or dry cleaning services; and full-time wholesale salesmen; (h) Tips not included as wages as in existing law.	Same as Senate bill except: (a) Coverage of regularly employed farm workers based on 60 full days of work during a quarter if worker had continuous employment with the same employer during a preceding 3-month period; (b) Exemption from coverage as professional self-employed extended to full-time practicing public accountants; (c) Coverage of nonprofit employees on voluntary basis. Employer must elect coverage, and at least two-thirds of employees must concur in coverage. Then all employees concurring in coverage and all new employees are covered; (d) Additional occupational groups covered as "employees": agent - drivers and commission - drivers distributing vegetable or fruit products or beverages (other than milk) and industrial home-workers earning at least \$50 during a quarter if subject to regulation under State law and working under specifications supplied by employer.
(7) Permanent and total disability benefits			
None.	For worker both currently insured and having 20 quarters of coverage out of last 10 years. Amount of primary benefit determined as for retired worker. No benefit for dependents of disabled worker. Benefits begin in January 1951.	None.	None.
(8) Wage credits for World War II service			
None.	World War II veterans (including those who died in service) given wage credits of \$160 for each month of military service in World War II.	Same as House bill except that credit not given if service is used for any other Federal retirement system and except that additional cost is to be borne by trust fund (instead of by General Treasury as in House bill).	Same as Senate bill.

Chart 2.—Principal changes in the Social Security Act under the 1950 amendments—as passed by the House of Representatives, as passed by the Senate, and as enacted—Continued

Old law	H. R. 6000 as passed by House	H. R. 6000 as passed by Senate	New law
(9) Maximum annual wage and self-employment income for tax and benefit purposes			
\$3,000.	\$3,600 after 1949.	\$3,600 after 1950.	Same as Senate bill.
(10) Tax (contribution) rates			
1 percent on employer and 1 percent on employee through 1949, 1½ percent for 1950-51, and 2 percent thereafter.	1½ percent on employer and 1½ percent on employee for 1950, 2 percent for 1951-59, 2½ percent for 1960-64, 3 percent for 1965-69, and 3½ percent thereafter, except— (a) For self-employed, 1½ times rate for employees. Self-employment income taxed would be, in general, net income from trade or business; (b) For nonprofit employment, no tax is imposed on employer, who can pay it voluntarily. If employer does not pay tax, employee receives credit for only 50 percent of his taxed wages.	Same as House bill, except that increase to 2 percent is in 1956 instead of 1951 and except that nonprofit employment when covered is on same basis as all other employment.	Same as Senate bill, except that increase to 2 percent is in 1954.
(11) Appropriations from general revenues			
Appropriations authorized for such sums as may be required to finance the program.	Provision in existing law repealed.	Same as House bill.	Same as House bill.
(12) Time within which benefit payments must be claimed			
(a) Monthly benefits payable retroactively for 3 months before month of application. (b) Lump-sum death payments must be claimed within 2 years of death.	Same as existing law except that period extended to 6 months. Same as existing law except that for deaths outside continental United States during war period, lump sum may be claimed any time before 1952.	Same as House bill. Same as House bill.	Same as House bill. Same as House bill.
PUBLIC ASSISTANCE			
(1) Groups eligible for aid			
Three categories defined for assistance purposes as needy persons—(1) 65 years of age and over, (2) blind, and (3) children under 16 years of age and children aged 16-17, if they are regularly attending school.	Fourth category provided for permanently and totally disabled individuals who are in need. For aid to dependent children the mother or other relative with whom a dependent child is living is included as a recipient for Federal matching purposes.	Same as House bill except fourth category (aid to disabled) not provided for.	Same as House bill, except that permanently and totally disabled individuals must be at least 18 years old.
(2) Federal share of public assistance expenditures			
Federal share for old-age assistance and aid to blind is three-fourths of first \$20 of a State's average monthly payment plus one-half of the remainder within individual maximums of \$50; for aid to dependent children, three-fourths of the first \$12 of the average monthly payment per child, plus one-half the remainder within individual maximums of \$27 for the first child and \$18 for each additional child in a family. Administrative costs shared 50 percent by Federal Government and 50 percent by States.	Federal share for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is four-fifths of the first \$25 of a State's average monthly payment, plus one-half of the next \$10, plus one-third of the remainder within individual maximums of \$50; for aid to dependent children, four-fifths of the first \$15 of the average monthly payment per recipient, plus one-half of the next \$6, plus one-third of the next \$6 within individual maximums of \$27 for the relative with whom the children are living, \$27 for the first child, and \$18 for each additional child in a family. Administrative costs same basis as present law.	Same as existing law, except that individual maximums for aid to dependent children are raised from \$27 to \$30 for the relative with whom the children are living and for the first child and from \$18 to \$20 for all other children and except that for old-age assistance payments supplementing old-age insurance benefits for those first becoming entitled to such benefits in or after the second month after enactment, Federal share is on a 50-50 basis.	Same as existing law, except that relative with whom children are living is included for Federal matching purposes within individual maximum of \$27 a month. Matching basis for aid to disabled same as for old-age assistance.
(3) Medical care			
Federal sharing in costs of medical care limited to amounts paid to recipients that can be included within the monthly maximums on individual payments. No State-Federal assistance provided persons in public institutions unless they are receiving temporary medical care in such institutions.	Federal Government will share in cost of payments made directly to medical practitioners and other suppliers of medical services, which when added to any money paid to the individual, does not exceed the monthly maximums on individual payments. Federal Government shares in the cost of payments to recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled living in public medical institutions other than those for mental disease and tuberculosis.	Same as House bill, except that no plan for aid to disabled is provided and except for specific authorization for Federal Government to share in direct payments made to suppliers of remedial care as well as to suppliers of medical care.	Same as Senate bill, except that plan for aid to disabled is provided.

Chart 2.—Principal changes in the Social Security Act under the 1950 amendments—as passed by the House of Representatives, as passed by the Senate, and as enacted—Continued

Old law	H. R. 6000 as passed by House	H. R. 6000 as passed by Senate	New law
(4) Changes in requirements for State public assistance plans			
(a) Residence			
For old-age assistance and aid to the blind, a State may not require, as a condition of eligibility, residence in a State for more than 5 of the 9 years immediately preceding application and 1 continuous year before filing the application. For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than a year old, birth in the State and continuous residence by the mother in the State for 1 year preceding the birth.	No change in requirements for old-age assistance and aid to dependent children. For aid to the blind, effective July 1, 1951, a State may not require, as a condition of eligibility, residence in the State for more than 1 continuous year before the filing of the application for aid. For aid to the permanently and totally disabled, no State may impose a residence requirement more restrictive than that in its plan for aid to the blind on July 1, 1949, and beginning July 1, 1951, the maximum residence requirement is 1 year immediately preceding the application for aid. (All other requirements for aid to the permanently and totally disabled are the same as for old-age assistance.)	Same as existing law.	Same as Senate bill, except that for aid to the permanently and totally disabled, residence requirement is same as that for old-age assistance and aid to the blind.
(b) Income and resources			
For the three categories a State must, in determining need, take into consideration the income and resources of an individual claiming assistance.	Provision in existing law is made applicable to aid to the permanently and totally disabled. For aid to the blind, effective October 1, 1949, a State may disregard such amount of earned income, up to \$50 per month, as the State vocational rehabilitation agency for the blind certifies will serve to encourage or assist the blind to prepare for or engage in remunerative employment; effective July 1, 1951, a State must, in determining the need of any blind individual, disregard any income or resources that are not predictable or actually not available to the individual and take into consideration the special expenses arising from blindness.	Effective July 1, 1952, a State must disregard earned income, up to \$50 per month, of an individual claiming aid to the blind; before July 1, 1952, the exemption of earned income, up to \$50 per month, is discretionary with each State. Same income and resources provisions as in existing law for the other categories.	Same as Senate bill.
(c) Temporary approval of State plans for aid to the blind			
No provision.	For the period October 1, 1949, to June 30, 1953, any State that did not have an approved plan for aid to the blind on January 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the aforementioned income and resources requirement of the act.	Same as House bill except that provision applies after October 1, 1950, and with no termination date.	Same as House bill except that provision applies after October 1, 1950, and terminates June 30, 1955.
(d) Examination to determine blindness			
No provision.	A State aid to the blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist.	A State aid to the blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye. Also the plan must provide that the services of optometrists within the scope of their practice as prescribed by State law shall be available to individuals already determined to be eligible for aid to the blind (if desired and needed by them) as well as to recipients of any grant-in-aid program for improvement or conservation of vision.	Same as House bill, but mandatory July 1, 1952, and discretionary with each State prior thereto.
(e) Assistance to be furnished promptly			
No specific provision relating to opportunity to apply for assistance promptly.	Opportunity must be afforded all individuals to apply for assistance, and assistance must be furnished promptly to all eligible individuals.	Same as House bill but clarified.	Same as Senate bill.
(f) Fair hearing			
Fair hearing must be provided individual whose claim for assistance is denied. No specific provision for individual whose claim is not acted upon within a reasonable time.	Fair hearing must be provided by State agency to individual whose claim for assistance is denied or not acted upon within reasonable time.	Same as House bill but clarified.	Same as Senate bill.

Chart 2.—Principal changes in the Social Security Act under the 1950 amendments—as passed by the House of Representatives, as passed by the Senate, and as enacted—Continued

Old law	H. R. 6000 as passed by House	H. R. 6000 as passed by Senate	New law
(g) Standards for institutions			
No provision.	If a State plan for old-age assistance, aid to the blind, or aid to the permanently and totally disabled provides for payments to individuals in private or public institutions, the State must have a State authority to establish and maintain standards for such institutions. (Effective July 1, 1953.)	Same as House bill.	Same as House bill.
(h) Training program for personnel			
No specific provision.	States must provide a training program for the personnel necessary to the administration of the plan.	No specific provision.	Same as Senate bill.
(i) Notification to law enforcement officials			
No provision.	In aid to dependent children the States must provide for prompt notice to appropriate law-enforcement officials in any case in which aid is furnished to a child who has been deserted or abandoned by a parent.	Same as House bill.	Same as House bill.
(5) Puerto Rico and the Virgin Islands			
Federal funds for public assistance not available to Puerto Rico and the Virgin Islands.	The four categories of assistance are extended to Puerto Rico and the Virgin Islands. The Federal share for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is limited to one-half the total sums expended under an approved plan up to a maximum payment for any individual of \$30 per month. For aid to dependent children the Federal share is limited to one-half the expenditures under an approved plan up to individual maximums of \$18 for the first child and \$12 for each additional child in a family. Administrative costs are matched by the Federal Government on a 50-50 basis.	Same as existing law.	Same as House bill, except that maximum annual Federal grant shall be \$4,250,000 for Puerto Rico and \$160,000 for the Virgin Islands.
MATERNAL AND CHILD HEALTH AND CHILD WELFARE SERVICES			
(1) Maternal and child health services			
Authorizes an annual appropriation of \$11,000,000. One-half this amount is distributed among the States as follows: \$35,000 to each State, and the remainder on the basis of the relative number of live births in the State. The second half is distributed among the States on the basis of the financial need of each State after consideration of the number of live births in the State.	Same as existing law.	Authorization for annual appropriation increased to \$20,000,000 and the \$35,000 uniform allotment to each State is increased to \$60,000. Otherwise, the provisions of present law relating to the apportionment of funds are unchanged. (Effective for fiscal years beginning after June 30, 1950.)	Same as Senate bill, except that annual authorization is \$15,000,000 for fiscal year beginning July 1, 1950, and \$16,500,000 for subsequent years.
(2) Services for crippled children			
Authorizes an annual appropriation of \$7,500,000. One-half this amount is distributed among the States as follows: \$30,000 to each State, and the remainder on the basis of need after consideration of the number of crippled children in the State needing services and the cost of such services. The second half is distributed on the same basis of need.	Same as existing law.	Authorization for annual appropriation increased to \$15,000,000 and the \$30,000 annual allotment to each State is increased to \$60,000. Otherwise, the provisions of present law relating to the apportionment of funds are unchanged. (Effective for fiscal years beginning after June 30, 1950.)	Same as Senate bill, except that annual authorization is \$12,000,000 for fiscal year beginning July 1, 1950, and \$15,000,000 for subsequent years.
(3) Child welfare services			
Authorizes an annual appropriation of \$3,500,000 for grants to the States for child welfare services in rural areas and areas of special need. Funds allotted to States with approved plans as follows: \$20,000 to each State and remainder on basis of rural population of the respective States.	Authorization for annual appropriation increased to \$7,000,000 and the \$20,000 now allotted to each State is increased to \$40,000 with the remainder to be allotted on the basis of rural population of the respective States. Specific provision is made for the payment of the cost of returning any runaway child under age 16 to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met. (Effective for fiscal years beginning after June 30, 1950.)	Same as House bill except that annual authorization is increased to \$12,000,000 and except that allotment is on basis of rural population under age 18. (Effective for fiscal years beginning after June 30, 1950.) Also provision added that in developing the various services under the State plans, the States would be free, but not compelled, to utilize the facilities and experience of voluntary agencies for the care of children in accordance with State and community programs and arrangements.	Same as Senate bill, except that annual authorization is \$10,000,000.

THE SOCIAL SECURITY ACT AMENDMENTS OF 1950:
LEGISLATIVE HISTORY OF THE COVERAGE PROVISIONS

of the

FEDERAL OLD-AGE AND SURVIVORS INSURANCE PROGRAM

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THE SOCIAL SECURITY ACT AMENDMENTS OF 1950:
LEGISLATIVE HISTORY OF THE COVERAGE PROVISIONS
OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE PROGRAM

by
Wilbur J. Cohen*

The Social Security Act Amendments of 1950 1/ substantially improve the Federal old-age and survivors insurance system and incorporate a number of novel coverage and tax features. Not only are 10 million additional persons covered under the provisions of the insurance program but the groups covered, the groups excluded, the methods used to obtain coverage, the rate of the tax and the forms for collecting the taxes on some of the groups are of unusual interest.2/ A revised and expanded definition of the term "employee," after a long and complex controversy; the exclusion of such professional groups as doctors and naturopaths from coverage of the self-employed; coverage of American citizens rendering services outside the United States for American employers; provision for the voluntary waiver of tax exemption by nonprofit institutions; coverage of State and local employees by voluntary agreements between the States and the Federal Government--these are some of the new and important features of the amendments.

In attempting to revise and improve the social security program innumerable collateral issues were raised involving constitutional, political, administrative, and tax questions. Illustrative of the complexity and far-reaching implications of the proposals considered was the expanded definition of the term "employee" which was opposed by some because it might find its way eventually into other legislation relating to labor disputes, wages-and-hours, workmen's accident compensation and tort liability. Coverage of nonprofit institutions raised some very sensitive issues of relationship between church and state. This article will attempt to trace the background of the various issues which arose and the decisions which were made.

*The author wishes to acknowledge the valuable help he received from George J. Leibowitz, Chief of the Program Planning Branch, and Mrs. Sara A. Brown, Coverage and Coordination Planning Branch, both of the Division of Program Analysis, Bureau of Old-Age and Survivors Insurance.

1/ Public Law 734 (81st Cong., 2nd Sess.), approved August 28, 1950.

2/ The new law also provides for many important changes not discussed in this article in the tax and benefit provisions of the insurance program as well as changes in the public assistance, maternal and child health and welfare, and unemployment insurance provisions. For a detailed summary of the entire law as well as an account of the legislative history of the bill see Wilbur J. Cohen and Robert J. Meyers, "Social Security Act Amendments of 1950: A Summary and Legislative History," Social Security Bulletin, October 1950, pp. 3-14.

SUMMARY OF COVERAGE AND FINANCING PROVISIONS

The new law extends compulsory coverage under the Federal old-age and survivors insurance system to about 8 million persons, and voluntary coverage will be available for about 2 million employees of State and local governments and nonprofit organizations. ^{3/} The new coverage became effective January 1, 1951.

The specific changes in coverage are, as follows:

A. Self-employed

The new law covers approximately 4 3/4 million self-employed persons whose annual net income from self-employment is at least \$400. It does not cover self-employed farmers, physicians, lawyers, dentists, osteopaths, chiropractors, optometrists, Christian Science practitioners, naturopaths, professional engineers, veterinarians, architects, funeral directors, and certified, registered, licensed, or full-time practicing public accountants.

B. Agricultural workers

The new law covers about 200,000 borderline agricultural labor, such as processing workers previously excluded. In addition, it covers about 650,000 "regularly employed" agricultural workers. A farmworker is "regularly employed" if he has 3 months' continuous service for one employer before coverage starts, and thereafter employment by that employer on a full-time basis for at least 60 days in a calendar quarter with cash wages of at least \$50 for services in the quarter.

C. Domestic workers

The new law covers approximately 1,000,000 "regularly employed" domestic workers not in farm homes (those in farm homes would be covered as agricultural workers). A domestic worker is "regularly employed" by a single employer if he works at least 24 days in a calendar quarter with cash wages of at least \$50 for services in the quarter.

D. Employees of nonprofit organizations

The new legislation contains the following provisions for voluntary coverage of about 600,000 employees of nonprofit organizations:

1. If the employer does not agree to pay his share of the contribution, the employees cannot be covered.
2. Even if the employer agrees to pay his share, none of the employees can be covered unless two-thirds of them accept coverage.

^{3/} The estimates given here are based upon employment in an average week in 1950. The number affected during an entire year will be much larger.

3. If two-thirds or more of the employees accept coverage, those employees who do so, plus any employees hired in the future, will be covered.
4. Coverage must be for an initial period of at least 8 years, and in addition 2 years' advance notice must be given before coverage can be terminated. Thus the minimum period of coverage is 10 years.

Ministers and members of religious orders will continue to be excluded.

E. Employees of State and local governments

The new law provides voluntary coverage for approximately 1,450,000 State and local government employees through agreements between the States and the Federal Government. Public employees covered under a retirement system on the date when the agreement is made applicable to the governmental unit which employs them cannot be covered under old-age and survivors insurance. In addition, the new law extends compulsory coverage to employees of transit systems taken over by State or local governments after 1936 unless they are covered by a general retirement system (if the transit system was taken over before 1951, the employees are covered even if under a general retirement system unless that system is protected by the State constitution).

F. Federal civilian employees not under a retirement system ^{4/}

The new law covers employees of the United States Government, or of wholly owned corporations of the United States, who are not covered under any Federal retirement system. This results in covering most short term Federal employees, including those serving under temporary appointment pending final determination of eligibility for permanent or indefinite appointment. In addition, employees of the following instrumentalities of the Federal Government are covered: national farm loan associations; production credit associations; Federal credit unions; the Tennessee Valley Authority (if not under the TVA retirement system); post exchanges and similar activities under the National Defense Establishment; State, county, and community committees under the Production and Marketing Administration; and certain employees of the Federal Reserve System.

G. Puerto Rico and the Virgin Islands

The new law extends coverage to about 400,000 employees and the self-employed in the Virgin Islands and (if requested by the Territorial Legislature) in Puerto Rico, on the same basis as in the continental United States.

^{4/} It was originally estimated that about 200,000 Federal employees would be covered by this amendment. However, recent legislation and an Executive order making practically all new appointments in the Federal service temporary will probably increase this number greatly--perhaps to 500,000 or 600,000 during 1951, the exact number depending upon defense requirements.

H. Americans outside the United States

The new law extends coverage to about 150,000 Americans employed outside of the United States by an American employer, and to employees on American aircraft outside of the United States.

I. Definition of employee

The new law defines an employee as "any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee," and also covers as employees (1) full-time life insurance salesmen, (2) agent-drivers or commission drivers engaged in distributing meat or bakery products, vegetables or fruit products, beverages (other than milk) or laundry or drycleaning services, (3) full-time traveling or city salesmen (other than house-to-house salesmen) taking orders from retailers, hotels, wholesalers, jobbers, and contractors, and (4) industrial homeworkers who earn at least \$50 in a calendar quarter if they are subject to regulation under State law and work in accordance with specifications prescribed by the employer.

J. Military service

The new law provides for wage credits of \$160 a month to veterans for each month of service in World War II.

FINANCING OLD-AGE AND SURVIVORS INSURANCE

The changes in financing old-age and survivors insurance are as follows:

A. Taxable wage base

The limit on total annual earnings on which benefits are computed and contributions paid has been increased from \$3,000 to \$3,600, effective January 1, 1951.

B. Contribution schedule

Under the new law employers and employees will continue to share equally. The rate on each will be as follows:

<u>Calendar Years</u>	<u>Rate (percent)</u>
1950-1953	1½
1954-1959	2
1960-1964	2½
1965-1969	3
1970 and thereafter	3¼

The self-employed will pay 1½ times the above rates (or three-fourths of the combined rate).

LEGISLATIVE HISTORY

Before discussing each of the coverage groups separately, a brief review of the process through which the legislation evolved will be helpful to an understanding of the solutions incorporated in the final law.

Article I, Section 7 of the Constitution provides that all revenue bills in the Congress must originate in the House of Representatives. Since the payroll taxes for social security are clearly revenue raising provisions, it has generally been accepted by the Senate that it cannot originate basic social security legislation but must await a bill passed by the House before it can take any action.^{5/} This fact accounts for the importance attached to any decision of the House Committee on Ways and Means to hold hearings or not to hold hearings. The scope of such hearings predetermines or limits action on the legislation.^{6/}

The power and prestige of the House Committee on Ways and Means is so great ^{7/} that the committee is accorded special consideration in both the executive and legislative branches. Despite President Truman's

^{5/} The Senate, however, has on occasion added social security amendments to general tax bills passed by the House. See, for instance, the Revenue Acts of 1942, 1943, and 1945. The War Mobilization and Reconversion Act of 1944 originated in the Senate. This Act contained the provisions in the Social Security Act for establishing the George loan fund for unemployment insurance. In 1946, the Senate passed S. 2204 relating to insurance benefits to survivors of World War II veterans. The House, however, incorporated the provisions in a House bill, H.R. 7037, which was sent to the Senate, considered and passed and became the Social Security Act Amendments of 1946. Minor amendments to the public assistance titles of the Social Security Act have been enacted in legislation which was not considered by either the House Committee on Ways and Means or the Senate Committee on Finance.

^{6/} In 1939, for instance, the Committee announced early in the public hearings on general social security changes that it would not consider extension of social security to agriculture or domestic service. No consideration was given, therefore, to these matters in either the House or Senate.

^{7/} Among the other reasons for this situation is that the Democratic members of the Committee act as the Committee on Committees for selection of the Democratic members of all Committees of the House. Moreover, the chairman of the Committee, Robert L. Doughton, has been a member of Congress since 1910 and first became chairman of the Committee in 1933. Five other members of the Committee (Cooper, Dingell, Reed, Woodruff, and Jenkins) have been on the Committee since 1933 or longer. A further reason is that practically all important bills reported out by the Committee are handled in the House under a "closed rule" which prohibits any amendments from the floor. Consequently, the bill reported out by the Committee almost automatically becomes the bill passed by the House.

startling personal victory in the 1948 presidential campaign, his clear emergence as undisputed leader of his party, his personal victory in defeating two of the former members of the Committee (Knutson and Gearhart), 8/ and the selection of several liberal members of his own party to the Committee, he sent the Chairman of the Committee a draft of proposed legislation in a very carefully worded letter on February 21, 1949, urging only that the drafts "may serve as a basis for consideration and discussion." 9/ In the legislative process discretion often is the better part of valor. 10/

The legislative history of the 1950 amendments may be said to have started in 1938 when an Advisory Council made recommendations for revisions in the insurance program. Some of these recommendations were incorporated in the 1939 amendments; some were not. Subsequently the Annual Reports of the Social Security Board repeated most of these recommendations. Legislation was introduced into the Congress in every session, beginning with 1940, to carry out these recommendations.

On numerous occasions the President of the United States recommended to the Congress that social security be extended, liberalized, and broadened. President Truman made such recommendations to the 80th Congress in his State of the Union message on January 6, 1947, in his Economic Report of January 8, 1947, and in his Budget message of January 10, 1947. He repeated these recommendations to the second session of the 80th Congress in his Budget message, January 6, 1948. On May 24, 1948, the President sent a special message to the Congress which recommended: (1) more adequate benefits under old-age and survivors insurance; (2) extended coverage for old-age and survivors insurance; (3) extended coverage for unemployment insurance; (4) insurance against loss of earnings due to illness or disability; and (5) improved public assistance for the needy.

8/ For a discussion of the President's participation in this matter see the section, infra, on the definition of "employee."

9/ The entire letter is published in Hearings before the House Committee on Ways and Means on H.R. 2892, Part 1, 81st Cong., 1st Sess., 1949, page 1.

10/ Yet, it is significant that the President did not alter or eliminate any of the provisions of the proposed legislation as a result of the doubts expressed by some of the influential Congressmen on such proposals as extension of coverage to agriculture at the meetings which preceded his sending the drafts to the Committee. Moreover, despite the fact that agricultural workers were not covered in H.R. 6000 as passed by the House, the Senate did include "regularly employed" agricultural labor, and the final law incorporated a compromise provision covering 650,000 hired farm workers.

Despite the recommendations of the President the 80th Congress did not give consideration to any broad changes in the social security law. In a Committee Report to the House of Representatives, the majority of the Committee stated that they concur "in the conclusion that the broad problems covered by most of the bills must be deferred until the effects, the cost, and the difficult administrative problems which these bills involved can be adequately measured and appraised." The Committee then reported out the Reed bill (H.R. 6777) which was passed by the House of Representatives on June 14, 1948. The bill was so limited and was enacted so late in the session that the Senate Finance Committee did not hold hearings on the bill or consider it, and the bill died.

President Truman again recommended broad and extensive improvements in the social security program in his Budget message of January 3, 1949. The letter of the President to the Chairman of the House Committee on Ways and Means, was preceded by a conference of Democratic leaders with the President, including all the Democratic members of the House Committee on Ways and Means. This is not a frequent practice but a very useful and important one in assuring congressional consideration of legislation. The House Committee immediately called hearings on the two draft bills 11/ submitted by the President and held public and executive hearings for many weeks. As a result of these hearings the Committee drafted and reported out a single bill, H.R. 6000, which eventually became the Social Security Act Amendments of 1950. The final legislation incorporated many of the basic proposals recommended by the President but differed in many respects in important matters of essential detail. The length of time required for the various stages of House action resulted in the bill passing the House of Representatives on October 5, 1949, in the closing days of the first session. The bill, as amended, passed the Senate on June 20, 1950. The conference report was approved by the House of Representatives on August 16 and in the Senate on the following day. President Truman affixed his signature to the bill on August 28, 1950.

THE SELF-EMPLOYED

The coverage of self-employed persons under the new law is significant from several points of view. Self-employed persons are the largest single group covered by the amendments. Moreover, coverage of self-employed persons represents an important innovation since only persons who were "employees" of an employer had previously been covered. At the time the Social Security Act was first enacted in 1935 very few countries covered self-employed persons under their insurance program. For instance, Great Britain did not extend coverage to the self-employed until 1948. 12/

11/ H.R. 2892 dealt with the public assistance and child welfare provision of the Social Security Act which do not involve levying of special taxes. H.R. 2893 dealt with the Federal old-age and survivors insurance benefits, disability insurance benefits, and the payroll taxes for these benefits.

12/ Wilbur J. Cohen, "Coverage of the Self-Employed Under Old-Age and Survivors Insurance: Foreign Experience," Social Security Bulletin, August, 1949, pp. 11-15.

The plan for covering the self-employed involves a departure from the payroll-reporting mechanism for covering employees. Collection of the tax and reporting of income for the self-employed will be associated with the income tax. Most significant, however, is the fact that after careful consideration the Congress provided for coverage of the self-employed on a compulsory basis instead of a voluntary basis. 13/ The reports of both the House and Senate Committees on H.R. 6000 note that the Committees "gave thorough consideration to the possibility of coverage on a voluntary basis, but there are fundamental objections to that approach. The history of voluntary social insurance in the United States and in other countries indicate definitely that only a very small proportion of all eligible individuals actually elect to participate. Moreover, those who do elect are usually not persons of below-average income who are in the greater need of such protection. In addition, voluntary coverage would probably attract almost exclusively people who are already aged and others who can foresee a large possible return for their contributions; as a result, the program would be faced with adverse selection of risks and consequently there would be a serious drain on the trust fund." 14/

Coverage of the self-employed became feasible only after the solution of a number of difficult administrative problems. 15/ In 1938, both the Advisory Council on Social Security 16/ and the Social Security Board 17/ reported to the Congress that they were unable to recommend a practical plan for coverage. In November 1947, however, the Treasury Department issued a report outlining a plan for the coverage of the self-employed in which they concluded that "administrative considerations no longer constitute a barrier to expanded coverage." 18/

13/ H.R. 2046 introduced in the 80th Congress by Mr. Curtis, a Republican member of the House Committee on Ways and Means, provided for coverage of the self-employed on a voluntary basis. It is significant that the bill advanced by the Republican members of the Committee in the 81st Congress (H.R. 6297 introduced by Mr. Kean) as a substitute for H.R. 6000 provided for a compulsory coverage of the self-employed.

14/ House Committee Report No. 1300 (81st Cong., 1st Sess.) p. 10; Senate Committee Report No. 1669 (81st Cong., 2d Sess.) pp. 11-12.

15/ For a brief review of these problems see Harold P. Packer and George J. Leibowitz, "Coverage of the Self-Employed Under the Old-Age and Survivors Insurance Program," 36 California Law Review 61, (1948).

16/ Final Report of the Advisory Council on Social Security, Sen. Doc. No. 4, 76th Cong., 1st Sess. (1939), p. 23.

17/ Report of the Social Security Board, House Doc. No. 110, 76 Cong., 1st Sess. (1939), p. 11.

18/ The Extension of Old-Age and Survivors Insurance to Agricultural and Domestic Service Workers and to the Self-Employed, Division of Tax Research, Treasury Department, (1947), p. 6 (mimeographed).

In the case of the self-employed, the original basis for exclusion was largely administrative in character and related to the problem of collection taxes from self-employed persons with low incomes. The financial structure of the contributory old-age insurance system adopted in 1935 was built around employer and employee taxes on wages collected at the source. It placed primary responsibility on the employer for compliance and avoided the need for returns on the part of individual wage earners. This mechanism obviously was not applicable to the self-employed where employer and employee are one and the same person. The financing of social security benefits for the self-employed had to be built around some alternative structure involving self-reporting by covered persons. The mechanism which held most promise appeared to be an adaptation of the procedures used for income tax purposes. Since, however, the income tax of those days employed large personal exemptions and was a tax payable by a relatively small segment of the population, its adaptation for social security purposes would have required innovations which were then regarded as involving too much risk. The retention of substantial income tax exemptions for old-age insurance purposes would, in effect, have entailed the exclusion of precisely those self-employed persons who were most in need of social security protection. The drastic reduction of exemptions or their complete elimination, on the other hand, involved questions of enforcement practicability which were then difficult to appraise. ^{19/} The lowering of the personal exemptions during World War II and the successful administration of the income tax to millions of persons with relatively low income was largely responsible for the Treasury Department and the Congress coming to the conclusion that coverage of the self-employed was administratively feasible. The unanimous recommendation in 1948 of the Advisory Council on Social Security to the Senate Committee on Finance that coverage of the self-employed was feasible and desirable on a compulsory basis was of great importance. ^{20/}

The 1950 amendments extend coverage to some 4,650,000 self-employed persons. In general, those covered are persons (other than farm operators and certain specified professional people) whose net earnings from self-employment are at least \$400 in a year. The excluded professional groups are: lawyers, physicians, dentists, osteopaths, chiropractors, naturopaths, Christian Science practitioners, optometrists, veterinarians, professional

^{19/} Ibid., p. 2

^{20/} Old-Age and Survivors Insurance, A Report to the Senate Committee on Finance from the Advisory Council on Social Security, 80th Cong., 2d Sess., Sen. Doc. No. 149, 1948, pp. 15-17

engineers, architects, funeral directors, and certified, registered, licensed or full-time practicing public accountants. 21/

The covered group includes proprietors (sole owners and partners) of retail stores, service establishments, wholesale and jobbing businesses, manufacturing plants, and transportation, communication, insurance, real estate, publishing, and financial enterprises. In addition, it includes about 250,000 borderline workers, such as part-time life insurance salesmen, house-to-house salesmen, operators of leased taxicabs, and "newsboys" over 18, who are excluded from coverage as employees but will be treated as self-employed persons. 22/

The amendments base the coverage of the self-employed on concepts used in determining net profit from a trade or business for income tax purposes. For social security purposes a self-employed person will copy the amount of his net earnings from self-employment, as determined on the trade or business schedule of his income tax return, on a social security schedule which will be part of the same return.

The term "net earnings from self-employment" means, with certain exceptions, an individual's net profit from a trade or business carried on by him or by a partnership of which he is a member, as determined for income tax purposes. Among the exceptions are earnings from farming, the specified professions, the ministry and the holding of public office. In addition, the following types of nonbusiness income are excluded: rentals from real estate, unless received by a real estate dealer in the course of his trade or business; dividends and interest on stocks and bonds, unless received by a securities dealer in the course of his trade or business; capital gains and losses; and income from an estate or trust derived by a beneficiary of the estate or trust. Another deviation from normal income tax procedure concerns the carryover loss deduction. For social security purposes, losses in previous years are not used in

21/ After the House Committee had voted to cover the self-employed, a Washington lobbyist opposing health insurance informed doctors that if they were covered by social security they would inevitably be drawn into a government system of medical care. This started a flood of letters and telegrams to Congress for doctors and dentists opposing their coverage under the law. Faced with the necessity of complying with the desires of these groups, the House Committee also excluded professional groups which seemed to them to be in the same general circumstances as doctors and dentists. When several other groups such as funeral directors and accountants later learned of this action, they petitioned the Senate Finance Committee to be excluded so they could be considered a "professional" group. The desire to obtain indirectly a "professional" status by Federal statute was more compelling than the value of social security protection. The only exception was newspaper publishers who were excluded by the House bill but included in the Senate version and in the final law.

22/ For the legislative history of the exclusion of news vendors see Wilbur J. Cohen and James L. Calhoun, "Social Security Legislation, January-June 1948: Legislative History and Background," Social Security Bulletin, July 1948, pp. 3-5.

SCHEDULE C (File with Form 1040) U. S. TREASURY DEPARTMENT INTERNAL REVENUE SERVICE

1951

SCHEDULE OF PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION AND COMPUTATION OF SELF-EMPLOYMENT TAX (for old-age and survivors insurance)

For calendar year 1951 or fiscal year beginning 1951, and ending 1951

Name and address under which Form 1040 is filed

If a joint return, name of husband or wife having net earnings from self-employment

PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION (For reporting farm income, see Form 1040 Instructions)

State (1) nature of business (2) business name (3) business address

Do NOT include in this schedule cost of goods withdrawn for personal use or deductions not connected with your business or profession

Table with 10 rows for 'COST OF GOODS SOLD' including total receipts, inventory, and net cost of goods sold.

Table with 11 rows for 'OTHER BUSINESS DEDUCTIONS' including salaries, rent, interest, taxes, and depreciation.

COMPUTATION OF SELF-EMPLOYMENT TAX (See Instructions on other side)

Table with 7 rows for 'COMPUTATION OF SELF-EMPLOYMENT TAX' including net earnings and self-employment tax.

FILL IN ITEMS BELOW BUT DO NOT DETACH

Schedule C-a (Form 1040) U. S. TREASURY DEPARTMENT INTERNAL REVENUE SERVICE

U. S. REPORT OF SELF-EMPLOYMENT INCOME (For Federal Old-Age and Survivors Insurance)

1951

For calendar year 1951 or fiscal year beginning 1951, and ending 1951

State nature of business

ENTER HERE YOUR SOCIAL SECURITY ACCOUNT NUMBER

Form for Social Security Account Number with three input boxes.

Enter total net earnings from self-employment shown on line 27 above

ENTER BELOW, NAME AND BUSINESS ADDRESS OF SELF-EMPLOYED PERSON

Form for Name and Business Address of Self-Employed Person with fields for Name, Address, and City/State.

Enter wages shown on line 28 above

Enter self-employment income subject to tax shown on line 30 above

computing net earnings from self-employment for a current year. The term "net earnings from self-employment" embraces such trade or business income as rentals received by an operator of a hotel, rooming house, tourist camp, or warehouse, interest on accounts receivable, and royalties derived in the conduct of a trade or business. In the case of trade or business income to which community property laws are applicable, the entire income of the trade or business will be regarded as the income of the husband unless the wife exercises substantially all the management and control of the business, in which case the entire income will be regarded as hers. If a husband and wife are legal partners, each one will be credited with his or her distributive share of the partnership income.

The exclusion from coverage of persons whose annual net earnings from self-employment do not reach \$400 is aimed at preventing contributions which may never result in benefits from persons whose self-employment is either sporadic or supplementary to other income that provides their basic means of livelihood. This was not the reason, however, for excluding the professional persons and farm operators.

In connection with each of the excluded professional groups, Congress made it clear that the exclusion reflected an attempt to comply with what it believed were the wishes of the group itself. Unfortunately, many of these groups had been confronted with a dilemma with respect to their desire for coverage. Faced with the choice of being covered and not listed among professional groups in the law, or of not being covered but receiving congressional recognition of their professional status, most of them decided in favor of the latter.

Farm operators were excluded from coverage, mainly because few individual farmers expressed a desire for coverage to their Congressmen, and the farm organizations were split on the question. While two of the major farm organizations recommended the coverage of farmers, another suggested, however, that it would be desirable to get some experience with the coverage of the nonfarm self-employed before attempting to include farmers in the program.

The self-employed person would first compute his net earnings from self-employment and then his "self-employment income," which is the amount to be posted to his wage record and on which his insurance contributions are figured. An individual's self-employment income is ordinarily the same as his net earnings from self-employment. In three situations, however, it would be different. First, if his net earnings are less than \$400 in a taxable year there is no self-employment income. Second, a nonresident alien, regardless of his net earnings from a trade or business carried on within the United States, has no self-employment income. Third, if an individual's net earnings, either alone or in combination with his covered wages as an employee exceed \$3,600 in a taxable year, his self-employment income will be reduced to either \$3,600 or an amount equal to \$3,600 less his covered wages. The first provision was designed to avoid contributions that would never result in benefits, the second, to exclude a group Congress did not wish to cover, and the third, to avoid taxing earnings in excess of the \$3,600 maximum.

The tax rate for the self-employed is set at $1\frac{1}{2}$ times the employee contribution rate which is equivalent to three-fourths of the combined employee-employer rate. One of the reasons for this special rate, according to the Advisory Council on Social Security, is the fact that some of the self-employed "will be paying on income from capital investment as well as income from personal services. Moreover, if they were required to pay twice the normal employee rate, the high-income self-employed persons who contributed over a long period might be 'overcharged' for their coverage in relation to what they would have to pay for comparable protection under private insurance. The later retirement age which characterizes the self-employed will lengthen their contribution period, reduce the number of years they receive retirement benefits, and result in saving to the trust fund." ^{23/} In addition, employers can deduct their contribution as a cost of doing business in the computation of their income tax. The self-employment tax cannot be deducted.

AGRICULTURAL LABOR

President Truman had recommended that agricultural labor and self-employed farmers be included under the insurance system. In the conference which the President held with the Democratic members of the House Committee, several of the most influential members voiced objections to including these groups. Among the objections given were the administrative and political difficulties of collecting taxes, the migratory character of much of the farm labor, the lack of adequate records among farmers and the individualism of farmers.

The President was fortified on the other hand with support from other members of the Committee who could cite the unanimous recommendation of the Advisory Council on Social Security for including both groups ^{24/} and the recommendation from the Treasury Department and the Social Security Administration that coverage of these groups was administratively feasible. ^{25/}

The provision of H.R. 2893 as presented by the President to the Committee included both groups. The President's bill proposed the coverage of all farm labor. The bill did not provide for the exemption of any irregularly employed individuals in the group but did provide that remuneration of less than \$25 a quarter for service in connection with the employer's operation of a farm would not be counted for tax or benefit purposes. In addition "wages" were defined to include the "cash value of all remuneration paid in any medium other than cash."

The House Committee on Ways and Means discussed at some length methods of covering these two groups but the bill which they reported out did not include them.

^{23/} Old-Age and Survivors Insurance, op. cit., p. 16

^{24/} Op. cit., pp. 15-17

^{25/} Op. cit., p. 6

According to Representative Doughton, Chairman of the Committee, farmers were excluded by the Committee because "we have had no evidence that a majority of them have such a desire." 26/

The House bill, however, redefined the term "agricultural labor" so as to cover several hundred thousand individuals in borderline processing and handling activities frequently referred to as "industrialized agriculture."

In the Senate Committee on Finance considerable attention was given to the entire matter of coverage of farmers and farmhands. Senator Byrd of Virginia, a member of the Committee, and an employer of large numbers of agricultural labor, was sympathetic to the coverage of agricultural labor as was Senator George, the Chairman. A careful review of the testimony and attitudes of the farm organizations indicated that despite differences on the coverage of farmers all groups favored coverage of the hired employee.27/

The Committee reported out an amendment, adopted by the Senate which covered "regularly employed" agricultural labor. In brief, the main provisions of the test of whether an individual was "regularly employed" was whether he performed agricultural labor on each of some 60 days during a calendar quarter and the cash remuneration for such service was \$50. 28/ In the Conference Committee, this provision was restricted still further as a "concession" according to Senator George, "we made to the House Conferees in order to bring about an agreement upon the bill." 29/

Whether or not a farm worker is covered under the new law is determined, with respect to his work for each of his employers, on a calendar quarter basis. Before he can be covered, a farm worker must work for an employer during a qualifying period of one entire calendar quarter. 30/

26/ Congressional Record, Oct. 4, 1949, p. 14023, (daily ed.) For statements by various Congressmen on the desirability of covering farmers see the Congressional Record, pp. 14017, 14032, 14033, 14168, 14185, 14189, 14225, 14228-9 and A6717, Oct. 4, 5, and 17, 1949, (daily ed.).

27/ Social Security Revision, Hearings before the Senate Committee on Finance, (81st Cong. 2d Sess.) on H.R. 6000, pp. 771-801, 756-762.

28/ The actual provisions of the Senate version were more detailed than the summary given here. See p. 84 of the Senate Committee Report, op. cit. Senator Murray proposed an amendment in the Senate to broaden coverage for farm workers by reducing the 60-day requirement to 40 days. See Congressional Record, June 20, 1950, pp. 9032-3, (daily ed.). The proposed amendment was not adopted.

29/ Congressional Record, August 17, 1950, p. 12884, (daily ed.). Senator George estimated that the conference agreement reduced the number of agricultural labor covered by 150,000, that is, from 800,000 to 650,000, Ibid.

30/ This was the major "concession" to which Senator George referred. In addition, the Senate version referred to employment "on each of some sixty days." This was changed to "on a full-time basis on sixty days" by the Conference Committee.

After he has served the qualifying period, the employee will be covered in each succeeding quarter with the same employer as long as he continues to work at least 60 days on a full-time basis and earns cash wages of \$50. He will also be covered for the first quarter in which he works less than 60 days if he earns cash wages of at least \$50. In this event, before he can be covered in any future quarter, he must again serve a qualifying period.

Only wages paid in cash count for a farm worker's social security. Payments in the form of room, board, farm products, firewood, or other perquisites cannot be counted.

Employees who perform the following kinds of work will be covered: planting, cultivating, or harvesting any farm crop; raising or tending livestock, bees, or fur-bearing animals on a farm; preparing, processing or delivering crops or livestock to storage or to market; cooking or doing other household work on a farm; or doing other general farm work. Not only persons doing general farm work but also those working in a farmer's home are defined as agricultural labor by the new law.

As an illustration, take the case of Bill Smith who has been working for Albert Jones as a dairy hand. Bill has worked for Mr. Jones all of the fourth quarter of 1950; therefore, he can be covered for social security beginning January 1, 1951. During January, February, and March of 1951, Bill works continuously for Mr. Jones and earns \$200 in cash wages. These wages will count for social security.

In May 1951, Bill takes a different job, with a new employer, Mr. Roy Alman. Thus, during the April-June quarter of 1951, Bill works 24 days for Mr. Jones and earns \$65 in cash. He works 48 days for Mr. Alman and earns cash wages of \$150. Bill's work for Mr. Jones counts for social security but not his work for Mr. Alman, because he has not yet worked a "qualifying quarter" for him.

During the third quarter of 1951 (July-September), Bill works full-time on the Alman farm and earns \$250 in cash. These wages also are not counted for social security. Bill's work for Mr. Alman in this third quarter, however, is his "qualifying quarter" with Mr. Alman. Consequently, as Bill continues to work for Mr. Alman all the fourth quarter of 1951, his wages in that quarter again count for social security.

Employers of regularly employed farm workers will file a social security tax report form four times a year. The first report from employers of newly covered farm workers will be due in April 1951 and will cover the 3-month period, January through March. Forms for preparing the tax report will be obtained from the Collector of Internal Revenue. On the quarterly reports, employers will list the names, account numbers, and taxable wages of their employees. They will then mail the report with a check or money order in an amount representing taxes deducted from the employees' wages and their own matching contribution.

Under the amendments, most agricultural processing operations are no longer agricultural labor. The services continued as agricultural labor, however, when the agricultural processing is done for an individual employer who

was also the producer of more than half the commodities on which the work is done. Likewise, if the services are performed for an informal group of farm operators of fewer than 21 members, who among them grew all the commodities, the services remain agricultural.

In all other cases, however, when the employer is a farm operator who did not grow half the commodities, or a farmer's cooperative, or an informal group of farmers of more than 20 members, or an informal group of farmers of 20 or fewer members who did not grow all the commodities, or a commercial handler of fruits and vegetables--the services are no longer agricultural. In these cases, the workers will be covered on the same basis as workers in commerce and industry and without regard to regularity of employment or amount of wages.

Services in the production or harvesting of maple syrup or in connection with the raising or harvesting of mushrooms or the hatching of poultry (all previously excluded from coverage by being defined as agricultural labor) are now classified according to where the work is performed. Those services performed "on a farm" continue to be agricultural labor and subject to the laws and regulations governing that type of work. The off-farm services are covered employment without any such limitations. Services in connection with farm irrigation systems operated for profit were also eliminated from the definition of agricultural labor and thus, covered as nonfarm employment.

DOMESTIC SERVICE

For many years, consideration was given to covering domestic service under the insurance system. Administrative problems similar to those relating to the coverage of agricultural labor were largely responsible for postponement of coverage.

The exclusion from social insurance coverage of persons engaged in "domestic service in a private home" dates, like the exclusion of agricultural workers, from the 1935 Social Security Act. As in the case of agricultural workers, the Committee on Economic Security had originally recommended coverage of household workers, but the Act, as finally passed excluded them. This exclusion was based on the grounds that it would be desirable, first of all, to develop experience in administratively less difficult areas of operation. However, neither their need for coverage nor the administrative feasibility of such coverage at a future date was denied.

When the Social Security Board and the Advisory Council on Social Security were called upon for recommendations in connection with the proposed 1939 amendments to the Social Security Act, they expressed themselves in favor of the extension of old-age and survivors insurance to household workers. In their opinion, sufficient administrative experience had been gained in connection with industrial and commercial employees to provide a basis for undertaking the coverage of household employees. However, Congress did not accept this recommendation. On the contrary, Congress extended the scope of the exclusion by exempting service of domestic employees of local college clubs and local chapters of college fraternities and sororities.

The President's bill, H.R. 2893, proposed the coverage of all domestic service. The bill did not provide for exemption of any irregularly employed individuals in the group but did provide that remuneration of less than \$25 a quarter for such service would not be counted for either tax or benefit purposes. In addition, "wages" were defined to include the "cash value of all remuneration paid in any medium other than cash."

H.R. 6000 as passed by the House of Representative provided for coverage of domestic service in any calendar quarter only if they earned at least \$25 in cash wages in a quarter and rendered service on 26 days in the quarter. The general idea was to cover domestic workers regularly employed by a person twice a week. The minority on the Committee on Ways and Means advocated covering all domestic workers who worked at least 1 day a week for an employer for 6 days in different weeks in the quarter and who received \$25 in the quarter.

The Senate Committee on Finance raised the \$25 cash wage requirement to \$50 31/ and reduced the 26-day requirement to 24 days to permit coverage of the domestic worker who has a regular "twice-a-week job" but who misses 1 or 2 days in a quarter due to sickness or some other reasons. 32/

The Conference Committee accepted, in general, the Senate version.

Under the amendments, domestic service in a private home not on a farm operated for profit is covered if the cash wages paid in a calendar quarter are \$50 or more and the worker is "regularly employed" by the employer during the quarter. Thus, households employing such persons as maids, cooks, laundresses, handymen, housekeepers, babysitters, practical nurses, 33/ governesses, valets, butlers, gardeners, and chauffeurs will be required to determine whether their workers meet the tests for coverage.

A domestic worker who works for an employer on 24 different days during a calendar quarter is considered regularly employed by that employer in both that quarter and the quarter immediately following it.

31/ The reason for the Senate increase was to assure that domestic workers would not be taxed unless they receive enough wages to give them a quarter of coverage. Otherwise there would be the possibility of domestic workers receiving cash wages between \$8 and \$16 per month being taxed thereon although benefit credits would never accrue for such a quarter for eligibility purposes.

32/ Senator Lehman proposed an amendment in the Senate to broaden coverage for domestic employees by reducing the 24-day requirement to 6 days, each being in a different week. See explanation in Congressional Record, June 1, 1950, p. 8950 (daily ed.). The proposed amendment was not adopted.

33/ Some practical nurses may be self-employed if they hold their services out to the public, their services are primarily concerned with the care of the patient, and such services are performed under the direction of an attending physician. Where a practical nurse performs services under the supervision and direction of the housewife, and the services are of a household nature, the practical nurse may be considered a domestic employee.

Only the cash wages of a domestic worker are taken into consideration. Noncash wages, such as room, board, meals and transportation are not considered. Tokens used for carfare are not to be considered a cash payment but cash for carfare is to be included with the wage. An example of the application of the test follows:

During the quarter from January 1 through March 31, 1951, Alice Rogers works for Mrs. Black on Monday and Tuesday of each week. Mrs. Black pays Alice \$5 a day, plus her meals, and calls for and takes her home. Since Alice works 2 days a week and there are 13 weeks in a calendar quarter, she would work on 26 days if she doesn't miss any days. Even though Alice misses 2 days of work because of illness, she still works a total of 24 days and thus meets the requirement of being regularly employed by Mrs. Black in the quarter. Since she is paid cash wages that total \$120, her employment with Mrs. Black is covered for the quarter.

Every Wednesday, Alice is employed by Mrs. Dorn who pays her \$4, plus meals and 25 cents for carfare. Since she works only 13 days for Mrs. Dorn, she is not regularly employed and therefore not covered. Mrs. Dorn has no social security report to make.

Alice also works for Mrs. Mitchell on Fridays and Saturdays. Her pay is \$4.50 a day, plus meals and 25 cents a day for carfare. Since Alice works for Mrs. Mitchell on 26 days, she is regularly employed by Mrs. Mitchell and her total cash wage of \$130 is covered. 34/

Since Alice is regularly employed by Mrs. Black and Mrs. Mitchell in the first quarter of 1951, she will be considered a regularly employed worker of these employers in the next quarter regardless of the number of days she works for them. Her coverage in the second quarter, for these employers, will depend solely on whether she is paid cash wages of at least \$50 in the quarter.

It is estimated, of the 1.8 million persons who work in domestic service in an average week approximately 1 million will be covered. Nearly all the full-time workers will be covered for practically all their employment. Perhaps half the regular day workers will be covered but often only with respect to some of their employers. All irregular day workers will be excluded from coverage.

The most important problem in administering domestic coverage was the development of a reporting and contributing system simple enough to be used by persons unaccustomed to record keeping. The need for simplicity was recognized in the plans developed by the Bureau of Internal Revenue and the Social Security Administration. Where the husband is making social security reports for his business employees, he may add the domestic worker in his home to these reports. In other cases, domestic workers will be

34/ This amount results from the rounding of the cash wage of \$4.75 a day to \$5. Section 1426 (j) of the Internal Revenue Code provides for issuance of regulations to make the rounding of wages optional with household employers. An employer who chooses to round wages must do so for each pay period in the quarter.

reported on a simple return devised with special attention to the convenience of the housewife. 35/

The new form (Form 942, "Employer's Quarterly Tax Return for Household Employees") is printed on the back of a return envelope for convenience in mailing by the housewife. The wording of the form requires a minimum of entries by the housewife. Ordinarily, the form will be delivered to the housewife with her name and address already stamped in, so that she will only have to fill in (a) the name, social security account number, and wages of each household employee covered by the law, and (b) the combined employer-employee taxes due.

"The new report form, condensed into a few lines on a return envelope, specially designed for the housewife, is simply a logical adaptation of a system proved through long experience. The designers have eliminated the preparation of duplicate copies, reference to 'fine print' regulations, and all other complications which might be burdensome or confusing to a housewife unused to business routines." 36/

The 1950 amendments change the coverage requirements for services not in the course of an employer's trade or business by establishing almost the same tests for these services as for domestic service in private homes. The new law limits the covered wages of an employee performing nonbusiness services to cash payments. It requires also that the employee must be paid at least \$50 in cash wages for the quarter by an employer to be covered. The \$50 test refers, however, to an amount of wages paid for a given quarter, rather than to the amount paid in the quarter as is the case for domestic service. On farms operated for profit, nonbusiness services, like domestic service, are defined as agricultural labor.

NONPROFIT INSTITUTIONS

The provisions for voluntary coverage of employees of nonprofit institutions for old-age and survivors insurance are a novel feature of both the Internal Revenue Code and the insurance program. The provisions in the law were devised and approved by the Conference Committee and are strikingly different from the provisions of any of the bills previously introduced or passed by either House.

The search for a solution of the problem of covering employees of nonprofit institutions began in 1935 when representatives of such institutions asked to be excluded from the original social security program because of the fear that it might endanger their tax-exempt status. Additional reasons such as the lack of need for such protection, and the difficulty in meeting the extra costs were soon dropped. In the competition for workers who were seeking higher paid jobs, particularly during the war and postwar period, nonprofit institutions found themselves hard-pressed to hold and

35/ See form 941 and form 942 on following pages.

36/ Joint Statement of Commissioner of Internal Revenue and Commissioner of Social Security on New Household Employee Coverage, Nov. 29, 1950 (Mimeo.) p. 3

DEPOSITORY RECEIPT RECORD

This space is to be used only by employers who make deposits of income tax withheld and F.I.C.A. taxes. Every employer who is liable for more than \$100 of these taxes during a month should deposit such taxes in a Federal Reserve Bank or an authorized local bank in accordance with Circular E. Such deposits for the third month of any quarter, and deposits of \$100 or less, are permissible but not required. Each deposit should be accompanied by a Receipt Form 450 which will be validated by the Federal Reserve Bank and returned to employer. Validated receipts should be listed in this space and submitted with this return, together with such other remittances as may be necessary to pay total taxes shown in Item 9 on other side of this form.

Table with 3 columns: Serial No. of Form 450, Fed. Res. Validation Date, Amount. Includes Total of all Depository Receipts, Total of other Remittances, and Total Payments.

HOW TO FILL IN SCHEDULE A

Every employer who pays wages taxable under the Federal Insurance Contributions Act should fill in Schedule A before any entries are made in Items 4 through 8.

Item 14. Number of persons employed during pay period ending nearest 15th of third month in quarter covered by return.—Include in Item 14 (but in no other item) those employees on the payroll who previously received remuneration in excess of \$3,600 during the same calendar year, even though they are not listed in Schedule A. Exclude agricultural and household workers, persons receiving no compensation during the pay period, pensioners, and members of the Armed Forces. If you have only agricultural or household employees in the pay period, enter zero (0). The number entered in this item will not necessarily be the same as the total number of employees listed in Schedule A.

Item 17. Employee's account number.—Enter in this column the account number assigned to each employee by the Social Security Administration as shown on his account number card. This account number consists of nine digits separated as follows: 000-00-0000. If you are unable to enter an employee's account number in this column, see Circular E or Circular A for proper method of handling.

Item 18. Name of employee.—Type or print in this column the name of each employee to whom taxable wages were paid during the quarter except household (nonfarm) employees if reported on Form 942. If practicable, the name should be entered exactly as it appears on the employee's account number card issued to him by the Social Security Administration. If his last name or any initial is known to be different from that on his card (for example, because of marriage or divorce), enter the name as shown in the employer's records followed by the name shown on the account number card. In subsequent returns, enter only the name as shown in the employer's records.

Item 19. Taxable wages paid to employees during quarter.—Enter in this column the total wages (before deductions) taxable under the Federal Insurance Contributions Act paid to each employee during the quarter for which this return is filed. If you pay an employee \$3,600 or more in a calendar year, report the first \$3,600 of such wage payments in the calendar year. Do not report any amount subsequently paid by you to such employee in the same year.

Use Item 19 only for reporting wages paid in the quarter for which this return is filed. Follow Item 7 of the General Instructions (on back of duplicate copy) if a previous report of wages is incorrect. If no return was filed for a previous quarter in which taxable wages were paid, ask the Collector for a separate form on which to report them.

Item 20. Place of employment.—Enter in this column the State in which the employee was employed during the quarter. In the case of an employee who worked in more than one State during the quarter, enter the State to which the employer is required to report him for State unemployment compensation purposes. If the employer is not required so to report the employee, enter the State which the employer considers the last headquarters of the employee during the quarter. Do not enter more than one State for any employee and do not leave a blank space in column 20 for any employee listed.

For purposes of the F.I.C.A., the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands are each treated as a "State," and are included within the United States. If the employee neither worked nor had his headquarters within a "State" enter "Outside U. S." in column 20.

Item 21. Total taxable wages. Enter in this space the total of the amounts shown in column 19. If continuation sheets (Form 941a) are used, include all wages reported on such sheets.

SPECIAL INSTRUCTIONS FOR EMPLOYERS OF AGRICULTURAL AND HOUSEHOLD EMPLOYEES

Income tax withholding does not apply to either (a) remuneration paid to employees for agricultural labor, which includes domestic service in a private home on a farm operated for profit, or (b) remuneration paid to household employees for domestic service in a nonfarm private home. Cash wages paid to such employees, however, may be subject to the taxes under the Federal Insurance Contributions Act.

F.I.C.A. taxes with respect to cash wages paid to agricultural employees who meet the \$50-60-day test are required to be reported on this form (Form 941). An agricultural employer who is liable only for F.I.C.A. taxes should write "None" in Item 1, and disregard Items 2 and 3 which relate to income tax withholding.

If an individual has business or agricultural employees for whom Form 941 is required, and also has household employees in his private (nonfarm) home who meet the \$50-24-day test, he may, if he so desires, include his household employees with his other employees on

Form 941; or he may report such household employees on Form 942. An employer having only household employees in his private (nonfarm) home should use Form 942. Any employer who is required or chooses to use Form 942 should so advise the Collector of Internal Revenue, who will furnish him with such form.

If a return on Form 941 includes business employees and, in addition, agricultural or household employees these latter types of employees should be identified in Schedule A. This may be done by grouping such employees following the listing of the business employees. Agricultural workers should be listed under the heading of "Agricultural" and household workers should be listed under the heading of "Household." However, instead of such grouping the identification may be accomplished by inserting the letter "A" for agricultural worker and "H" for household worker at the extreme right-hand side of column 20 opposite the name of the particular employee. Household workers in a private home on a farm operated for profit should be identified as agricultural workers.

(For General Instructions, see back of duplicate copy)

FOLD AND SEAL TO FORM ENVELOPE FOR MAILING



Employer's Quarterly Tax Return for Household Employees

(FEDERAL OLD-AGE AND SURVIVORS INSURANCE)

Employer's Name and Address

Return for Calendar Quarter

Fill in one line for each household employee to whom you paid \$50 or more cash wages in the calendar quarter covered by this return, if the employee worked for you on 24 or more different days in that quarter or on 24 or more different days in the preceding quarter. *Please use ink or typewriter.*

Employee's Social Security Account Number	Name of Employee <small>(PLEASE PRINT AS SHOWN ON ACCOUNT NUMBER CARD)</small>	Cash Wages Paid to Employee in the Quarter (BEFORE TAX DEDUCTION)
		\$
		Total Cash Wages \$

Make check or money order payable to:
COLLECTOR OF INTERNAL REVENUE



U. S. GOVERNMENT PRINTING OFFICE 16-62768-1

Taxes Due — 3% of total cash wages. Enter total here

<small>DOLLARS</small>	<small>CENTS</small>

Taxes Due

(1½% EMPLOYER TAX PLUS 1½% EMPLOYEE TAX)

Employer's Name and Address

Return for Calendar Quarter

I declare under the penalties of perjury that this is a true, correct, and complete return to the best of my knowledge and belief.

(Date)

(Signature of Employer)

PLACE
3¢
STAMP
HERE

U. S. Collector of Internal Revenue

(CITY AND STATE)

SOLD FLAP OVER AND PASTE HERE

recruit employees. Practically all of the major groups of nonprofit institutions eventually came to favor extension of coverage under the insurance program.

Various bills introduced at the request of the religious groups in 1940 provided for compulsory coverage of nonprofit employees and the compulsory payment of the employer's share of the tax. ^{37/} Provision was made for the revenue derived from the taxes to be earmarked for the time of its collection and made payable directly into the insurance trust fund.

The compulsory approach was embodied in a number of bills and was advocated by both the Social Security Administration and the Advisory Council on Social Security. The Advisory Council on Social Security to the Senate Committee on Finance stated the reasons for compulsory coverage as follows:

"The members of the Council are unanimous in believing that freedom of religion should be protected, but we are convinced that a tax on employment--a function which employers in the non-profit area have in common with all others--for the special purpose of giving equal social insurance protection to all employees would in no way imply or lead to Government control over the performance of the religious function. To make it absolutely clear that the legislation is not concerned with the performance of religious duties, we recommend that persons directly engaged in religious duties, such as clergymen and members of religious orders, remain exempt from coverage under the program. Our recommendation would extend coverage only to lay personnel who perform services which are secular in character.

* * * * *

"Religious, charitable, scientific, and educational organizations, which have been traditionally exempt from taxation on income and property dedicated to the purposes which the community wishes to promote, can and should continue to enjoy their traditional tax exemption when the old-age and survivors insurance program is extended to their employees. It has long been customary to require such institutions to pay certain types of special assessments for property improvement, to pay Federal excise taxes, and in some States to pay the local and State taxes on commodities which they use. Even in some States with exclusive State funds, they have been required to carry workmen's compensation insurance. The use of Government compulsion in connection with these special taxes and levies has not led to taxation on the property and general income of these institutions. Moreover, many organizations such as trade-unions, trade associations, fraternal and beneficial organizations, and the like, which are exempt from the Federal income tax and certain other taxes, pay the old-age and survivors insurance contribution without appearing to be in danger of losing their exemptions under other laws.

^{37/} S. 3579 introduced by Senator Walsh and H.R. 10384 introduced by Representative McCormack. For the views of the groups supporting these bills see Catholic Action, April 1940 and Congressional Record, March 14, 1940.

"Old-age and survivors insurance levies a special-purpose tax on the function of employment. The proceeds are automatically appropriated to a trust fund dedicated to benefits for those who have contributed. It has always been clear that it is a special kind of tax which should not serve as a precedent for other forms of taxation any more than would a special assessment levied by a local government. We believe, however, that Congress should indicate its intent that the taxation of non-profit organizations for old-age and survivors insurance in no way implies a departure from the principle of promoting the function of these organizations through tax exemption, and that a major reason for extending protection to this area of employment is to assist these institutions in fulfilling their purposes." 38/

In 1943, Mr. Lynch, a member of the House Committee on Ways and Means, introduced a bill (H.R. 3204) providing for a completely separate title in the Social Security Act for both the tax and the benefit provisions for nonprofit coverage. The taxes were called "insurance premiums" and were to be deposited in a separate trust fund for only nonprofit groups. The bill provided for combining the wage credits for nonprofit employment with all other credits under the insurance system and for transfer of funds between the special and the general trust fund. Administrative objections to the bill were convincing and the bill died without any serious attention being given to this approach.

A third approach was embodied in H.R. 6777, which passed the House of Representatives in 1948, providing for the voluntary waiver of the employers tax exemption. 39/ Under this bill the employer had the sole exclusive right to elect or nonelect coverage for social security. This would

38/ Op. cit. pp. 19-20. Two members of the Council voted for a voluntary plan. The minority stated: "There is no doubt that the contributions to old-age and survivors insurance are taxes. The statutory declaration of intent that the imposition of taxes for purposes of old-age and survivors insurance is not a precedent for other taxation of religious, charitable, and educational institutions, is at best a 'pious hope,' because the imposition of any tax on the institution is in fact an encroachment on its tax exemption. There is in this problem no insuperable difficulty. The method of inclusion by voluntary adherence is no more difficult than in the case of employees of other employers that require special treatment. In each case there is a problem of method. The appropriate device, in order to safeguard immunity from the power to tax, which is the power to destroy, is an elective right to the institution to come in under the old-age and survivors insurance provisions." (p. 63).

39/ Section 158 of the bill related to the "waiver of exemption by non-profit organizations." See House Doc. No. 2168, (80th Cong. 2d Sess.) pp. 4-6.

would have resulted in the employer having the option to determine whether the employee would be required to pay an "income tax." 40/

Still another approach was embodied in the bill, H.R. 2893, which the President sent to the Committee on Ways and Means. This approach was embodied in H.R. 6000 as passed by the House. It provided for levying the customary employee tax on the employee and permitting exemption from the employer tax for nonprofit institutions unless the organization elected to pay the employer tax by waiving the tax exemption. If the organization waived its exemption, the employees would be given full credit toward benefits for wages received from such an employer. Otherwise, only one-half of the employee's wages for such organization would be credited toward benefit.

This provision embodied in the House version of H.R. 6000 was opposed by the Southern Baptists on the ground that eventually the voluntary participation by the employer "would cease to be voluntary, except in theory." 41/ The Senate Committee on Finance then voted to cover all nonreligious institutions on a compulsory basis but to exclude completely all religious institutions. This met with the vigorous opposition of the other religious groups. The Finance Committee then reconsidered its action and voted to cover religious institutions on a voluntary basis at the sole discretion of the employer, but to retain the compulsory coverage of all nonreligious institutions.

Several objections were made to this approach which was passed by the Senate. First, it created an undesirable precedent of distinguishing between religious and nonreligious nonprofit institutions. Second, it would be difficult administratively and also confusing to make and maintain such a difference. Third, it would create an undesirable precedent and possible legal difficulties to permit the employer to determine whether an employee would or would not pay an "income tax" for social security. As a result, a quite different proposal was embodied in the final law which was not wholly satisfactory to any group but which met the desire of the Baptists.

Under the 1950 law coverage is made available on a voluntary basis to the employees of most nonprofit organizations. Clergymen and members of religious orders are excepted. Initially, if the employing organization is willing to have its employees covered and two-thirds of them desire coverage, those employees who wish to be covered will be brought under the program. 42/

40/ The employee tax in section 1400 of the Federal Insurance Contributions Act (Chapter 9, Subchapter A of the Internal Revenue Code) is a tax on the "income of the individual." The employer tax is an excise tax.

41/ Senate Hearings, op. cit., Part 3, pp. 1155-1168.

42/ The waiver provisions are found only in the Internal Revenue Code, Section 1426 (1).

Once any coverage is in effect for an organization any new employees are to be compulsorily covered.

Under the new law, service for nonprofit organizations operated exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty of children or animals continues to be excluded from coverage. The exclusion is nullified if the organization files a certificate with the Commissioner of Internal Revenue requesting coverage for its employees and certifying that at least two-thirds of them concur in its filing. All negotiations concerning the filing of a certificate and determinations as to the validity of certificates are the responsibility of the Bureau of Internal Revenue.

Coverage starts on the first day of the calendar quarter following the quarter in which the certificate is filed. ^{43/} Its effectiveness may be terminated by the nonprofit organization on 2 years' notice, but only after the certificate has been in effect at least 8 years. For the effective period, both the nonprofit organization and its employees are covered on substantially the same basis as a private employer and his employees.

Coverage under these voluntary provisions is available in an average week to about 600,000 employees of nonprofit organizations. Roughly 200,000 clergymen and members of religious orders remain excluded from coverage.

Under the new law coverage will be extended on a compulsory basis to some nonprofit employment previously excluded--namely, to service for agricultural and horticultural organizations and for voluntary employees' beneficiary associations, to certain ritualistic or dues-collecting services for fraternal beneficiary societies, and to service performed by students in the employ of nonprofit organizations other than schools, colleges, or universities. Other nonprofit organizations whose employees were heretofore covered only when they earned over \$45 in a calendar quarter, now have their employees' coverage based on earnings of \$50 in a quarter. These organizations include labor organizations, mutual savings banks, building and loan associations, cooperative banks, chambers of commerce, civic leagues and social clubs. This \$50-in-a-quarter rule applies to all nonprofit employment, whether compulsorily covered or covered by virtue of a certificate filed with the Bureau of Internal Revenue.

All individuals who are "employees" within the meaning of the law must be included in the count for the purpose of ascertaining whether the necessary two-thirds of the employees concur in the filing of the certificate; except that there shall not be included in the count those employees who at the time of the filing of the certificate are performing for the organization services only of the character specified in paragraphs (9)(A), (11)(B), and (14) of Section 1426(b) of the Federal Insurance Contributions Act. Thus, there is to be eliminated from the count ministers of a church, members of religious orders, students in the employ of schools, student nurses in the

^{43/} The relevant forms are forms SS-15, SS-15a, and SS-15a Supplement, U.S. Treasury Department, Internal Revenue Service. See next pages.

Form SS-15
U. S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

CERTIFICATE WAIVING EXEMPTION FROM TAXES UNDER THE FEDERAL INSURANCE CONTRIBUTIONS ACT

(For use by religious, charitable, educational, or other organizations exempt from income tax under section 101 (6) of the Internal Revenue Code)

COLLECTOR OF INTERNAL REVENUE,

Date

SIR:

.....
(Please print name of organization in full)

an organization exempt from Federal income tax under section 101 (6) of the Internal Revenue Code, and having its principal office at

.....
(Street and number) (City or town) (Postal zone number) (State)
hereby certifies that it desires to have the insurance system established by title II of the Social Security Act (Federal Old-Age and Survivors Insurance Benefits) extended to service performed by its employees and that at least two-thirds of its employees, determined on the basis of the facts existing as of the date this certificate is filed, concur in the filing of this certificate.

This certificate is accompanied by a list on Form SS-15a which contains the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate.

It is understood that:

(1) All individuals who are employees of this organization within the meaning of section 1426 (d) of the Federal Insurance Contributions Act, as amended by section 205 of the Social Security Act Amendments of 1950, shall be included in determining whether two-thirds of the employees of this organization concur in the filing of this certificate; except that there shall not be included (1) those employees who at the time of the filing of this certificate are performing for this organization services only of the character specified in paragraphs (9) (A), (11) (B), and (14) of section 1426 (b) of the Federal Insurance Contributions Act, as amended by section 204 of the Social Security Act Amendments of 1950, and (2) those alien employees who at the time of the filing of the certificate are performing services for this organization under an arrangement which provides for the performance only of services outside the United States not on or in connection with an American vessel or American aircraft. As used in the preceding sentence, the term "alien employee" does not include an employee who is a citizen of Puerto Rico, and the term "United States" includes Puerto Rico and the Virgin Islands.

(2) This certificate shall be in effect for the period beginning with the first day following the close of the calendar quarter in which it is filed.

(3) This certificate is not terminated if this organization loses its exemption under section 101 (6) of the Internal Revenue Code, but continues effective with respect to any subsequent periods during which this organization is so exempt.

(4) The list on Form SS-15a accompanying this certificate may be amended, at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is in effect, by filing a supplemental list or lists on Form SS-15a Supplement, containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of this certificate.

(5) The taxes imposed under the Federal Insurance Contributions Act will apply to this organization and to each employee whose services constitute employment and whose signature appears on the accompanying list or on any supplemental list filed within the prescribed time, commencing with the first day following the close of the calendar quarter in which this certificate is filed; such taxes will also apply immediately with respect to services which constitute employment performed by any individual who enters the employ of this organization on or after the first day following the close of the calendar quarter in which this certificate is filed; and the reemployment of a former employee after this certificate becomes effective shall be considered for the purposes of these taxes as a new employment, regardless of whether or not such individual concurred in the filing of this certificate.

It is further understood that the period for which this certificate is in effect may be terminated:

(a) By this organization upon giving 2 years' advance notice in writing to the Commissioner of Internal Revenue of this organization's desire to terminate the effect of this certificate at the end of a specified calendar quarter, but only if, at the time of the receipt of such notice by the Commissioner, this certificate has been in effect for a period of not less than 8 years. In computing the effective period which must precede the date of receipt of the notice of termination, there shall be disregarded any period or periods as to which this organization is not exempt from income tax under section 101 (6) of the Code.

(b) By the Commissioner of Internal Revenue, with the prior concurrence of the Federal Security Administrator, upon a finding by the Commissioner that this organization has failed to comply substantially with the requirements of the Federal Insurance Contributions Act or is no longer able to comply therewith. The Commissioner shall give this organization not less than 60 days' advance notice in writing that the period covered by this certificate will terminate at the end of the calendar quarter specified in the notice.

The organization has been assigned employer identification No.

(If a number has not been assigned write "None")

.....
(Name of organization)

.....
(Name) (President or other principal officer) (State title)

.....
(Name) (Secretary, treasurer, etc.) (State title)

(OVER)

INSTRUCTIONS

Where to file.—This form shall be filed with the Collector of Internal Revenue for the district in which is located the principal office or principal place of business of the organization. (An organization already filing Form 941, Employer's Quarterly Federal Tax Return, should file this form with the collector with whom such returns are being filed, and should enter its name on this form as shown on such returns.)

Continuation sheets.—If there is not sufficient space on Form SS-15a for the signature of each employee who concurs in the filing of the certificate, the organization should provide an additional sheet (or sheets) of the same or similar size for this purpose. Such sheet (or sheets) should be lined in the same manner as the form.

Employees performing services at locations other than the principal office.—If an organization has a number of employees performing services for it at a location (or locations) other than that of its principal office, a separate Form SS-15a may be used for each such location. Each such Form SS-15a

should show thereon the address of the particular place of employment and all such forms must be submitted with the certificate on Form SS-15.

An organization which has employees who individually or in small groups perform services at various locations may, if it so desires, prepare and submit to each such employee an individual form for use by him in disclosing his concurrence in the filing of the certificate. Such form should contain a statement thereon to the effect that the employee concurs in the action of the organization in the filing of a certificate certifying that it desires to have the insurance system established by title II of the Social Security Act extended to services performed by its employees, and such form should provide a place for the signature, address, and social security account number (if any) of the employee. Individual forms signed by concurring employees should be submitted with the certificate, together with a typewritten list containing the name, address, and social security account number (if any) of each such employee.

Section 204 (a), (e), and (g) of the Social Security Act Amendments of 1950—DEFINITION OF EMPLOYMENT

(a) Effective January 1, 1951, section 1426 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EMPLOYMENT.—The term 'employment' means * * * any service, of whatever nature, performed after 1950 * * * by an employee for the person employing him * * *; except that * * * such term shall not include—

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

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (1), is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under subsection (1), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

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

"(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school, chartered or approved pursuant to State law;

(e) Section 1426 of the Internal Revenue Code is amended by * * * inserting * * * the following:

"(l) EXEMPTION OF RELIGIOUS, CHARITABLE, ETC., ORGANIZATIONS.—

"(1) WAIVER OF EXEMPTION BY ORGANIZATION.—An organization exempt from income tax under section 101 (6) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees and that at least two-thirds of its employees concur in the filing of the certificate. Such

certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended, at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is in effect, by filing with such official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this subchapter. The certificate shall be in effect (for the purposes of subsection (b) (9) (B) and for the purposes of section 210 (a) (9) (B) of the Social Security Act) for the period beginning with the first day following the close of the calendar quarter in which such certificate is filed, but in no case shall such period begin prior to January 1, 1951. The period for which the certificate is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter.

"(2) TERMINATION OF WAIVER PERIOD BY COMMISSIONER.—If the Commissioner finds that any organization which filed a certificate pursuant to this subsection has failed to comply substantially with the requirements of this subchapter or is no longer able to comply therewith, the Commissioner shall give such organization not less than sixty days' advance notice in writing that the period covered by such certificate will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Commissioner by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the organization. No notice of termination or of revocation thereof shall be given under this paragraph to an organization without the prior concurrence of the Federal Security Administrator.

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

(g) The amendments made by subsection * * * (e) * * * of this section shall be applicable only with respect to services performed after 1950.

Section 205 of the Social Security Act Amendments of 1950—DEFINITION OF EMPLOYEE

(a) Section 1426 (d) of the Internal Revenue Code is amended to read as follows:

"(d) EMPLOYEE.—The term 'employee' means—

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

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

"(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

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

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

performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

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

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

(b) The amendment made by this section shall be applicable only with respect to services performed after 1950.

employ of hospitals or nurses' training schools, and internes in the employ of hospitals, who, so long as they continue to serve in those capacities and under the terms and conditions prescribed in the above-mentioned statutory provisions, could not possibly be covered under the old-age and survivors insurance system. However, there must be included in the count those employees who are potentially eligible for coverage, such as employees who earn less than \$50 during the calendar quarter in which the certificate is filed and are not within one of the above-mentioned categories.

Also, to be excluded from the count are those alien employees who at the time of filing of the certificate are performing services for an organization under an arrangement which provides for the performance only of services outside the United States not on or in connection with an American vessel or American aircraft. For this purpose, the term "alien employee" does not include an employee who is a citizen of Puerto Rico, and the term "United States" includes Puerto Rico and the Virgin Islands. Alien employees who perform services on or in connection with an American vessel or aircraft are potentially eligible for coverage under the old-age and survivors insurance system.

It may be noted that many of the employees of nonprofit institutions have been covered by private retirement plans. The new law provides for coverage under the public insurance system irrespective of whether a private insurance plan covers such employees or not.

EMPLOYEES OF STATE AND LOCAL GOVERNMENTS

In its report to the President in 1938, the Social Security Board stated: "A number of State and municipal officials have indicated a desire for coverage of State and municipal employees. However, no method has yet been devised which would overcome constitutional difficulties and also protect the old-age insurance system against adverse selection. It is hoped that further study will develop a method which will be constitutional and which will prove mutually advantageous to the States, their employees, and the old-age insurance system." 44/

Beginning in 1940 a number of bills providing for coverage of employees of States and localities were introduced in Congress. Some of these bills provided for compulsory taxation of the States and localities and their employees. 45/ The intent of these bills was probably to provide a test case on the constitutionality of the compulsory approach. However, the compulsory approach was never seriously considered in Committee.

The bill introduced by Senator Wagner (S. 4269) and Representative McCormack (H.R. 10384) was introduced at the request of the American Federation of Labor. It did not provide for any exemption of State and local employees covered under separate plans.

The introduction of the bill immediately aroused considerable interest in the proposed coverage of State and municipal employment, which soon became a major issue. Many individuals and organized groups opposed the bill, because they feared that, if passed, it would either interfere with or destroy the independent status of existing pension systems, as well as imposing a double financial burden on the various political units.

Accordingly, on November 19, 1940, Senator Wagner proposed an amendment to his bill which all State and municipal employees who are covered under any pension, relief or retirement systems, or who may be covered by such systems as are set up in the future, would be exempt from old-age and survivors insurance coverage.

In 1941 the first bill was introduced to extend coverage to employees of States and localities by voluntary agreements--called "compacts"--between the Federal Government and individual States, or with the individual political subdivisions of any State which did not enter into a compact. 46/ Another bill providing for compulsory coverage of State and local employees engaged in proprietary activities. 47/

44/ Quoted in Social Security, Hearings Relative to the Social Security Act Amendments of 1939, House Committee on Ways and Means, 76th Cong., 1st Sess., 1939, pp. 7-8.

45/ Cf. H.R. 9449 by Representative Lesinski, S. 4269 by Senator Wagner and H.R. 10384 (76th Cong., 2d Sess.).

46/ H.R. 4882 by Representative Healey (77th Cong., 1st Sess.)

47/ S. 1755 by Senator Norris (77th Cong., 1st Sess.)

These were the two approaches which received the most serious attention during the 10-year period 1940-50 while the matter was being discussed. Other approaches were sometimes mentioned but never received any serious consideration. Among these were coverage of State and local employees as self-employed and coverage on a compulsory basis by levying double the regular employee tax on the employee and permitting the State as the employer to pay to the employee an amount equal to one-half of the tax the employee paid.

A general consensus of opinion soon developed that the voluntary agreement approach offered the most practical method of extending coverage to employees of State and local governments. The major issues which developed in considering this problem was how to handle groups already covered under an existing pension plan. Other issues which developed were whether proprietary functions should be covered on a compulsory basis and whether political subdivisions would have authority to make agreements directly with the Federal Government.

In general, the cleavage between the groups favoring coverage of State and local employees under the old-age and survivors insurance program, and those opposing it, appears to be determined by the coverage of existing retirement systems. Individuals and organizations in favor of extension of coverage seem to be largely those who have no protection. The opposition, on the other hand, seemed to consist for the most part of those who have protection under some type of retirement system. Individuals so covered apparently fear that an extension of old-age and survivors insurance coverage might cause the weakening or the abandonment of their present retirement systems, with consequent losses to themselves.

Organizations of policemen, firemen, and teachers were particularly opposed to even permissive coverage extension where there were existing plans. It may be pointed out that, of all public employees, police and firemen have a favored position with respect to retirement systems. These employees are usually the first to be covered, and the provisions of their systems are usually more liberal than those of systems for other groups. While retirement systems for teachers are not as widespread as for police and firemen, and while the provisions of their systems are not usually so liberal, nevertheless teachers as a group also are in a more favorable position than other public employees.

Organizations of employees in each of these three categories expressed their opposition to a permissive extension of coverage of persons under a retirement plan, although teachers in the American Federation of Teachers endorsed such coverage.

State and local employees not covered under a retirement system could be covered under a voluntary agreement approach in the bill which passed the House of Representatives in 1948. In general, the President's proposal and the legislation adopted in 1949 and 1950 followed this same basic approach. The major differences revolved around handling groups already covered by a pension plan. The 1948 bill mandatorily excluded such groups from the voluntary agreement. The President's bill mandatorily excluded only policemen and firemen (but not teachers). It also provided

that all other employees covered under a retirement system be excluded unless the State certified that the employees had had an opportunity to express their desires to be excluded or included under the agreement in a written referendum.

The House of Representatives passed H.R. 6000 with a provision permitting coverage of persons under a retirement system if a written referendum were held on the question of coverage, and not less than two-thirds of the voters in such referendum voted in favor of inclusion. This provision aroused the most widespread opposition of any provision in the bill and was deleted by the Senate and subsequently also deleted from the final law.

The Ways and Means Committee had given very careful consideration to this problem and had adopted what they thought were reasonable safeguards to preserve the rights of people covered under retirement systems.

The very provisions which had been inserted to safeguard the retirement systems, however, were interpreted by the officers and the legislative representatives of the retirement systems as being designed to undermine and destroy the systems. The Federal Government was accused not only of wanting to weaken and destroy the systems but actually to take over their accumulated funds, despite the fact that the Federal Government cannot do this under the Constitution and that in the 13,000 retirement plans covering workers in private industry there has never been the slightest allegation that the Federal Government has attempted to interfere in the administration of the private plans or to take them over or replace them.

Senators and Congressmen were flooded with hundreds and thousands of letters and telegrams primarily from teachers, firemen, and policemen who were members of retirement systems urging them to eliminate the optional coverage of the retirement systems. Several days were devoted in the Senate to testimony of representatives of retirement systems urging such action. The testimony was nearly unanimous, although a few witnesses, including representatives of the American Federation of Teachers, the Wisconsin retirement fund, and the American Municipal Association, testified in favor of social security coverage for retirement systems. The Committee on Finance eliminated the optional provision from the bill, and attempts on the floor of the Senate to restore the provision (modified to overcome the objections which had been raised) and to permit the coverage of the Wisconsin system alone, were defeated.

In the Conference Committee, the amendment to permit the coverage of the Wisconsin system first was adopted. But continued opposition from the teachers and policemen resulted in the Committee's reversing its decision several days later, even though the opposition groups by that time were agreeable to a reworded version of the Wisconsin proposal. The Congressmen and Senators had become "gun-shy" of the entire proposition by that time. A proposal advocated by an overwhelming majority of universities and colleges to permit them to take advantage on a voluntary basis of social security coverage, even if a retirement system existed, also was rejected by the Conference Committee.

The 1950 amendments contain two separate provisions dealing with employees of States and localities: (1) coverage under voluntary agreements between the States and the Federal Government and (2) coverage on a compulsory basis of employees of certain transportation systems acquired by governmental units from private ownership after 1936. 48/

The new law provides that a State may enter into an agreement with the Federal Security Administrator to provide for old-age and survivors insurance coverage of employees of the State, political subdivisions of the State, and instrumentalities of the State and of its political subdivisions. The new law does not permit agreements to be made directly with political subdivisions of States.

Employees covered through these voluntary agreements will be subject to the same contributions, and entitled to the same rights and benefits, under the old-age and survivors insurance program as will any other employees who are covered under the program.

The amendments make coverage available, under agreements that may be negotiated between the States and the Federal Security Administrator, to about 1.4 million employees of State and local governments not covered by State or local retirement systems. About 2.4 million employees already protected under State, city, or other local retirement systems will not be eligible for old-age and survivors insurance coverage.

The Federal-State agreement may cover State employees, or employees of one or more political subdivisions, or both. Whether the employees of a State government will be covered will depend, of course, on the wishes of the State. Whether the employees of a particular political subdivision of a State will be covered will, for the most part, depend on the preference of the political subdivision, although the final decision rests with the State.

The State agency entering into a coverage agreement with the Federal Security Administrator must have authority to do so. Early in December 1951, 25 States and Alaska had entered into agreements with the Federal Security Administrator. The States are Alabama, Arizona, Arkansas, California, Colorado, Florida, Idaho, Indiana, Kansas, Kentucky, Maryland, Missouri, Nebraska, North Carolina, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin, and Wyoming. Altogether, about 7,000 political subdivisions including cities, counties, towns, school districts and various kinds of special districts, colleges, housing authorities, and waterworks have been covered by the agreements. In addition, four interstate instrumentalities, the Interstate Oil Compact

48/ The contradictory action of excluding the teachers, policemen, firemen, and other public employees under a retirement system but including the transit workers even when they have a separate public retirement system illustrates how the important factor of organized group opinion works in the legislative process.

Commission, the Ohio River Valley Water Sanitation Commission, the Upper Colorado River Commission, and the Atlantic States Marine Fisheries Commission have completed agreements for coverage.

For purposes of coverage, employees are divided into four kinds of "coverage groups": (a) All the employees of a State other than those engaged in performing service in connection with a proprietary function; (b) all the employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (c) all the employees of a State engaged in performing service in connection with a single proprietary function; and (d) all the employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function.

If any employees of a coverage group are to be covered by an agreement, then all employees in that group (other than those covered by retirement systems and certain others named in the law) must be included.

For example, the State cannot cover employees in the State Comptroller's Office and exclude employees of the State Department of Agriculture. With regard to proprietary functions, the State or political subdivisions must cover all jobs which are in connection with a single proprietary function, but it may choose to include one proprietary function and exclude another.

The State, or a political subdivision, may also obtain coverage separately for employees of its instrumentalities. Employees of each such instrumentality may form a different coverage group. For example, a State could bring in its Water Conservation Authority and leave out its State University (provided both are instrumentalities), or it could bring in the State University and leave out the State Agricultural College (provided each is a separate instrumentality).

Any political subdivision of the State which has arranged with the State for coverage may come under the agreement independently of any other political subdivision. Thus, the city of X could cover its workers while the city of Y remains outside the system.

The State or political subdivision can not set up coverage groups by occupational classification. For example, while a State might wish to include as one coverage group only its janitors, typists and watchmen, and explains that its other employees do not need retirement protection, it cannot restrict coverage to the janitors, typists, and watchmen. The only way in which it can enter into an agreement is to include all the employees of the State government (with, of course, the exceptions previously noted).

Certain types of employment cannot be covered under an agreement. Section 218(d) of the Social Security Act provides: "No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members

of any coverage groups in positions covered by a retirement system on the date such agreement is made applicable to such coverage group." If any members of a coverage group are in positions under a retirement system when the group is brought under an agreement, employees in those positions cannot subsequently be brought under the agreement even though their retirement system should be discontinued. In addition, service on work relief projects and service performed in a "hospital, home, or other institution by a patient or inmate" must be excluded.

There are also certain types of service that may be excluded at the option of the State. These are services of an emergency nature and services in any class of elective jobs, part-time jobs and jobs compensated on a fee basis. Also, the State may exclude agricultural labor, or service performed by a student, if such services would be excluded from the coverage if performed for a nongovernmental employer.

The State is required to collect from the employees amounts equivalent to the employee contributions that would be imposed under the Internal Revenue Code; it must pay to the Federal Government that amount plus an amount equivalent to the employer tax. The State must also agree to comply with regulations relating to payments and reports prescribed by the Federal Security Administrator.

Each employing unit will deduct the employee contribution from the employee's wages, will add the employer contribution, and will prepare the wage report. The reports will be prepared on a quarterly basis, covering the 3-month periods ending with the months of March, June, September, and December of each year. Each report will contain the name of each covered employee, his social security account number, and the amount of covered wages received by him during the calendar quarter. 49/

The reports prepared by the various political subdivisions will be forwarded with the appropriate contributions to the designated State official. He will ascertain that the reports are assembled and in order, and will take steps to obtain any reports which may be late; he will include the reports and contributions for State employees, if any are covered, and will forward the combined report to the Federal Security Agency.

49/ Federal-State Agreement to Provide Old-Age and Survivors Insurance for Employees of State and Local Governments, 1950, Federal Security Agency, Social Security Administration, p. 13 (processed).

The contributions will be forwarded separately to the Federal Reserve Bank serving the district in which the designated State Official is located. 50/

Agreements once made may be modified to cover additional coverage groups. No agreement or modification of an agreement can become effective before January 1, 1951, or before the calendar year in which it is entered into. An exception to this rule provides that agreements or modifications agreed to before January 1, 1953, can be made effective January 1, 1951. The purpose of this exception is to prevent disadvantage to employees when the process of negotiating agreements cannot be completed immediately. Since eligibility requirements and benefit computation provisions are set in terms of time elapsing after January 1, 1951, it is generally to the employee's advantage to have coverage made retroactive to that date.

The law provides that interest at an annual rate of 6 percent may be required if the State does not make payments when due. In addition, the Administrator may deduct the amount of the delinquent payments, plus interest, from grants due the State under any other provision of the Social Security Act.

The State is authorized to terminate an agreement in its entirety after it has been in effect for at least 5 years, or with respect to any coverage group after the group has been covered for at least 5 years, by giving 2 years' advance notice in writing. The Federal Security Administrator is directed to terminate an agreement in its entirety, or with respect to any coverage group, if it appears, after reasonable notice and opportunity for hearing, that the State has failed, or is not able legally, to comply substantially with the terms of the agreement. If an agreement with a State is terminated in its entirety, no agreement with that State may be made again. If the termination affects only particular groups, those groups may not again be covered.

Immediately after the passage of the law, some States, as well as groups within the States, expressed a desire to abolish existing retirement systems to enable the groups to participate in an agreement for coverage.

50/ All of the provisions for coverage of State and local employees are contained in section 218 of the Social Security Act. There are no comparable provisions in the Internal Revenue Code. It should be noted that the Federal Security Administrator is given the authority to see to it that the requirements under his regulations which are imposed on States shall be designed, so far as practicable, as those imposed on employers under the Internal Revenue Code. (Section 218(i)). It is also noteworthy that section 218(h) (1) provides that all amounts received under an agreement shall be deposited in the trust fund. This is to be distinguished from the general practice under which contributions from other employers and employees are first covered into the Treasury and an amount equivalent to 100 percent of the taxes is appropriated to the trust fund. (Section 201(a)).

At the repeated request from these groups for information with respect to this matter, the Commissioner for Social Security decided on January 15, 1951:

1. If the State or political subdivision has had a retirement system, it will no longer be considered to have such a system for the purpose of Section 218(d) of the Social Security Act if (a) the system has been fully liquidated and provision has been legally made for the settlement of previously accrued rights by means of refund of contributions, or purchase of annuities, or statutory segregation of accumulated equities, and (b) any benefits based on the accumulated equities do not depend on future employment. Additional criteria may be developed as seems necessary or desirable, but those given are considered to be basic.
2. Positions excluded from an agreement because they are covered by a State or local retirement system at the time the governmental units, or coverage groups of such units, are brought under the agreement cannot subsequently be brought under the agreement even though the retirement system is later dissolved. This is based on a clear statement to that effect in the Senate Committee Report.
3. Where a State or local retirement system has been dissolved, an agreement entered into subsequent to such dissolution may be retroactive within the limits prescribed by the law, over a period in which the positions affected were under the previously existing retirement system. The State may choose whether to cover only prospectively, or to cover also retroactively those coverage groups all or part of which had been previously covered by a State or local retirement system.

Questions have arisen as to whether certain types of arrangements or plans are retirement systems within the meaning of the statute. Frequently, the systems described have been group annuity contracts with private insurance companies. In general, if the employer participates in the cost of the annuity plan or if the plan is set up under the authority of the employer, or both, it is considered to be a retirement system within the meaning of the statute irrespective of the fact that the payments are made by or through an insurance company.

Up to January 1, 1953, Federal-State agreements may be made retroactive to January 1, 1951. The question has arisen as to whether such a retroactive agreement would apply initially to those individuals who were employees on the date the agreement was signed or to those who were employees on the effective date of the agreement. It has been decided that the retroactive agreement must apply to the services of all persons not specifically or optionally excluded who were employees on the effective date of the agreement except that employees terminated by death, retirement or otherwise during the interval between the effective date of a retroactive agreement and the date the agreement is signed cannot be included.

When some State and local retirement systems were inaugurated, individual employees occupying positions covered by the system were given a

specified length of time to elect participation or nonparticipation in the plan. New employees were usually covered compulsorily. The option of the older employees to participate in most cases has now expired and they feel, therefore, that they are eligible to be included in the Federal-State agreement for coverage under old-age and survivors insurance. Such employees may not be included in the Federal-State agreement. The exclusion from coverage under old-age and survivors insurance applies to positions covered by a system rather than to the individuals occupying the positions. Thus, classes of positions that are within the framework of a retirement system are necessarily excluded from social security coverage even though some individuals occupying such positions have not elected to participate in the plan and their rights to participate have expired.

In some instances, a State retirement plan provides that it will cover employees of a political subdivision only if the subdivision elects to cover its employees under the State plan. In this situation, the option to participate rests with the city or county, as the case may be, rather than with individual employees. Thus, inclusion of those positions within the framework of the State retirement plan depends, initially, upon action by the political subdivision. Such positions are not covered by a State retirement plan if the subdivision has not elected coverage. If a political subdivision has not chosen to come under the State plan, its employees can be included in a Federal-State agreement for old-age and survivors insurance coverage provided they are otherwise eligible.

Transit Employees.

The provisions for compulsory coverage of employees of certain transit systems acquired from private ownership by a State, political subdivision, or instrumentality are intended to assure continued protection of employees of transportation systems that become publicly owned. The provisions in the final law differ substantially from those contained in either the House or the Senate version of the bill. For a transit system taken over after 1950, the employees will be covered by old-age and survivors insurance unless the employer provides protection for them under a general retirement system. For a transit system taken over between 1936 and 1951, the employees will as a general rule be covered under the insurance system whether or not the employer provides protection for them under a general retirement system; except that they will not be covered by old-age and survivors insurance if they are protected by a retirement system whose benefits are guaranteed by the State constitution. In application, it is believed that this latter exception will exclude only one group, employees of the New York City transportation system.

FEDERAL EMPLOYEES

Under the Social Security Act of 1935, "service performed in the employ of the United States Government or of an instrumentality of the United States" was excluded from coverage under the insurance system. In 1939 the law was amended so as to exclude "service performed in the employ of the United States Government or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law." The 1939 amendment had the effect of covering such instrumentalities as national banks and Federal savings and loan associations.

In 1943 service as an officer or member of a crew employed by the War Shipping Administration was included and in 1945 certain types of service for the Bonneville Power Administration was covered. In 1946, the Trading With The Enemy Act of 1917 was amended so that certain service in the employ of the Alien Property Custodian would continue to be covered by the insurance system.

The 1950 law provides for covering a number of classes of Federal employees. In general, the principle upon which the Congress covered these classes under social security was that they were not covered by another governmental system 51/ and they were likely to shift between Federal and private employment. While most Federal employees will continue to be covered under separate retirement systems for Federal employees, some will continue to be excluded from any system. Most of these individuals are persons not regularly in the labor market or not normally dependent upon Federal employment for a livelihood. At the time the new law was being passed, it was estimated that about 200,000 Federal employees would be covered. The recent congressional action placing all new employees on a temporary basis will probably increase this number to between 500,000 and 600,000 in the next year.

Employees of Federal instrumentalities that are exempt from the employer tax of the program on December 31, 1950, generally continued to be excepted. Employees of several types of instrumentalities are, however, specifically covered (subject, of course, to the exceptions mentioned above). These are employees of national farm loan associations (other than directors); the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, and similar organizations; Federal credit unions, county and community committees under the Production and Marketing Administration (but not

51/ Congress made an exception to this rule by covering under old-age and survivors insurance the employees of Federal Reserve banks despite the fact that such employees were covered already by their own retirement system.

the committeemen themselves); Federal Reserve Banks and production credit associations. Also covered are employees of corporations wholly owned by the United States, such as The Virgin Islands Company and the Tennessee Valley Authority, if the employees are not covered by another Federal retirement system.

Most Federal agencies will have some employees covered under old-age and survivors insurance. The major group of employees who will be covered throughout the Federal service consists of temporary employees. Still excluded, however, are temporary employees of the Bureau of the Census employed for the taking of a census, and certain temporary employees in the field service of the Post Office Department.

The amendments provide that the Federal Security Administrator shall not make determinations as to employment of wages with respect to service in the employ of the United States or its wholly owned instrumentalities, but shall accept the determinations of the appropriate Federal agency or instrumentality. This provision represents an extension of previous provisions of title II of the Social Security Act applicable to services for the United States Maritime Commission and the Bonneville Power Administration. It is expected that each agency or instrumentality will delegate responsibility for reporting and making determinations to the organizational units now withholding Federal income tax, and that the same forms and reports will be used as for private commercial employers.

PUERTO RICO AND THE VIRGIN ISLANDS

The 1950 law redefines the term "United States" to include the Virgin Islands and, also, if the legislature should express a desire for coverage, Puerto Rico. The legislature of Puerto Rico passed the necessary resolution on September 22, 1950. This amendment will bring under coverage about 400,000 persons out of a total employed labor force of 700,000 on these islands.

The problems involved in extending the insurance program to these islands were the low-income of the people and the special tax status of the islands. Puerto Rico has always had its own tax system and the Congress has not applied the Federal income or excise taxes to Puerto Rico. It was for this reason that the Congress provided that before the income and excise taxes for the insurance program would become applicable that "the Governor of Puerto Rico would have to certify to the President of the United States that the legislature of Puerto Rico has by concurrent resolution, resolved that it desires the extension of Puerto Rico of the provisions of this title." ^{52/} Since the Federal income-tax laws have been enforced in the Virgin Islands, no similar special provisions were necessary for the Virgin Islands.

^{52/} Section 219 of the Social Security Act and Section 3810 of the Internal Revenue Code.

A special subcommittee of the House Committee on Ways and Means visited Puerto Rico and the Virgin Islands. 53/ The report of this subcommittee endorsed the extension of the insurance system to the islands which had been incorporated in H.R. 6000. The subcommittee recommended that three modifications be made in the bill passed by the House--retention of the provision that \$50 of earnings a quarter entitle the individual to a quarter of coverage, instead of \$100 as in the House bill, reduction of the minimum monthly benefit from \$25 to \$20, and increasing from \$25 54/ to \$50 the amount a domestic employee must earn in a quarter in order to be covered. 55/ The Senate made these modifications in the bill which were later adopted in the final law.

53/ Extension of Social Security to Puerto Rico and the Virgin Islands, Hearings before a Subcommittee of the Committee on Ways and Means, House of Representatives (81st Cong., 1st Sess.), Nov. 15, 16, 17, and 22, 1949.

54/ Ibid - footnote 31/ page 17.

55/ Extension of Social Security to Puerto Rico and the Virgin Islands, Report to the Committee on Ways and Means from the Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands (81st Cong., 2d Sess.), February 6, 1950.

SERVICE OUTSIDE THE UNITED STATES

At the time the 1935 Act was being considered all service outside the United States was excluded. Even maritime employment was excluded by the Congress on the ground of administrative difficulty. The apparent administrative difficulties of covering maritime employment were soon found not to be real and in 1939 maritime employment was included.

In recent years more and more American business firms have been establishing foreign offices or actively seeking foreign trade of rendering services abroad. Consequently the number of United States citizens working outside the United States has increased. In some instances the duration of such an assignment might be short but in other instances it might last many years. In any case, such periods were not covered for insurance purposes.

The 1950 law extends coverage to services performed outside the United States (the continental United States, Alaska, Hawaii, Puerto Rico, and the Virgin Islands) by an American citizen for an American employer. The term "American employer" means "an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State." The term "American employer" is defined very specifically in such a way as to assure the collection of contributions with a minimum of difficulty. This provision results in the coverage of about 150,000 American citizens working in all parts of the world including the few remaining possessions of the United States not defined as part of the United States for social security purposes.

The new law does not cover all service performed outside the United States. American citizens working for foreign subsidiaries of American corporations continue to be excluded. Nor is the foreign service of aliens long resident in the United States covered.

It is significant that the coverage of services outside the United States of American citizens for an American employer is not dependent on whether such services are covered or not under a foreign social insurance law. In a number of countries, American citizens are covered under the social insurance laws of those countries just as aliens working in the United States are covered under the Federal old-age and survivors insurance law if their services are in employments otherwise covered.

The new law also provides for covering services on American airships on the same basis as coverage of services on American vessels. In general, services performed on or in connection with an American aircraft are covered if the individual's contract of service was entered into "within the United States" or if the aircraft, while the employee is employed on it, "touches at a port in the United States."

DEFINITION OF EMPLOYEE

One of the most extensively debated and controversial provisions of the 1950 social security bill during its consideration by the Congress was the revised and expanded definition of the term "employee." The determination of borderline cases of employer-employee relationship has been one of the thorniest problems in administering the social insurance programs. Under the original 1935 law, to have his employment covered for old-age and survivors insurance purposes and for Federal unemployment taxes, an individual had to render service as an employee for the person employing him. The term "employee" was not defined in the original Social Security Act or the pertinent sections of the Internal Revenue Code except that both laws specified that the term "includes an officer of a corporation."

In 1936 the Treasury Department which administers the provisions of the Internal Revenue Code, and the Social Security Board issued regulations to implement the Social Security Act, in which they spelled out the meaning of the terms "employer" and "employee." Emphasis was placed on the legal right to control the performance of service, but other significant factors were taken into account such as the right to discharge, the furnishing of tools, and the furnishing of a place of work. 56/

During the first years of operation under these regulations the Treasury Department and the Social Security Board issued a number of rulings to clarify the boundaries of the employment relationship. The common law meaning of the term "employee" was interpreted as not wholly restricted to cases in which the legal right of control was present. In establishing generally applicable precedents, the largest area in which difficulties were encountered was that of outside salesmen.

In 1939 the House Committee on Ways and Means reported out a bill (which became the Social Security Act Amendments of 1939) that included an amendment to the definition of "employee" by providing a rule of thumb for determining the coverage of certain salesmen. It was proposed that all salesmen be brought under the law as employees unless they were brokers or factors selling on behalf of more than one company and employing at least one assistant salesman in their brokerage or factoring business, or unless the selling was "casual service," not in the course of the salesman's principal occupation. This rule of thumb would have brought under the law all salesmen whose employment relationship was

56/ Regulations 90, Relating to the Excise Tax on Employers Under Title IX of the Social Security Act (p.5); Regulations 91, Relating to the Employees' Tax and the Employers' Tax Under Title VIII of the Social Security Act (pp. 3-4).

not clear cut and; in addition, would have covered many who were obviously self-employed. 57/

Both the Senate Committee on Finance, to which the bill was referred, and the Conference Committee rejected the proposal. The Committee declared that it did not at the time wish the Social Security Act to cover persons who were not employees. However, neither the Committee nor the Congress gave any new indication how the term "employee" should be defined. 58/

The first narrowing of the definition of employer-employee relationship occurred in 1941 with the decision in the case of Texas Co. v. Higgins (188 F. (2d) 636). In that and several subsequent cases the courts apparently were guided largely by the language of the contracts between the employers and their agents. In each instance the Government based its case not only on the language of the contract but also on the actual employment conditions that existed between the parties.

As a result of these reversals, the Treasury Department felt obligated to adopt a narrower interpretation of the term "employee" than it had used in the past. It consequently placed chief emphasis on the employer's legal right to control the performance of the alleged employee's services. At no time, however, did the Treasury Department confine coverage to the narrow control test of the employer-employee relationship. 59/

57/ H. Rept. 728, 76th Cong., 1st Sess. pp. 18 and 61-62. This report stated (p. 61), "A restricted view of the employer-employee relationship should not be taken in the administration of the Federal old-age and survivors insurance system in making coverage determinations. The tests for determining the relationship laid down in cases relating to tort liability and to common-law concept of master and servant should not be narrowly applied. In certain cases even the most liberal view as to the existence of the employer-employee relationship will fall short of covering individuals who should be covered, for example, certain classes of salesmen. In the case of salesmen, it is thought desirable to extend coverage even where all the usual elements of the employer-employee relationship are wholly lacking and where accordingly even under the liberal application of the law the court would not ordinarily find the existence of the master-and-servant relationship. It is the intention of this amendment to set up specific standards so that individuals performing services as salesmen may be uniformly covered without the necessity of applying any of the usual tests as to the relationship of employer and employee."

58/ S. Rept. 734, 76th Cong, 1st Sess., p. 75.

59/ Testimony of Adrian W. DeWind, Tax Legislative Counsel, Treasury Department, in Social Security Status Quo Resolution, Hearings Before the Committee on Finance, United States Senate . . . on R. J. Res. 296, pp. 9-10, 22-23.

While the Treasury Department altered considerably the character of its rulings on employment-tax liability, the Social Security Board continued to use the broader interpretation of employer-employee relationship followed by both agencies up to 1941. Because of this divergent approach the rulings of the two agencies differed at times, the Treasury Department holding that there was no tax liability in a particular case while the Board held that the employment was covered for benefit purposes.

The restrictive decisions of the lower courts and the narrowed interpretations of the Treasury Department encouraged certain employers to revise their contracts with their agents for the specific purpose of avoiding liability for Federal employment taxes. The new contracts purported to terminate the employer's right to control performance of service but actually did not alter materially the previous economic relationships. 60/

In other instances, even when there was no change that implied an attempt to avoid tax liability, the normal arrangements between employers and employees, such as those for many outside sales representatives, could not be realistically evaluated in terms of control alone. All told, more than $1\frac{1}{4}$ million persons were in the group whose status was not clearly that of an employee or an independent contractor. This group included certain taxicab operators, private-duty nurses, owner-operators of leased trucks, industrial home workers, entertainers, newspaper vendors, contract loggers, commission oil plant operators, mine lessees, journeymen tailors, filling-station operators, and more than 600,000 salesmen.

The legal situation became more and more complex. In 1944 and 1945, several of the courts held for the Government while others followed the 1941 precedents. In all, about 250 cases were litigated. The standards applied by the courts varied widely. Certain of them interpreted the common-law definition of an employee very liberally while others restricted its meaning to the exercise of substantial control.

The predicament in which the courts found themselves was well stated by the Supreme Court in *National Labor Relations Board v. Hearst Publications* (322 U.S. 111) when it refused to accept the argument that the definition of the term "employee" for purposes of the National Labor Relations Act must be determined by reference to common-law standards. The court declared in part:

"The argument assumes that there is some simple, uniform and easily applicable test which the courts have used, in dealing with such problems, to determine whether persons doing work for others fall in one class or the other. Unfortunately this is not true. Only by a long and tortuous history was the simple formulation worked out which has been stated most frequently as 'the test' for deciding whether one who hires another is responsible in tort for his wrongdoing. But this formula has been by no means exclusively controlling in the solution of other problems. And its

60/ At the same time, some employers changed their contracts so that their employees could be covered by the social security program.

simplicity has been illusory because it is more largely simplicity of formulation than of application. New problems in the law have given greater variety of application and conflict in results than the cases arising in the borderland between what is clearly an employer-employee relationship and what is clearly one of independent, entrepreneurial dealing. This is true within the limited field of determining vicarious liability in tort. It becomes more so when the field is expanded to include all of the possible applications of the distinction.

"It is hardly necessary to stress particular instances of these variations or to emphasize that they have arisen principally, first, in the struggle of the courts to work out common-law liabilities, where the legislature has given no guides for judgment, more recently also under statutes which have posed the same problem for solution in the light of the enactment's particular terms and purposes. It is enough to point out that, with reference to an identical problem, results may be contrary over a very considerable region of doubt in applying the distinction, depending upon the State or jurisdiction where the determination is made; and that within a single jurisdiction a person who, for instance, is held to be an 'independent contractor' for the purpose of imposing vicarious liability in tort may be an 'employee' for the purposes of particular legislation, such as unemployment compensation In short, the assumed simplicity and uniformity, resulting from application of 'common-law standards,' does not exist."

In order to resolve the welter of conflicting opinions of the lower courts, the Supreme Court took jurisdiction of several cases in this area. In June 1947 it handed down three decisions ^{61/} which involved interpretation of the employer-employee relationship under the Social Security Act. In these cases the Court, looking at the social purpose of the law, held that within the meaning and intent of social security legislation the employment relationship should be determined on the basis of the worker's relationship in fact with the person for whom he performed services rather than his technical relationship under common law. All relevant factors in a given relationship should be considered, the Court added, including those recognized by common law. Relevant factors are the degree of control that is or can be exercised over the individual in performance of services, the permanency of the relationship, the skill required in the performance of the work, the investment in the facilities for work, the integration of the individual's work in the business to which he renders service, and the opportunity for profit or loss from the activities, giving to each such weight as it properly deserves in the light of the statutory aims.

These decisions affirmed in major part the position taken by the Social Security Board and the Federal Security Agency and indicated that the Treasury Department should in the future look to the economic realities of the arrangements between employers and their agents. On the basis of investment and of opportunity for profit and loss, however, the Court classified as independent businessmen some persons whom the Agency had regarded as employees and who might well be so regarded at common law.

^{61/} United States v. Silk (67 S. Ct. 1463), Harrison v. Greyvan Lines, Inc. (67 S. Ct. 1463), and Bartels v. Birmingham (67 S. Ct. 1547).

In consequence of these decisions, the Treasury Department and the Federal Security Agency drew up new regulations spelling out in more detail the factors that the court enumerated as significant with respect to the employer-employee relationship under the old-age and survivors insurance and unemployment insurance programs. On November 27, 1947, the Treasury Department published a copy of the proposed regulations in the Federal Register pursuant to the provisions in the Federal Administrative Procedure Act.

Final publication and issuance of both the Treasury and Federal Security Agency regulations were scheduled for January 1948. Shortly before the scheduled date, however, Senator Millikin, Chairman of the Senate Committee on Finance, and Representative Knutson, Chairman of the House Ways and Means Committee, asked the Treasury Department to defer releasing the regulations until Congress had time to study the question further. Both the Treasury Department and the Federal Security Agency complied with the requests.

On January 15, 1948, Representative Gearhart of California introduced House Joint Resolution 296 to "maintain the status quo in respect of certain employment taxes and social security benefits pending action by Congress on extended social security coverage." As the title indicated, the resolution was designed to amend the definition of an employee in the Social Security Act and in the tax provisions of the Internal Revenue Code relating to old-age and survivors insurance unemployment insurance taxes, to exclude from coverage "(1) any individual who, under common-law rules applicable in determining the employer-employee relationship, has the status of an independent contractor or (2) any individual (except an officer of a corporation) who is not an employee under such common-law rules." ^{62/} The resolution, as amended by the Senate, was vetoed by President Truman on June 14, 1948, but nevertheless became Public Law 642 when it was passed over the President's veto. As pointed out previously, the President sharply attacked the objectives of Public Law 642 (commonly referred to as the "Gearhart resolution") in the presidential campaign of 1948 in which two of the prime supporters of the resolution were defeated.

Section 409 of H.R. 2893, the bill recommended by the President for the consideration of the Committee on Ways and Means, provided for repeal of Public Law 642. After very extended consideration, the House Committee included in H.R. 6000 a number of very important changes from Public Law 642. ^{63/} The term "employee" was redefined and broadened to read as follows:

^{62/} For a detailed summary of the legislative history of H. J. Res 296 see Wilbur J. Cohen and James L. Calhoun, "Social Security Legislation, January-June 1948: Legislative History and Background," Social Security Bulletin, July 1948, pp. 7-9.

^{63/} For a discussion of the changes made by the House Committee see House Report No. 1300, pp. 80-91. See also Appendix B of the Report, pp. 189-207, for an analysis prepared by the staff of the Joint Committee on Internal Revenue Taxation. The minority of the Committee on Ways and Means endorsed paragraphs (1), (2), and (3) but opposed paragraph (4). See pp. 161-163 of the Report.

"(1) any officer of a corporation: or

"(2) any individual who, under the usual common law rules applicable in determining the employer employee relationship, has the status of an employee. For purposes of this paragraph, if an individual (either alone or as a member of a group) performs service for any other person under a written contract expressly reciting that such person shall have complete control over the performance of such service and that such individual is an employee, such individual with respect to such service shall, regardless of any modification not in writing, be deemed an employee of such person (or, if such person is an agent or employee with respect to the execution of such contract, the employee of the principal or employer of such person); or

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

"(A) as an outside salesman in the manufacturing or wholesale trade

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

"(C) as a driver-lessee of a taxicab;

"(D) as a home worker on materials or goods which are furnished by the person for whom the services are performed and which are required to be returned to such person or to a person designated by him;

"(E) as a contract logger;

"(F) as a lessee or licensee of space within a mine when substantially all of the product of such services is required to be sold or turned over to the lessor or licensor; or

"(G) as a house-to-house salesman if under the contract of a minimum sales quota, or (ii) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (iii) is prohibited from furnishing the same or similar services for any other person if the contract of service contemplates that substantially all of such services (other than the services described in subparagraph (F)) are to be performed personally by such individual; except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade, occupation, business, or profession with respect to which the services are performed, or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed; or

"(4) any individual who is not an employee under paragraph (1), (2), or (3) of this subsection but who, in the performance of service for any person for remuneration, has, with respect to such service, the status of an employee, as determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of

skill required of the individual, (F) lack of investment by the individual in facilities for work, and (G) lack of opportunities of the individual for profit or loss."

After very extensive public hearings the Senate Committee on Finance concurred in the House provision of paragraph (1) and first sentence of paragraph (2), deleted the second sentence of paragraph (2) commonly known as the "Petrillo provision" 64/, struck out all the enumerated groups in paragraph (3) except a full-time life insurance salesman and added "an agent-driver or commission-driver engaged in distributing meat products, bakery products, or laundry or dry-cleaning services," and eliminated paragraph (4) entirely. 65/

Subsequent to reporting out the bill, the Senate Committee on Finance reported out an additional amendment to the definition of "employee" so as to specifically include certain traveling or city salesmen. 66/ In addition, the phrase "for his principal" was added to clause (3) relating to agent drivers. 67/

Under the final agreement of the Conference Committee, the 1950 law provides that the term "employee" includes in addition to the common-law employees, individuals who perform services under specified conditions in four occupational groups: full-time life insurance salesmen, certain agent-drivers, wholesale and homeworkers. The text of the new definition is as follows: 68/

64/ This sentence had been added by the House to change the effect of *Bartels v. Birmingham* 332 U.S. 126, 1947.

65/ The House had also added an additional exception to the term "employment" as follows: "Service performed by an individual in the sale or distribution of goods or commodities for another person, off the premises of such person, under an arrangement whereby such individual receives his entire remuneration (other than prizes) for such service directly from the purchasers of such goods or commodities, if such person makes no provision (other than by correspondence with respect to the training of such individual for the performance of such service and imposes no requirements upon such individual with respect to (A), the fitness of such individual to perform such service, (B) the geographical area in which such service is to be performed, (C) the volume of goods or commodities to be sold or distributed, or (D) the selection or solicitation of customers." This provision was deleted by the Senate and the Conference Committee.

66/ Congressional Record, June 20, 1950, p. 9008 (daily ed.)

67/ Ibid. p. 9011.

68/ (Section 210(k) of the Social Security Act, and Section 1426(d) of the Internal Revenue Code.) The term "employee" in section 1101(a)(6) of the Social Security Act was repealed "effective only with respect to services performed after 1950." (Sec. 403(a)(2) and (3) of the Social Security Act Amendments of 1950.) The new definition of "employee" does not apply to the Federal Unemployment Tax Act or the withholding tax for income tax purposes.

"The term 'employee' means -

"(1) any officer of a corporation; or

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

"(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person -

"(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

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

"(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

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

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for

transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed."

The Conference Committee report shows clearly, however, that Congress recognized that individuals in the specified occupations might be employees under the usual common-law rules and intended to make certain that those who were not would be included in the term "employee" nevertheless. The Conference Report states that: "Provisions in both the House bill and the Senate amendment added individuals in certain specified occupational groups who are not necessarily under the usual common-law rules." 69/

It is still too early to forecast the full effect and implications of the revised definition of employee. In general, the court decisions during the period the Gearhart resolution was in effect were restrictive in covering individuals under the insurance program. 70/ The restrictive decisions emphasized that the absence of control, or the absence of the right to control, over the hours to be devoted to the work, and the manner of doing the work as significant factors tending to show that no employment relationship exists. By using that text, the courts found that certain salesmen, solicitors, collectors, models and cab drivers and others were not employees for social security purposes.

It is significant, however, that both Houses of Congress expressed themselves on the way in which the common-law rules should be applied for the purpose of old-age and survivors insurance. In the Senate Senator George made the point that "the usual common-law rules, realistically applied, and not the restrictive rules of a particular State are to be used." 71/ The House Conferees took the opportunity to "reiterate and

69/ House Report No. 2771 to accompany H.R. 6000, August 1, 1950, (81st Cong. 2d Sess.), p. 104.

70/ Cases holding that there was no employment relationship: *Ewing v. Vaughan* 169 F. (2d) 837; *Benson v. Social Security Board*, 172 F. (2d) 682; *Brady v. Periodical Publisher's Service Bureau*, 173 F. (2d) 776; *Party Cab v. U.S.*, 172 F. (2d) 87; *Economy Cab Co. v. Fahs*, 174 F. (2d) 318; *New Deal Cab Co. v. Fahs*, 174 F. (2d) 321, (Cert. Den. in all three cab cases, 70 S. Ct. 62, October 10, 1949); *Dimmitt-Rickhoff-Bayer Real Estate Co. v. Finnegan*, 179 F. (2d) 882 (Cert. Den. Oct. 1950); *Barnaba Photographs Corp. v. U.S.*, 178 F. (2d) 402; *Tractor Training Service v. U.S. U.S.D.C. Ore.*, CCH, U.I.S., Fed. para. 9387; *G. W. Allen & Co. v. Henslee*; *Hall v. Henslee*; *Armistead v. Henslee* 86 F. Supp. 295; *Crossett Lumber Co. v. U.S.* 79 F. Supp. 20; *Shreveport Laundries, Inc. v. U.S.*, 84 F. Supp. 435. Cases holding that there was an employment relationship; *U.S. v. Kane*, 171 F. (2d) 54; *Woolson Spice Co. v. U.S.* 85 F. Supp. 242; *Capital Life and Health Insurance Co. v. Bowers*, 90 F. Supp. 600; *Ringling Brothers-Barnum Bailey combined Shows, Inc. v. Higgins*, U.S.D.C., N.Y. CCH, U.I.S. Fed. Para. 9406.

71/ Congressional Record, August 17, 1950, p. 12, 885 (daily ed.)

endorse the statement made by the House Committee in 1939" 72/ and noted that the "statement made in 1939 is equally applicable to the phrase in the bill as agreed upon in the conference agreement which contemplates a realistic interpretation of the common-law rules." 73/

MILITARY SERVICE

On September 14, 1940, President Roosevelt recommended that the Congress enact various proposals to protect servicemen. General language designed to protect the Federal old-age and survivors insurance rights of servicemen was added in the Senate to the Second Revenue Bill of 1940. The Conference Committee, however, dropped the provision in order to make a study of the entire matter. 74/

In 1946 the Congress provided survivors benefits for dependents of World War II veterans. 75/

The 1950 amendments grant wage credits under old-age and survivors insurance for World War II military service which potentially affects more persons than all the provisions extending coverage to specific areas of employment. Under this provision, some 16 million individuals could receive from 1 to 83 months' credit of \$160 a month for military service between September 16, 1940, and July 24, 1947. Thus, as many as 29 quarters of coverage and more than \$13,000 in wages could be credited to the social security account of an individual who served throughout the war period. 76/

The wage credits are to be granted effective September 1, 1950, to any serviceman (or woman) who had at least 90 days' service in the active military or naval forces of the United States during the defined period or who, if he had served less than 90 days, died or was discharged because of disability incurred or aggravated in service. Wage credits may not be granted to an individual who was dishonorably discharged or whose death was inflicted as lawful punishment for a military offense.

72/ Quoted in footnote 52 infra.

73/ House Report No. 2771 to accompany H.R. 6000, op. cit., p. 104.

74/ House Report No. 3002 to Accompany H.R. 10413 (Second Revenue Bill of 1940). Sept. 30, 1940, (76th Cong., 3d Sess.) pp. 62-64.

75/ For the legislative history of this amendment, see Angela J. Murray, "Social Security Act Amendments of 1946," Social Security Bulletin, September 1946, pp. 4-5.

76/ The new law provides for payments on the basis of military service credits to be made out of the trust fund without any reimbursement from the Federal Government. The 1946 amendments provided for payment of the cost of benefits due to military wage credits to be paid out of general revenues of the Treasury. This provision was repealed in the 1950 amendments.

The new credits count toward eligibility for and the amount of benefit payments to the veteran and his family when he retires, the family of a veteran who dies at any future time, and the family of an already deceased serviceman. The wage credits may be used with respect to any monthly benefit payable after August 1950 and any lump-sum payment when the veteran dies after that month.

To avoid duplication of retirement credit granted because of World War II service, the new law provides that the wage credits may not be used if periodic benefits based in whole or part on the same period of service are determined to be payable by any Federal agency or wholly owned instrumentality other than the Veterans Administration. The credits would not be used in computing old-age and survivors insurance benefits if a larger benefit would be payable without them.

The purpose of the provision is to guarantee to servicemen of World War II the same old-age and survivors insurance protection they would have had if they had been in civilian jobs during their period of service. This objective is substantially accomplished except for those who would have averaged more than \$160 a month in civilian employment. Even for most of these, however, the provisions for using January 1, 1951, as an optional starting point in computing average monthly wage and the use of a higher wage base after 1950, will remove the handicap imposed by their World War II service. In general, this group would continue to have above-average earnings and would be likely to benefit by the new provisions.

Concluding Observations and Future Developments

The extension of coverage embodied in the 1950 amendments was the first major extension of coverage since the law was enacted in 1935. The amendments of 1939 were primarily improvements in benefits (adding survivor benefits, increasing and advancing the date of first benefit payments). The coverage changes in 1939 resulted in some small additions to coverage (employees over age 65, bank employees, and seamen) but there were also some reduction in coverage (a broader exclusion of agricultural labor). During the 10-year period 1940-50, the major legislative enactments dealt with freezing the contribution rate and not essentially with extension of coverage, although seamen employed by the Federal Government were covered in 1943, (retroactive to Sept. 30, 1941) employees of Bonneville Dam in 1945 (effective Dec. 31, 1945) and credit for military service given for survivors benefits in 1946. In 1948 certain adult news vendor were excluded. The passage of the Gearhart resolution in 1948 excluded a large number of employees from the program.

The 1950 amendments increased the coverage of the insurance program about 30 percent from about 35 million to 45 million in an average week. It is also significant that the new law contained no reductions in coverage from the law as it stood in 1949.

Most significant is the fact that a very large number of the newly covered groups are in the lower than average income group. The agricultural workers, domestic employees, employees in nonprofit institutions

many State and local governmental employees, and a large number of self-employed persons are in the lower income groups. A substantial number of persons in these groups would otherwise have to turn to assistance if they were not covered by insurance.

It was extremely fortunate that the coverage extensions which became effective on January 1, 1951, began in a period of favorable employment opportunities. Many older persons who might otherwise have found it difficult to retain or find jobs will be able to stay at work and obtain an insured status or receive higher benefits than they would otherwise. Other persons who normally might not work in covered employment or who might not work in covered employment long enough to be insured are likely to become insured because of work in defense plants during the present emergency.

With favorable employment opportunities and a demand for industrial, commercial, and professional employees, many individuals normally not covered by the insurance program can obtain coverage by the careful selection of employment as between jobs covered and those not covered. For instance, doctors and lawyers are not covered under the law as self-employed persons. However, doctors and lawyers working as employees of a business enterprise are covered and have been covered since 1937. With the great demand for doctors and lawyers, many can and will find employment as employees for \$3,600 a year and thus obtain coverage and insured status. The decline in the number of self-employed farmers also means that a larger and larger proportion of the labor force will be in jobs covered by the insurance system.

Four elements characterize social security legislation: (1) the infrequency of basic legislation; (2) the length of time it takes to obtain passage of legislation; (3) the omnibus character of the legislation; and (4) the complexity of the legislation. While these elements are not peculiar to social security legislation, they do indicate some of the difficulties involved in getting social security legislation enacted.

An important additional element which largely determines the timing and content of social security legislation is the fact as pointed out previously that it must originate in the House of Representatives. This is due to the express provision in the Constitution that all revenue bills must originate in the House.

The ranking members of the House Committee all have had long years of service in Congress, which naturally increases the prestige which the Committee's views receive. The Senate Finance Committee also has unusual prestige and influence in the Senate. Two of the members of the Committee (Connally and Johnson) were chairmen of other important committees, two other members were the Senate Majority Leader (Lucas) and Whip (Myers). Two (Millikin and Taft) of the five minority members held influential posts in the minority policy committees. Proof of the influence of the Finance Committee is that only one amendment not approved by it was adopted on the Senate floor, and this amendment was not opposed by Senator George, the Committee Chairman.

Some of the more important general factors which influenced the coverage provisions of the law were: (1) union pressure for extension of coverage as well as improvement in benefits despite the spread of collective bargaining plans; (2) the continued increase in the cost of State old-age assistance; (3) the strong advocacy of both coverage and benefit improvements in old-age and survivors insurance by the State welfare administrators; (4) the opposition of the insurance companies, the American Medical Association, and employers' organizations to various recommendations made by the President and to provisions in the House bill such as those relating to benefit provisions and disability provisions; (5) the desire of many large employers for some improvement in social security in order to reduce the costs of their collective bargaining contracts; (6) the lack of vigorous, enthusiastic and united support from farm groups for coverage of farmers; and (7) the report of the Advisory Council on Social Security to the Senate Finance Committee.

A very important factor contributing to the passage of the bill and the important improvements in coverage was the report of the Advisory Council on Social Security appointed by the Senate Committee on Finance in the 80th Congress. Seven members of the Council testified before either the House or Senate Committee, 77/ and their views had an important part in determining the presence or absence of particular provisions in the bill.

As far as coverage is concerned, the 1950 amendments went as far as, or farther than, most informed persons thought would be possible in 1949 when congressional consideration of the legislation began. In both the House and the Senate Committees there was substantial support for a voluntary system of coverage for the self-employed and considerable doubt was expressed by influential members as to the wisdom of covering domestic service and agricultural labor. In fact, the possibility of covering agricultural labor was highly doubtful even in the Conference Committee and only by restricting coverage to persons who normally worked about 6 months or more for the same employer was it possible to get the support of the Chairman of the House Committee for coverage of this group.

The restricted coverage of domestic service was the result of doubts expressed by many members of the Committee as to the probable reaction of housewives to paying contributions on day-workers. Wherever there was strong support for coverage from the groups affected, the Committees readily assented to coverage and where there was opposition to coverage the Committees readily assented to exclusion. The nonprofit group illustrates the former case while the doctors and State and local governmental employees under a retirement system illustrate the latter.

Where some members of a group wished to have coverage, and others did not, the Committees and their staff and the technical experts from the Executive Branch struggled long and hard to devise a formula to make everyone happy. The coverage of transit employees best illustrates this effort. But, of course, the section in the law is therefore not

77/ Slichter, Brown, Cruikshank, Rieve, Folsom, Linton, and Donlon.

easy to read or to understand except that the reader should realize beforehand that every word in the provision was carefully drafted to achieve a specific result.

In two cases worth mentioning, however, Congress did not follow the wishes of the affected groups which desired coverage. In the case of public institutions of higher learning and the State of Wisconsin, coverage was sought and denied. The widespread campaign ^{78/} against coverage of State and local governmental employees covered under a retirement system made the Senate Committee and the conferees reluctant to open the door on this matter. Although the author of the (Wiley) amendment to permit Wisconsin to be covered under the law (even though its employees were under a retirement plan) put up a vigorous and reasonable argument, the amendment was not included in the final bill.

As a result the provisions in the law affecting State and local governmental employees has turned out to be the most difficult relatively to administer. Because of its restrictive character and intent, and the very receptive way most groups reacted to the liberalized benefits in the law, many groups of State and local employees have struggled to try to meet the conditions in the law and thus obtain coverage. Several groups with "retirement plans" in name have protested that these plans were not really retirement plans but were either disability plans or profit-sharing plans. In the former case, the political subdivision was not able to prove its case while in the latter it was.

Other jurisdictions have abolished their retirement systems, which turned out to be a complex and confusing task, and in some cases of great annoyance to the insurance carriers as in the case of certain local public housing agencies, hospitals, and institutions of higher learning.

It is likely that a result of this unexpected desire of some groups to obtain social security coverage, may be that the Federal law is amended sooner than anyone anticipated. Already amendments are pending in the Congress to permit coverage of units with retirement systems.

In two other areas the liberalized benefits have had an unexpected result, namely among railroad and Federal employees. The increased social security benefits in relation to the present social security tax rates (now at $1\frac{1}{2}$ percent of payrolls on the employer and employee) were compared with the benefits and much higher contributions under the railroad retirement system and the civil service retirement system. No doubt this comparison, favorable to old-age and survivors insurance, was a factor

^{78/} For a statement "explaining the losses under integration of teacher retirement systems and social security" see "The Integration of Social Security and Teachers Retirement" prepared by the Research Division, National Education Association, April 1950, 22 pp. (mimeo). See also "AFT Misrepresentations," 3 pp. (mimeo) also prepared by the NEA at the same time. But for the opposite point of view see Edwin E. Witte, "Should Teachers Be Included Under Federal Old-Age Insurance?" in the Wisconsin Journal of Education, May 1950, pp. 6-7.

in shaping the railroad retirement legislation (Public Law 234) which was approved on October 30, 1951. This legislation increased the benefits payable under the railroad program, added spouse's and widower's benefits to that program similar to those payable under old-age and survivors insurance, and provided that the railroad wage credits of workers who die or retire with less than 10 years of railroad employment will be transferred to old-age and survivors insurance. Also, legislation was introduced in Congress during 1951 which would make various changes in the civil service retirement system. Hearings were held on this legislation, but no further action was taken on it.

The 1950 amendments marked the culmination of more than 5 years of congressional study and consideration of recommendations for extending and improving the insurance program. Starting with the Ways and Means Committee's staff study in 1945 and the deliberations of the Advisory Council to the Senate Committee on Finance in 1948, congressional consideration of program changes came to a head with extensive committee hearings in the House of Representatives in 1949 and Senate consideration in 1950. The far-reaching changes embodied in the amendments represent a reaffirmation of congressional intent to retain and build upon contributory social insurance as the basic institution for providing social security to the Nation's workers.

The amendments of 1950 provide significant advances in terms of coverage extension (see table 1), benefit increases, new categories of benefits, and technical improvements. The provisions agreed upon by Congress are for the most part those on which business, labor, and other interested groups were generally agreed. In a decade and a half, the people of the United States have come to recognize social insurance as a basic American institution and to urge that it be strengthened so that it may better fulfill its function in our economy.

Table 1. - Old-age and survivors insurance: Extension of coverage under the 1950 amendments

[Number in an average week]

Category	Number Covered
Total	9,800,000
Compulsory coverage, total.	7,750,000
Nonfarm self-employed	4,700,000
Agricultural workers.	850,000
Borderline employment.	200,000
Regularly employed on farms.	650,000
Domestic workers.	1,000,000
Federal civilian employees not under a retirement system	250,000
Employees outside the United States	150,000

Category	Number Covered
Employment in Puerto Rico and Virgin Islands. . .	400,000
New definition of "employee".	400,000
Voluntary coverage, total.	2,050,000
Employees of nonprofit organizations.	600,000
Employees of State and local governments.	1/1,450,000

1/ Excludes a relatively small number of transit workers who will be compulsorily covered.

The extension of coverage embodied in the 1950 amendments resulted in a decrease in the cost of the insurance benefits measured as a percentage of payroll, and made possible some of the increase in benefits which were enacted (see table 2). Additional extension of coverage would also serve to make possible additional increases in benefits.

Table 2. - AVERAGE MONTHLY BENEFITS AND LUMP-SUM DEATH PAYMENTS UNDER OLD-AGE AND SURVIVORS INSURANCE

Category	Under Previous Law, June 1950	Under 1950 Act		
		June 1951	Estimated for 1960	for 2000
Old-Age (i.e. Retired Worker)	\$26	\$ 43	\$ 50	\$ 50
Male	27	45	53	57
Female	21	34	38	37
Wife's <u>a/</u>	14	23	27	30
Widow's <u>a/</u>	21	36	39	45
Parent's <u>b/</u>	14	37	38	43
Child's <u>c/</u> <u>d/</u>	13	27	29	31
Mother's <u>d/</u>	21	34	37	40
Lump-Sum Death <u>e/</u>	168	136	157	152

- a/ Does not include those eligible for primary benefits. Includes husband's and widower's benefits.
- b/ Does not include those eligilbe for primary, widow's or widower's benefits.
- c/ Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.
- d/ The figures for this category for the 1950 Act are somewhat lower than might be anticipated since the effect of the maximum benefit provision, combined with the change in the law so that all eligible beneficiaries should file, results in a lower average payment per individual beneficiary.
- e/ Average amount per death.

With 10 million more jobs brought under the program by the 1950 amendments, approximately 75 to 80 percent of the Nation's gainfully employed are now covered by old-age and survivors insurance. Of the gainfully employed persons not yet covered by the program, approximately 7.6 million in an average week are covered by some other public retirement system. They are under the retirement programs provided for persons in the Federal civil service, in railroad employment, in the armed forces, and in the employ of State and local governments. Only about 10 percent of the Nation's gainfully employed now have no retirement protection under a public program.

Farmers, most self-employed professional persons (doctors, lawyers, and dentists are three of the largest groups excluded ^{79/}) and agricultural and domestic workers not regularly employed by one employer are the chief groups without any coverage under a public program. Coverage of these groups under old-age and survivors insurance has been recommended by the Social Security Administration. Otherwise, the large group with earnings too low to save for their old age and no opportunity to be covered by private pension plans, will have no recourse but to seek help under the assistance programs.

Coverage of farm operators, the largest group, is just as feasible as coverage for other self-employed persons, and would be administered in a similar manner. Farmers would file reports of their self-employment income and pay their social security contributions along with their income tax returns. Although a farmer, like other covered persons, would have to meet a test of retirement, this does not mean that he would have to sell his farm in order to draw retirement benefits. If he rented the farm, for example, his income would be rental income and not earnings

^{79/} It is estimated that the following number of professional persons in an average week in the year will be excluded under the new law:

<u>Professional Groups</u>	<u>Number Excluded</u>
Lawyers	142,000
Physicians.	139,000
Dentists.	70,000
Osteopaths.	6,000
Chiropractors	10,000
Naturopaths	7,000
Optometrists.	9,000
Veterinarians	7,000
Christian Science Practitioners	10,000
Professional Engineers.	19,000
Architects.	11,000
Funeral Directors	35,000
Certified, registered, licensed, or full-time practicing public accountants.	<u>35,000</u>
Total.	500,000

from self-employment. If he operated the farm himself and his income from farming was \$600 or less a year, he could receive old-age insurance benefits regardless of the amount of work he did. If his annual income from the operation of the farm exceeded \$600 he would nevertheless draw benefits for any months in the year in which he performed no substantial work. On the other hand, a farm operator who performed substantial services in each month of the year could still receive benefits for some months so long as his income was less than \$1,150 during the year. After he reached age 75, benefits would be paid without regard to the test of retirement.

The 1950 amendments provide for the voluntary coverage of the 600,000 lay employees of religious, charitable, educational, and other nonprofit organizations. However, some employees of such organizations may actually find old-age and survivors insurance protection unobtainable, either because of the decision of their employer or because other employees who see no immediate personal advantage in obtaining coverage oppose entering the system. As a result, in the area of nonprofit employment there may continue to be some people without systematic retirement protection of any kind. The Social Security Administration has recommended that the law be amended in such a way as to ensure the protection of all nonprofit employees.

For the groups not covered under old-age and survivors insurance but covered under another public program there is a problem of a different kind. In our economy the movement of workers from job to job and from one kind of employment to another is inevitable, and to a considerable extent desirable. This is particularly true in a period of national emergency such as now exists. As a result of such shifting from one retirement program to another, the individual may fail to remain in any system long enough to acquire retirement benefit rights. He may end up at 65 with no protection at all, or with very inadequate benefits. To ensure that the protection afforded such individuals is real, and that mobility of labor is not unduly discouraged, arrangements will have to be made for coordinating the protection furnished under the various public retirement plans.

Considerable study has already been given to various plans for such coordination, and, in fact, coordination has already been established in one area. The survivor benefits provided under the railroad retirement program are coordinated with those provided under old-age and survivors insurance, with a general improvement in the protection of individuals who shift between these two areas of employment. Proposals have been made for coordinating the civil service retirement program and old-age and survivors insurance through a plan for transferring the retirement credits of short-term Federal employees to the latter program. A plan of this sort could substantially improve the protection of many individuals. Additional consideration should be given to this and other proposals for protecting workers who change jobs.

The new law will have an important effect upon existing pension plans, collective bargaining, and various public and private programs. However, it must be recognized that there will still be need for further consideration of changes in social security legislation. In the kind of dynamic economy in which we now live, change is continually occurring.

There must be a constant review of the entire social security program so that adjustments can be made from time to time to accord with economic and social developments and actual administrative experience. There are still needs and gaps which must be met. The Finance Committee itself recognized that its recommendations did not meet all of the problems which exist in social security at the present time. Its report points out that the Committee members "believe that the problem of providing income to those who have already retired and who are ineligible for insurance should be studied further." They also recommended "that further extension of coverage to farm groups be given attention." They stated that "further study should be made of the problem of income maintenance for permanently and totally disabled persons" as well as of the "problems involved in the long-range financing of an old-age and survivors insurance system, particularly the issue of reserve financing versus pay-as-you-go."

It is significant that the Senate adopted a resolution to study all these various aspects of social security, and also the problems of increased work opportunities for the aged and the relationship of the insurance program to private pension plans. It is thus clear that Congress itself does not think of the new program as a complete or final solution to the problems of insecurity, and that further changes can be expected. But the new program does represent a substantial forward step in the attempt to make American secure against want.

FEDERAL SECURITY AGENCY

S O C I A L S E C U R I T Y B O A R D

INTEROFFICE COMMUNICATION

March 4, 1949

TO: All Administrative and Technical Employees
and All Field Office Employees

FROM: O. C. Pogge, Director

SUBJECT: Director's Bulletin No. 161
Provisions of the Administration Bill, H.R. 2893

All of us who are concerned with improvement of the old-age and survivors insurance program welcome the early beginning of hearings on the Administration bill (H.R. 2893) which was introduced by Representative Doughton, Chairman of the Committee on Ways and Means. The bill represents the President's program, in accordance with his previous messages to Congress. It extends both the coverage and the scope of the old-age and survivors insurance system. In the main, its provisions are the ones the Social Security Administration considers essential to a well-rounded program of insurance protection against income losses resulting from the retirement, death or extended disability of both wage earners and self-employed persons. For wage earners, there is the additional protection of insurance against wage loss during short-term disability.

Eligibility requirements are reduced and benefit amounts very substantially increased under this proposed program. Special provisions for persons already on the rolls will permit prompt increase of their benefits when the amendments are enacted, without individual recalculation of the primary insurance benefit in such cases. Benefits for women would be payable at age 60. The amount permitted in earnings without suspension of benefits is sharply increased. Family benefits are provided for some dependents formerly not eligible for payments, especially certain dependents of women workers. New provisions will reduce the hardship to families in cases in which technical defects in the marriage now prevent payments to wife, widow, or children. In a number of respects, technical anomalies are eliminated and administrative provisions improved.

The following paragraphs summarize the proposed amendments.

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Coverage Extension

Employees of Nonprofit Institutions. Clergymen and members of religious orders would remain excluded from the program. It is proposed to cover all other employees of nonprofit institutions, with a compulsory contribution by the employees. The payment of the employer contribution would be voluntary, but the employee would receive credit for only half his wages if the employer contribution were not paid. It is hoped that the employer will pay in most instances; the majority of nonprofit institutions have expressed a desire for coverage and a willingness to pay the employer contribution if it were not compulsory. (Spokesmen for some institutions fear that the imposition of a tax for social security purposes would set a precedent which might result in loss of tax-exempt status for other purposes.) Because voluntary coverage, at the election of either the employee or the employer, is generally undesirable in a compulsory social insurance system, it was necessary to work out special provisions which would assure coverage for the employees while recognizing the position of the employers with respect to contributions.

State and Local Governmental Employees. Because of the constitutional barrier to taxation of the States, State and local employees would be covered through voluntary agreements between the States and the Federal Government. The Federal Government would deal only with the States, but the agreements could cover employees of political subdivisions and instrumentalities.

In order to minimize adverse selection, all employees (with certain exceptions) of a participating governmental unit would have to be covered, and a political subdivision with less than 10 employees (other than those excepted) could not participate unless at least 25 percent of all employees of the political subdivisions of the State were to be covered. Policemen and firemen covered under retirement systems (these systems are customarily very liberal because of hazardous nature of the occupations) are specifically excluded from coverage; other groups covered by retirement systems could be excluded at the election of the State, but only after the employees affected have had an opportunity to express in a written referendum their wishes regarding coverage.

Coverage under an agreement could be terminated by the State after five years by giving two years' advance notice. Agreements could be terminated by the Federal Government in the event of noncompliance.

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Delinquent contributions could be collected through withholding the amount of the contributions from grants to States under other provisions of the Social Security Act.

Federal Civilian Employment. The bill would cover all employees of the Federal Government and its instrumentalities who are not covered by a retirement system, with certain exceptions: the President and Vice President, heads of departments and agencies, and persons employed in the legislative branch of the Government. Our position is, of course, that all Federal employees should be covered under old-age and survivors insurance. However, it is true that most Federal employees have retirement, survivors and disability insurance protection under staff retirement systems. Old-age and survivors insurance coverage is particularly desirable for Federal employees not covered under any retirement system; many of them are persons whose employment is irregular, intermittent or of limited or uncertain duration, and who therefore are likely to move back and forth between Federal and private employment. Employees of the legislative branch of the Government would not be covered because they have the option of coverage under the civil service retirement system.

Members of the Armed Forces. At the present time there are proposals before Congress for substantial revisions in the armed forces retirement systems to provide more adequate protection, particularly for the career serviceman. To supplement these proposals, servicemen would also be covered under the old-age and survivors insurance program. However, where a monthly benefit was payable under one of the service retirement systems, military-service wage credits would not be included in computing old-age and survivors insurance benefits. Military-service wage credits would be counted toward disability benefits, but such benefits would not be payable while the individual was in active service. Wages credited for military service would include allowances paid for the serviceman himself, but not those paid in consideration of the fact that he has dependents.

Certain Employment Performed Outside the Continental United States. The general restriction of "employment" to services performed within the continental United States (or on or in connection with an American vessel) has been relaxed to include additional workers who are part of the American economy and with respect to whom contributions can be collected. The new definition of "employment" includes certain services performed outside the United States in connection with American aircraft and also services performed outside the United States by citizens or residents of the United States working for an American employer. The term "United States" is redefined to include Puerto Rico and the Virgin Islands.

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Agricultural Labor and Domestic Service. The bill covers agricultural and domestic workers by omitting the agricultural and domestic service exceptions of the present law. The bill also omits the "casual labor" exception and substitutes for it an exception from wages of remuneration for service on a farm or not in the course of an employer's trade or business if the cash payment in a calendar quarter is less than \$25. This provision would, of course, apply to domestic service since such service is "not in the course of an employer's trade or business." These provisions will cover almost 3 million of the approximately 4 million persons now excluded from coverage by the definition of agricultural labor, and $2\frac{1}{8}$ of a total of approximately 3 million domestic service workers.

The \$25 wage exemption avoids the collection of contributions on extremely small amounts, and incidentally makes unnecessary many difficult distinctions between employment and an individual's normal family duties, as for example, when a relative is recompensed for performing a chore in the home. While this wage exemption excludes about $1\frac{3}{4}$ million persons in the course of a year most of them would be individuals such as students and housewives who are not consistent members of the labor force. The relatively small number of consistent members of the labor force occasionally excluded by this exemption would be covered by the program as a result of their more substantial occupations.

The bill does not specifically provide a method of reporting. The present provisions of the Internal Revenue Code which authorizes the Commissioner of Internal Revenue to determine the method to be used to secure wage data and to collect taxes is expected to remain in the law. The Treasury Department and the Federal Security Agency intend to submit a joint statement to Congress to the effect that: (1) present reporting procedures would be satisfactory for collecting wage information and contributions for many agricultural and domestic workers, principally employees of large farms and domestic employees of employers who also have commercial and industrial employees; and (2) either a stamp plan or a simplified payroll reporting plan would be feasible for administering extended coverage for the balance of agricultural and domestic service workers.

The Self-Employed. Approximately 11 million persons self-employed in the course of a year (6,370,000 urban self-employed persons and 4,665,000 farm operators) would be covered as a result of provisions in the bill for basing the payment of benefits (except temporary disability benefits), upon "self-employment income" as well as on "wages." Approximately 2,685,000 persons (1,330,000 urban self-employed persons and 1,355,000 farm operators) who engage in some self-employment

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in a year would be excluded as a result of having gross income of less than \$500 or net income from self-employment of less than \$200 in a year.

The computation of self-employment income for social security purposes is based on concepts used in determining profit from trade or business for income tax purposes. Certain types of income, not work connected, such as gains from the sale or exchange of capital assets and rentals from real estate (unless received in the course of business as a real estate dealer or operator of a rooming house or hotel) are excluded for social security purposes. In general, income derived from a trade or business carried on by a husband and wife who are not legal partners will be credited to the spouse having the management and control. If both spouses share the management and control, however, each will be credited with the portion attributable to his or her services and investment.

Self-employed persons would transfer the pertinent information from the income tax return to a report of self-employment income for social security purposes and would file the latter as an attachment to the income tax return. The bill provides that the social security report would not be credited to the wage record unless filed within a year of the time it is due. This limitation on delinquent filing is intended to prevent self-employed persons from acquiring an insured status after the risk has matured.

Quarters of coverage are determined on the basis of the annual self-employment income as follows:

- Less than \$200 - no quarter of coverage
- At least \$200 but less than \$400 - one quarter of coverage
- At least \$400 but less than \$600 - two quarters of coverage
- At least \$600 but less than \$800 - three quarters of coverage
- At least \$800 and up to \$4,800 - four quarters of coverage

No individual would be credited with more than four quarters of coverage for a contribution year and no quarters of coverage would be credited to an individual after the quarter of death or entitlement.

A monthly retirement test analogous to the work clause for wage earners provides for deductions when an individual "engages in self-employment" which results in net earnings of \$50 or more or when he "engages in self-employment" and renders service in employment if the combined remuneration is \$50 or more.

The bill would provide for the repeal, as of enactment, of those sections of Public Law 642 (Gearhart Resolution) which restricted the meaning of the term "employee" to persons who were employees under the "usual common-law rules." By this repeal, coverage as employees would be restored to an estimated 500,000 to 750,000 persons. A

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large group of workers, who are employees as a matter of economic reality under the decisions of the Supreme Court in the "Silk," and other related cases, will be entitled to the protection of the program.

Areas Still Excluded from Coverage. The extension of coverage proposed in the bill would bring under the program the majority of gainfully employed persons not covered by a retirement system. In general, though, it would not provide continuity of insurance protection for workers who shift between jobs covered by different systems. To provide such continuity of protection, the old-age, survivors and disability insurance system should be made the basic insurance system for all workers, with the special systems providing supplementary benefits. Under such a plan coverage would be extended to employment covered by the Railroad Retirement Act, all civilian employment for the Federal Government and employment for State and local governments covered by a retirement system.

Effective Dates of Coverage Changes. The coverage of the self-employed would be effective January 1, 1949. Other coverage extensions would go into effect January 1, 1950.

Disability Provisions

Weekly Disability Benefits. Weekly benefits would be paid beginning January 1, 1950, to an insured wage earner for spells of disability lasting at least seven consecutive days if the disability kept the wage earner from working at his regular job. (Self-employment income is not covered for purposes of these benefits.) The first seven consecutive days of disability in a benefit year, however, would constitute a waiting week and would not be compensable. Such a waiting week would only be served once each year. Nonpayment of benefits for illnesses lasting less than seven days and for the waiting week is designed to eliminate the need to compensate the many very short illnesses which occur and to reduce the cost of benefits. Benefits for fractional weeks of disability would be paid at a daily rate of one-seventh of the weekly amount. A disability which lasts less than seven days would be compensable if it occurred within a three-week period following a waiting week or a compensable week.

To be insured for weekly benefits the wage earner must have been paid wages in at least two quarters of his four-quarter base period. For minimum benefits, he must have been paid at least \$130 in his high quarter, and the wages for the base period must have totalled at least \$260. A wage earner's base period would be the four completed calendar quarters immediately preceding the fourth calendar month prior to the month in which his benefit year began.

The filing of a valid application for weekly disability benefits would

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establish a benefit year during which the wage earner's insured status and benefit amounts would be fixed. The size of benefit payments would be determined from a graduated table based on two factors: (1) the amount of wages paid in the highest quarter of the base period, and (2) the number of the wage earner's dependents. For an unmarried wage earner, benefits generally would equal approximately one-half of his average weekly wages and would range from \$8 to \$30 a week. Benefits would be increased slightly for each dependent up to three. The maximum benefit for a worker with three or more dependents would range from \$11.20 to \$45 a week. The maximum amount of benefits which an individual could receive in any benefit year would be twenty-six times his weekly benefit amount. Under certain circumstances, however, as where a spell of uninterrupted disability continued beyond the prescribed cut-off, provision would be made for continuing weekly benefits until the end of the spell of disability or until it had lasted six months, whichever occurred first. These added weekly benefits would be provided only where the wage earner was insured for extended disability benefits at the beginning of the spell. This provision prevents the occurrence of a gap between weekly benefits and extended disability benefits.

Maternity Benefits. Insured women workers may become entitled to weekly maternity benefits, without being required to furnish a certificate of inability to work. Maternity benefits would be payable for a total of fourteen weeks provided the woman does not work during this period--from six to eight weeks before confinement and six to eight weeks after confinement. Such benefits would be computed in the same way as weekly disability benefits, but the period during which such maternity benefits are paid would not be counted toward the maximum of weekly disability benefits payable during a benefit year. To be eligible for maternity benefits a woman at the time she files application for such benefits must be insured for weekly disability benefits and must meet an additional requirement of earned wages or compensable disability in the quarter preceding confinement. This is to support the presumption that the woman has not left the labor market and would be regularly employed but for her pregnancy.

Extended Disability Benefits. Monthly benefits, comparable to those under the retirement provisions of the program would be payable beginning July 1, 1950, to a wage earner or self-employed person who suffers from an extended disability and has met the requirement of a six-month waiting period. Extended disability is defined as blindness, or inability to engage in any substantially gainful work. This is a stricter definition than the definition applicable in cases where the disability has lasted a short time; a person applying for extended

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disability benefits will be expected to make greater adjustments in his way of living and to engage in any work he can perform. To meet the test of recent as well as substantial attachment to the labor force an applicant must be currently insured and he must also have not less than twenty quarters of coverage out of the forty quarters ending with the quarter of onset of disability.

Because of the administrative problems involved in picking up a large backlog, persons already disabled will be eligible only to the extent that they meet these insured status requirements as of January 1, 1950. If last covered employment was before the second quarter of 1948 it will not be possible for an individual to qualify. In order to give eligible persons a reasonable period of time in which to learn about the new benefits, a grace period lasting up to July 1, 1952, will be allowed for filing.

To be timely, an application for extended disability benefits must be filed either in the waiting period or in the month following the waiting period. As with other Title II benefits, an application may be deemed to have been filed in the third month prior to the actual filing if all other conditions are met. Therefore, an application would be timely if filed no later than the tenth full month of disablement. To avoid complicating problems of medical administration and proof of disability, the onset of disability will be deemed to have occurred in the month preceding the waiting period; a delay in filing beyond the tenth full month of disability would automatically result in moving up the beginning date of the waiting period; and if the delay is prolonged, insured status may ultimately be lost.

Benefits are payable not only to the disabled insured person, but also to his dependents in the same manner as if he were retired, and to certain disabled dependents.

A person who is entitled to any of the Title II benefits for extended disability and who is also receiving State or Federal workmen's compensation for the same disability and the same period of time, would have his extended disability benefit reduced by one-half of whichever of the duplicating benefits is smaller. In no case would the extended disability benefit be less than \$10. All individuals entitled either to weekly or extended disability payments may be required to undergo examinations and periodic reexaminations at the request of the Administrator to determine disability or continued disability. If they refuse, benefits may be denied or suspended. Persons who are or may become entitled to extended disability benefits will be encouraged to return to work as soon as possible through the provision of physical or vocational rehabilitation services. Rehabilitation may be undertaken either during the six-month waiting period or after entitlement to monthly benefits. At the expense of the Trust Fund, and through

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Cooperation of other public and private agencies, disabled persons will be eligible for medical, surgical, training and other services, where the Administrator finds that such services will aid in returning such persons to gainful work. Those who without good cause refuse rehabilitation may have benefits denied or suspended.

The bill contemplates the administration of both temporary and extended disability benefits as an integral part of a combined Federal old-age, survivors and disability insurance system. The Administrator is authorized, however, to secure the cooperation of, and to enter into working agreements with, public agencies at the Federal, State or local level as well as private agencies and groups in order to secure advice and services in the efficient administration of benefits.

Insured Status Provisions

The extension of coverage will make it necessary to modify the insured status requirements in order that older workers whose occupations have not been previously covered may be able to qualify for retirement benefits in a reasonably brief period. The bill provides that a worker is fully insured if he has at least 1 quarter of coverage for each 4 elapsed quarters.

The new provisions would be effective for all applications filed after June 30, 1949, and benefits on a current basis would be immediately available for those who were eligible on the new requirements. A wage earner who attained age 65 (60 for women) in 1943 or earlier would need 6 quarters of coverage. If he had no previous covered employment, he could first become insured in the second quarter of 1951. A wage earner attaining age 65 (60) in 1950, with no previous coverage, could earn the required 13 quarters of coverage by the first quarter of 1953. No change has been made in the requirements for currently insured status.

Benefit Amounts

Benefits would be greatly increased by using both a new benefit formula and a new method of computing the average monthly wage. The average monthly wage would be one-sixtieth of the total wages during the period of 5 consecutive years of coverage (\$200) for which such total was highest. Generally, the average thus obtained would represent full-time employment when the individual was in the type of work utilizing his highest skill, not at learner's rates. Because there is a long-term upward trend in wages, benefits based on the high 5-years would tend to reflect the beneficiary's level of living close to the time he retires.

For each level of average monthly wage, the "basic amount" of benefit would be 50 percent of the first \$75 of average monthly wage plus 15 percent of the remainder to a total average wage of \$400. This full

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"basic amount" is available only to regularly employed workers. It is modified by a "continuation factor" representing the proportion of the years between 1950 (or 1937 if better for the person) and age 65 (or death) for which an individual had years of coverage. However, both regular and "in and out" covered workers will receive an additional 1 percent of the "basic amount" for each year of coverage. Benefits figured under these new formulas will be much higher than at present for regular workers, with proportionately less than the full benefit for those who work less regularly under the program. The typical individual worker's 5-year average monthly wage today would be \$200, and the full benefit about \$63. Increasing the taxable wage to \$4,800 and permitting an average monthly wage of \$400 will permit the full wages of about 95 percent of all covered workers to count toward their benefits.

The average monthly wage is to be rounded to the next lower dollar amount, which will greatly simplify the tables used for computing the benefit amount. The fact that both computation factor and increment are applied to the basic amount will also facilitate the construction of simple tables for office use.

The minimum primary insurance benefit would be \$25, and the maximum for a family 80 percent of the average monthly wage, or \$150 if that is less. Each benefit amount, if not a multiple of 10 cents is rounded to the next higher multiple of 10 cents, even though the family maximum may be slightly exceeded as a result of these increases.

To avoid the long, expensive job of recalculating the benefit amounts of all present beneficiaries by the new formulas, a conversion table for primary insurance benefits has been included in the bill. It provides increased benefits which, on the average, approximately equal those to be paid persons first filing claims after June 1949 under the new provisions. Subsidiary benefits will be raised to their appropriate percent of the table values for primary insurance benefits.

The recomputation of benefits in the future for persons who return to work after filing claims will be much less important if the average monthly wage is based on the high 5 years than it is at present, since relatively few workers who have retired would return to work at wages higher than in their best 5 years. Consequently, it seems reasonable to reduce the number of such recomputations in order to save expense of administration. Recomputations will not be permitted if a person has once "retired" to the extent of having received primary insurance benefits for 6 consecutive months. No benefit will be changed unless the recomputation results in an increase in the average monthly wage and unless the individual has a year of coverage after 1949, and after the date of his previous computation of benefit amount.

Benefits for Dependents and Survivors

Minor changes in this field would provide greater family protection and end a number of troublesome anomalies.

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Child's benefits are increased by one-fourth of a primary insurance benefit for one or more children entitled on a given wage record. Benefits are continued past age 18 if the child is then totally disabled. The definition of "child" is broadened to permit benefits also for other children who were not adopted but were supported by and living with the wage earner. The mother's contribution to the child's support is given greater recognition. Benefits may be paid on her wage record, even though the father was in the household or contributing something, if she had furnished at least half the support or, in death cases, if she was both fully and currently insured.

Women may become entitled to benefits at age 60. About 60 percent of the married men at age 65 have wives 60 or older, whereas only 20 percent have wives then 65 or older. Thus, the number of simultaneous entitlements will be greatly increased.

The problems created by variations in State marriage and intestacy laws are largely overcome by providing benefits for wives, widows, and children in certain cases of defective marriages when there was an intent to marry.

Benefits are payable to a divorced wife who has received at least one-half of her support from her former husband if she is caring for their children, and also to the wife under age 60 of a primary insurance beneficiary if they have children entitled to benefits.

Benefits may be paid to the disabled husband or widower at age 65 of a primary beneficiary or woman fully insured at the time of death. This will fill a need frequently mentioned by working women who have gone to work in order to support a disabled husband.

Parent's benefits are increased to three-fourths of a primary insurance benefit for each entitled parent, the same percent allowed to widow and first child in death cases.

To reduce a problem arising out of the termination provisions when aged beneficiaries marry, it is provided that a parent's benefits shall not terminate upon his or her marriage to another beneficiary. While widow's benefits would terminate in such a case, it is provided that the individual eligible for widow's benefits at the time of her remarriage shall be regarded as a "wife" (or "widow") for benefit purposes without a waiting period. Thus, while benefits based on a previous marriage would not be paid to a remarried person, there would be immediate protection on the second husband's wage record if he reaches age 65 or dies.

Lump-sum death benefits are made payable in addition to monthly benefits since there seems as great a need for provision for the extra expenses of death when monthly benefits are payable as when they are not. However, because of the great increase in primary insurance

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benefit amounts and the small social utility of large death payments, the lump sum is set at three rather than six times the primary insurance benefit.

The Work Clause

The exempt amount for the work clause is raised from \$14.99 to \$50, effective July 1, 1949. This will permit a reasonable amount of part-time work without loss of benefits but it preserves the principle that benefits should not be paid to persons who are regularly employed. An analogous monthly retirement test for the self-employed provides for deductions when an individual "engages in self-employment" which results in net earnings of more than \$50, or when the total of his wages and self-employment income exceeds \$50.

The work-clause provision will apply to beneficiaries under the extended disability program, and will include consideration of earnings in any type of employment or self-employment. However, the Administrator is authorized to suspend or modify the work-clause provision for a limited period during rehabilitation, if he believes that the disabled person will thereby be further encouraged to become self-supporting.

Miscellaneous and Technical Provisions

In many respects definitions have been changed to increase protection or simplify administration. Only a few of these provisions can be mentioned here. (1) The definition of wages (in addition to the increase in the wage base) is broadened, chiefly by the inclusion of tips and all dismissal payments. To date, a very small proportion of tips have been accounted for and recorded as wages, and only "legally required" dismissal payments have been so recorded. Both are, in fact, wage payments, and it will aid workers to have them included in the benefit base. For administrative reasons, there is a specific exclusion from wages of retirement pay and payments made on account of disability beyond six months. The "plan or system" definition is tightened so that only payments from insurance, trust, or other funded accounts will be excluded from wages under this provision. (2) The term of the statute of limitations on correction of wage records is made to harmonize with that of the statute on collection of contributions, and the reasons for which a record may be corrected after the running of the statute are strictly defined.

There are established two advisory committees; one appointed by the Administrator to advise on policy and administrative matters, and the other appointed by Congress to advise on legislation. These advisory councils would have representatives of employers, employees, and the public and would be responsible for recommending to the Administrator or Congress, as appropriate, solutions to administrative and policy problems or necessary legislation to improve the act.

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Contributions

The term "tax," which is used in the present law, has been changed to "contribution," and all contributions collected would be paid directly into the Trust Fund rather than being deposited in the general fund and appropriated to the Trust Fund. The purpose of these changes in terminology and procedure is to make it clear that the contributions collected are intended to finance the Federal social insurance program.

The present contribution rate of 1 percent each on employer and employee would be raised to $1\frac{1}{2}$ percent each beginning July 1, 1949, and to 2 percent each beginning January 1, 1950. However, for certain of the newly-covered groups the general rate of 2 percent does not apply.

The rate for the self-employed would be $2\frac{1}{4}$ percent, which is one and one-half times the rate for those employees who, like the self-employed, would not receive short term disability benefits. This compromise between the single employee rate and a combined employer-employee rate is based in part upon the fact that while employers are permitted to deduct their share of contributions as an expense item for income tax purposes, no part of the contribution paid by the self-employed would be deductible.

Because Federal civilian employees would not be covered for temporary disability insurance, the contributions would be $1\frac{1}{2}$ percent each for employer and employee instead of 2 percent. Because of the restriction on payment of temporary disability benefits to persons in active service in the armed forces, the actual cost of the temporary disability benefits attributable to wage credits for military service would be paid by special appropriation, and in addition the Federal Government would pay both the employee and employer contribution of $1\frac{1}{2}$ percent each for military service.



O. C. Pogge
Director

Federal Security Agency
SOCIAL SECURITY ADMINISTRATION
Interoffice Communication

August 15, 1949

To: All Administrative and Technical Employees
and all Field Office Employees

From: O. C. Pogge
Director

Subject: Director's Bulletin No. 167; Bill to Amend the Social Security Act,
Approved by Committee on Ways and Means (H.R. 6000)

Today the bill which we have long awaited was introduced in the House of Representatives. The new bill is the result of lengthy public hearings on H.R. 2893, which you will remember was introduced at the request of President Truman in February, and of more than three months of intensive deliberation by the Committee in executive session. The bill includes amendments making comprehensive changes in old-age and survivors insurance, in related provisions of the Internal Revenue Code and in the public assistance provisions of the Social Security Act.

I think we can all share the results of these deliberations with a feeling of pride and satisfaction. The provisions embodied in the bill reflect the Committee's conclusions that the method of contributory social insurance is sound and should be strengthened, and that the basic structure of our program is firmly built and well administered. Some of you may be disappointed that the bill reported out by the Committee does not go as far in some respects as we had hoped. You may also be puzzled when you find from detailed analysis and study of the bill that some of its provisions do not seem wholly satisfactory either from a program or administrative standpoint. I think it well for all of us to remember, however, that the legislative process is essentially one of bringing together many different viewpoints and of seeking to find a meeting ground, particularly on matters which may be controversial. The Bureau and the Social Security Administration were consulted closely on most aspects of the bill, and in many respects its provisions reflect our recommendations. In some cases they do not. Further deliberations in the Senate will, of course, give us an opportunity to present our views on points we would like to have changed.

In general, the Committee bill would extend coverage to an estimated 11 million additional individuals including urban self-employed other than persons in specified professions, regular domestic workers in private homes off a farm, employees of nonprofit institutions, State and local government employees under voluntary agreements, and certain

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Federal civilian employees. The requirements for fully-insured status would be modified in ways which make it somewhat easier for newly covered workers to become insured, and benefit amounts would be raised substantially for those now on the rolls as well as for future beneficiaries. A new program of insurance against wage loss from permanent and total disability would be established. The work-clause would be liberalized to permit a larger amount of earnings without suspension of benefits. Some changes are made in technical provisions dealing with relationship and dependency which will result in greater security for dependents and survivors. The rate of contributions would be increased to $1\frac{1}{2}$ percent from employers and employees in 1950 and, by gradual steps, to a maximum of $3\frac{1}{4}$ percent in 1970.

The program which would be established by this bill would furnish much more nearly adequate and comprehensive protection than the present law provides. It would raise the benefit amount for the average worker regularly under the program in the years immediately ahead to something between \$50 and \$60. The inclusion of many additional occupations would reduce the loss in benefits now resulting from shifts between covered and noncovered employment and would permit benefits to be paid in cases similar to those in which there is now no insured status. The payment of disability benefits, as well as preservation of insured status for old-age and survivors insurance through a period of disability, would relieve many cases of a type which have appealed to all of us as particularly grievous.

The following pages give a brief description of the major provisions, with note of important differences from H.R. 2893. You will remember that Director's Bulletin 161, of March 4, described the latter bill in some detail. Reference to that bulletin may help you appraise the new bill in relation to the Administration's recommendations.

Coverage Extension

Employees of Nonprofit Institutions. The bill would extend coverage to 850,000 employees of certain nonprofit institutions engaged during the course of a year in religious, charitable, or educational work (except clergymen and members of religious orders), with a compulsory contribution by the employees. The employer would be given an exemption from the employer tax, but may file a waiver of his exemption with the Commissioner of Internal Revenue. While a waiver was in effect, the employees would receive full wage credits for purposes of eligibility and benefit payments. Otherwise, they would receive credit for only half of their wages. The employing organization could terminate the waiver after it had been in effect for at least five years by giving two years' advance notice. The Commissioner of Internal Revenue, with the approval of the Commissioner for Social Security, could terminate the waiver in the event of noncompliance with the taxing provisions.

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No service for organizations exempt from income tax under section 101 of the Internal Revenue Code is covered if the remuneration earned in a calendar quarter was under \$100.

State and Local Governmental Employees. As under H.R. 2893, State and local employees would be covered through voluntary agreements between the States and the Federal Government. The Federal Government would deal only with the States, but the agreements could cover employees of a State's political subdivisions and instrumentalities.

For purposes of determining coverage under an agreement, employees would be divided into "coverage groups." In general, all employees of a governmental unit would constitute a coverage group, but where a retirement system covered the employees of more than one governmental unit all of the employees covered under the retirement system would constitute a separate coverage group. All of the employees (with certain specified exceptions) in a coverage group would have to be covered. Unlike the provision of H.R. 2893, policemen and firemen would not be specifically excluded. Members of retirement systems could be included only if two-thirds of the individuals affected voted in favor of being included.

As under H.R. 2893, coverage under an agreement could be terminated by the State after five years by giving two years' advance notice. Agreements could be terminated by the Federal Government in the event of non-compliance with any of the terms of the agreement. Delinquent contributions could be collected through withholding an equal amount from grants-in-aid provided for States under other provisions of the Social Security Act.

Federal Civilian Employment. The bill would extend coverage in the course of a year to 150,000 employees of the Federal Government and its instrumentalities who are not covered by a Federally-established retirement system and who are not in one of the specifically excluded groups. (Most of these specified groups would have been covered under H.R. 2893.) In general, these excluded groups are composed of persons who are not regularly a part of the labor market, who are not normally dependent upon Federal employment for a livelihood, or who may be covered under a retirement system.

In addition, the bill would exclude from coverage employees of Federal instrumentalities if the instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code (the employer tax of the program) by a provision of law which specifically refers to that section. So far as we know, there are no such specific tax exemptions; this provision would therefore extend coverage to instrumentalities such as Production Credit Associations and National Farm Loan Associations. These have general rather than specific tax exemptions.

Members of the Armed Forces. Members of the armed forces would not be covered under the bill, although they would have been covered under H.R. 2893

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World War II Military Service. The bill would give World War II veterans wage credits of \$160 per month for each month of military service performed during the war period. The wage credits would be given regardless of whether death occurred in service and whether veterans' benefits were payable. They would be taken into account in computing any monthly benefits payable for any month after 1949 (including cases where death occurred prior to 1950) and in determining lump-sum death payments when the veteran dies after 1949. The cost of the additional benefits resulting from the wage credits would be met by special appropriations to the Trust Fund.

The survivorship protection provided to veterans under the existing law (section 210) for three years after their discharge from service would be carried over into the amended law on the same basis as at present. This protection would be allowed to expire, for each veteran, at the end of his three-year period. Where this protection overlaps with that provided by the military-service wage credits, the provision resulting in the most favorable treatment for the case concerned would be applied.

Employment Performed Outside the Continental United States. The general geographical restriction of "employment" to services performed within the continental United States (or on or in connection with an American vessel) has been relaxed to include additional workers who are a part of the American economy and with respect to whom it is feasible to collect contributions. The new definition of "employment" includes services performed outside the United States in the course of a year by 175,000 citizens of this country working for an American employer; it also includes certain services performed outside the United States in connection with American aircraft. The term "United States" has been redefined to include the Virgin Islands, and also Puerto Rico if its legislature should adopt a concurrent resolution expressing a desire for the extension to Puerto Rico of the provisions of the Social Security Act. An extension of coverage to the Virgin Islands and Puerto Rico would cover about 350,000 workers during the course of a year.

Agricultural Labor. The revised definition of agricultural labor would extend coverage to about 300,000 workers during the course of a year. The largest groups to whom coverage would be extended are employees performing post-harvest services for farmers' cooperatives in connection with any agricultural commodity and employees of commercial handlers performing services incidental to the preparation of fruits and vegetables for market. Comparatively small groups, also covered, include employees who perform services off the farm in connection with the production or harvesting of maple syrup or maple sugar, the raising or harvesting of mushrooms, the hatching of poultry, and the operation or maintenance of irrigation ditches. All other services now classified as "agricultural labor" would continue to be excluded.

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Domestic Service. The bill would extend coverage to approximately 1.2 million of the estimated total of 3 million persons who work in domestic service in the course of a year. Those covered would be regularly employed workers who earn at least \$25 in cash wages from an employer in a calendar quarter for domestic service performed in a private home, except a private home on a farm operated for profit; and nonstudent domestic workers in local college clubs, fraternities, and sororities whose remuneration is at least \$100 in a calendar quarter. Under H.R. 2893 all domestic workers earning at least \$25 in cash wages from an employer in a calendar quarter would have been covered.

The bill defines a worker as "regularly employed" during a calendar quarter if he performs services for the employer on some part of at least 26 days during the quarter or if he performed sufficient services to be "regularly employed" in the previous quarter. As a result of this provision most domestics employed on a weekly or monthly basis would be covered by the program; most day workers in domestic service would not be covered.

To make it easier for housewives to determine the amount of contributions they must pay, only the cash remuneration paid to workers in domestic service in private homes would be taxable as wages. In the case of covered domestic service in local college clubs, fraternities, and sororities, both cash and noncash remuneration would be taxable as wages.

Certain nonbusiness services other than domestic service in private homes often are hard to distinguish from domestic service. To avoid complex determinations in this area, the same coverage requirements are applied to services not in the course of the employer's trade or business and to domestic service in a private home. The law would no longer refer to "casual labor not in the course of the employer's trade or business."

Definition of Employee. By redefining the term "employee," the bill extends coverage to between one-half and three-quarters of a million workers. The new definition, which is effective with respect to services performed after 1949, includes all who are employees under the present definition; namely, officers of corporations and individuals who are employees under the usual common-law rules. However, in applying the test of the "usual common-law rules," the definition somewhat extends the area of coverage. It expressly provides that full force and effect is to be given to a written contract stating that the person for whom service is performed has complete control over the performance of the service. Individuals working under such contracts are to be considered employees of the person named in the contract.

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The definition includes as employees persons in two additional categories. The first of these is individuals who perform services under prescribed circumstances in certain specified occupational groups. These groups are, outside salesmen in manufacturing or wholesale trade, full-time life insurance salesmen, driver-lessees of taxicabs, homeworkers, contract loggers, mining lessees, and house-to-house salesmen.

Finally, the term "employee" includes those individuals whose status as such is determined from the combined effect of seven enumerated factors: (1) control over the individual; (2) permanency of the relationship; (3) regularity and frequency of performance of the service; (4) integration of the individual's work in the business to which he renders service; (5) lack of skill required of the individual; (6) lack of investment by the individual in facilities for work; and (7) lack of opportunities of the individual for profit or loss. These factors except for the third are substantially the same as those stated by the United States Supreme Court in United States v. Silk, and a number of other cases.

The new definition of an employee would apply only after 1949, whereas the provision in H.R. 2893 repealing the definition of an employee would in addition, have had retroactive effect.

Self-Employed Persons. The bill would extend coverage to some 5.7 million self-employed persons in the course of a year. In general, the persons covered are those who engage in nonfarm self-employment and whose net earnings from self-employment are at least \$400 in a year. The principal groups excluded by the bill are operators of farms and other agricultural enterprises and the following specified self-employed professional people: physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, optometrists, Christian Science practitioners, editors, publishers, and aeronautical, chemical, civil, electrical, mechanical, metallurgical and mining engineers. The self-employed, in Puerto Rico and the Virgin Islands would be covered to the same extent as those in the United States except that in the case of Puerto Rico the coverage would be effective only after the legislature of Puerto Rico resolves to have coverage extended to the Island.

The main coverage differences, with respect to the self-employed, between this bill and H.R. 2893 are that the latter included farmers and all self-employed professional people, and had a different limitation with respect to the minimum amount of net earnings from self-employment creditable for a year.

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Because the bill excludes from "employment," news vendors and certain house-to-house salesmen whether they are "employees" or not, specific provision has been made for including in the definition of net earnings from self-employment, the earnings of members of these groups, age 18 or over. Such a provision was unnecessary in H.R. 2893.

The Committee bill, in common with H.R. 2893, would base the coverage of the self-employed on concepts used in determining the profit from a trade or business for income tax purposes. For social security purposes, a self-employed person would transfer the pertinent information from his income tax return to a report of self-employment income and would file the latter as an attachment to his income tax return.

Whether a beneficiary would suffer a deduction from benefits as a result of engaging in self-employment would be determined, in part, on the basis of his net earnings from self-employment. He would be expected to report such earnings to the Bureau. The term "net earnings from self-employment" would mean, with certain exceptions, in individual's net profit from a trade or business carried on by him or by a partnership of which he is a member, as determined for income tax purposes. Among the exceptions are the following types of nonbusiness income: rentals from real estate, unless received by a real estate dealer in the course of his trade or business; dividends and interests on stocks and bonds, unless received by a securities dealer in the course of his trade or business; capital gains and losses; and income from an estate or trust derived by a beneficiary of the estate or trust. The term embraces all trade or business income including rents such as those received by an operator of a hotel, rooming house, tourist camp, or warehouse; business interest such as interest on accounts receivable; and royalties derived in the conduct of a trade or business. In the case of trade or business income to which community property laws are applicable, the entire income of the trade or business would be considered that of the husband unless the wife exercises substantially all the management and control of the business in which case it would be treated as that of the wife.

Contributions, eligibility for benefits, and the amount of benefits of an individual would be determined on the basis of his "self-employment income." The term "self-employment income" would mean the same as the term "net earnings from self-employment" except that the former would not include an individual's net earnings from self-employment in excess of \$3,600 in a taxable year; or when the individual has received wages, it would not include the net earnings from self-employment in excess of the difference between \$3,600 and the wages. It would exclude also net earnings from self-employment which are less than \$400 in a taxable year and the net earnings from self-employment of a nonresident alien individual.

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Because self-employment income would be reported annually rather than quarterly, the bill provides a method for crediting an individual with quarters of coverage on the basis of annual amounts of self-employment income. One quarter of coverage would be credited for each \$200 of self-employment income; and such quarters of coverage would be assigned to those quarters of the calendar year which are not quarters of coverage by reason of wages.

Just as beneficiaries who work for wages would be subject to deductions from benefits for any month in which they earn more than \$50 in wages, beneficiaries having net earnings from self-employment would be subject to deductions if their net earnings from self-employment for the taxable year exceed \$50 times the number of months in the taxable year. If an individual's net earnings from self-employment exceed this "exempt amount," he would suffer no more than one benefit deduction for every \$50 or part of \$50 in excess of the exempt amount. In such cases, the individual would be given an opportunity to show that he did not render substantial services in self-employment in particular months and would thus be able to reduce or completely eliminate the potential deductions.

Insured Status

The Committee bill does less than the Social Security Administration recommended toward making it easier for newly-covered persons and some older workers whose only covered employment was during the war years to become fully insured. The Committee bill leaves the present provisions, and to them it adds a third alternative, that an individual will be fully insured if he had at least 20 quarters of coverage out of the 40-quarter period ending with the quarter in which he attains age 65 or any quarter thereafter, or with the quarter in which he died. Under this provision, a person who reaches age 65 in 1950 would need at least 20 quarters of coverage within the last 10 years, as compared with 13 quarters under the Administration proposal. The Committee did not wish to make benefits available to so many persons with relatively little covered employment, and it saw an advantage in establishing a provision which would not need to be changed in the event of future extensions of coverage.

No change is made in the number of quarters of coverage required for currently insured status. Both fully and currently insured status are protected during a period of extended disability by the provision that quarters during which the individual was disabled shall be excluded from the elapsed period and from the 40-quarter qualifying period for fully insured status or the 13-quarter period for currently insured status.

Because the increase in wage rates has reduced the significance of wages of \$50 in a quarter as evidence of real attachment to covered employment,

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and because the larger benefit amounts provided in the bill should not be paid to persons only casually in such employment, the Committee voted to raise the earnings requirements for a quarter of coverage after 1949 to \$100 of wages or \$200 of self-employed income.

Benefit Amounts

The bill provides substantial increases in benefit amounts, though not as large as would have resulted from H.R. 2893. As in H.R. 2893, there is provided in the bill a table (see below) which will be used to determine the amount of increase for persons whose benefits have been calculated under the present formula. The table shows for each present amount the new primary insurance amount and a presumed average monthly wage which will be used in calculating the maximum family benefits. The amount of increase is less than that recommended by the Social Security Administration and less than is expected to result in the near future from the use of the new formula. However, the minimum benefit for those on the rolls, as well as future beneficiaries, is \$25 and the average benefit of between \$25 and \$26 would be raised to about \$45. The maximum family benefit under both the table and the new formula is \$150, or 80 percent of the average monthly wage if that is less.

I	II	III
Primary insurance benefit before 1950	Primary insur- ance amount after 1949	Assumed average monthly wage for purpose of comput- ing maximum benefits
\$10-----	\$25.00	\$50.00
\$11-----	26.30	52.00
\$12-----	27.50	54.50
\$13-----	28.70	57.00
\$14-----	29.80	59.50
\$15-----	30.90	62.00
\$16-----	32.00	64.50
\$17-----	33.10	66.50
\$18-----	34.20	68.50
\$19-----	35.20	70.50
\$20-----	36.30	72.50
\$21-----	37.40	74.50
\$22-----	38.70	77.50
\$23-----	40.30	82.50
\$24-----	42.40	88.50
\$25-----	44.50	97.00
\$26-----	46.30	106.00
\$27-----	47.80	116.00

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\$28-----	49.00	125.00
\$29-----	50.00	133.00
\$30-----	50.90	141.00
\$31-----	51.80	149.00
\$32-----	52.70	157.00
\$33-----	53.60	165.00
\$34-----	54.50	173.00
\$35-----	55.40	181.00
\$36-----	56.30	189.00
\$37-----	57.20	196.00
\$38-----	58.10	203.00
\$39-----	59.00	210.00
\$40-----	59.90	217.00
\$41-----	60.80	224.00
\$42-----	61.70	231.00
\$43-----	62.60	238.00
\$44-----	63.50	244.00
\$45-----	64.40	250.00
\$46-----	64.40	250.00

In order to achieve a smooth transition from the old to the new provisions for benefit amounts and to avoid unnecessary individual recalculations, it is provided that the table increases shall apply to future benefits paid to or on account of any person who received a primary benefit for a month before 1950. The table will also be used in the case of an individual who died before 1950 and on the basis of whose wages a monthly benefit was paid for any month before 1952, or a lump-sum death payment was made. For individuals who did not receive primary benefits for any month before 1950 and who did not die before that year, benefit amounts would be calculated under the new formula.

The new provisions produce a higher benefit level by a combination of a number of changes. One of these is an increase in the benefit formula to 50 percent of the first \$100 of average monthly wage and 10 percent of the next \$200. The maximum taxable wage credited for benefit purposes for any year after 1949 is increased to \$3,600. This is a more generous basic formula than the one in H.R. 2893, but provides less spread in benefit amounts as between low-wage and high-wage workers. On the other hand, the increment is reduced from one percent for each year after 1936 in which an individual's wages are \$200 to one-half of one percent for each year in which his wages or credited self-employment income are at least \$400. The change from \$200 to \$400 in the definition of an increment year is effective for 1950 and subsequent years. The reduction of the amount of the increment is intended to keep future costs from rising as much as they would with the one percent

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increment. This saving permitted a larger increase in benefit amounts in the near future than the Committee felt would be wise if the one percent increment were retained.

The increases in the maximum wages taxable and in the amount required to constitute an increment year are made in recognition of the increased wage level since 1939. At present wage rates, fewer workers receive protection on the basis of their total earnings in a year than was the case in 1939 when the \$3,000 limit was enacted. H.R. 2893 proposed a limit of \$4,800. Also \$200 now is too small to represent substantial employment in a year, and few workers who are dependent for their living on covered employment will fail to earn \$400. Those who will be excluded by this provision will be chiefly casual workers and those who usually work in non-covered occupations.

The method of computing the average monthly wage has also been changed, but not to include only the best 5 years, as proposed in H.R. 2893. The bill provides that the average shall be derived by dividing total wages in years of coverage (\$400) by the number of months in such years. The calculation may be made from 1937 or 1950 or age 21, whichever yields the higher average monthly wage. Thus a person who was receiving higher wages after 1950 than in the earlier period can have his average monthly wage based wholly on the more recent period. In this respect his computation will be comparable to that for a worker who had no covered employment before 1950. The average is computed over all years of coverage, including the part year in which death or entitlement occurs and including years during a period of disability and years after age 65. To cut down benefits for persons who become insured with less than 5 years of covered employment, the bill provides that the divisor for the average monthly wage shall never be less than 60. However, the minimum average monthly wage is set at \$50 if the computation results in a smaller figure.

Although the new average monthly wage will be higher than the present average for anyone who had any years in which his wages were less than \$400, his benefits will not be correspondingly higher. The bill, like H.R. 2893, provides a continuation factor which will result in benefits proportionately smaller than the full amount for a person who did not have covered employment in each of his elapsed years. Since the continuation factor reduces benefits for any worker in proportion to the ratio of his years of coverage to the years when, according to his age, he might have been in covered employment, the new average monthly wage and continuation factor will, in the long run, produce somewhat lower benefits for irregularly employed individuals than they would have received if the new benefit formula had been used with the present average wage computation and 1950 new start. However, the new benefit formula will result in higher benefits for even irregularly employed workers than they would receive under the present act.

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The continuation factor will not be less than one for any individual who dies or attains age 65 within the first 5 years after the program is amended, or who dies before age 27. This will prevent a further reduction in the benefit amount for persons whose average monthly wage was reduced by using a divisor of 60 when they had wages in fewer than 5 years.

As in H.R. 2893, benefit amounts which are not a multiple of 10 cents are rounded to the next higher multiple of 10 cents. The total of an individual's wages and self-employment income for a year, and the average monthly wage when computed, are rounded to the next lower multiple of \$1.00. These provisions for rounding will simplify the administration and have a negligible effect on the size of the benefits.

Provisions under which benefits may be recomputed are designed to decrease the number of recomputations. Except for special provisions relating to self-employment income received in the year in which application is filed and to compensation earned in railroad employment, recomputation may be made only when the primary insurance beneficiary has had deductions from benefits for 12 months within a period of 36 months following his last computation.

Old-Age, Dependents', and Survivors' Insurance Benefits

In general, the changes which the bill makes in the entitlement provisions of present law are similar to those in H.R. 2893. The name "old-age insurance benefit" replaces the present "primary insurance benefit." The reduction in the eligibility age for women to 60, contained in H.R. 2893, is not included in this bill. The Committee was impressed with the considerable increase in cost which such a change would involve.

Under the bill, as under H.R. 2893, the wife of a retired beneficiary may receive benefits even though she is under age 65 if she has an entitled child in her care. As at present, to be a "wife," a woman must be able to inherit her husband's intestate personal property under the law of the State in which he is domiciled. This differs from the proposal in H.R. 2893 to permit payment to certain wives and widows though their marriage was legally defective. The time limitation on the marriage when the couple have had no children is written in terms of three years rather than 36 months.

For child's benefits, the bill liberalizes the provisions relating to dependency, the benefit amount, and the definition of "child." The child must still be able to inherit intestate personal property under the law of the State of the wage earner's domicile. The adopted child of a deceased individual need not meet any time limitation. In life cases, a stepchild who is later adopted by his stepparent may count

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time spent in both relationships toward the required three years. In H.R. 2893, no time limitation was imposed on adopted children in either life or death cases.

The provisions for determining a child's dependency in the bill are similar to those in H.R. 2893. In both bills, a child would be deemed dependent on his mother even though living with or partially supported by his father, if she had furnished at least half the child's support, or if she was both fully and currently insured when she died. Either "living with" or furnishing some support would also permit a finding of dependency on a mother if the child's father was not living with the child or contributing to his support. Dependency on a stepfather would be found when he was either living with the child or furnishing at least half of the child's support.

This bill as well as H.R. 2893 increases the benefit amounts for children by one-fourth of the old-age insurance benefit amount for one or more surviving children entitled on the same wage record.

The changes in "widow's current insurance benefits," which are renamed in the bill "mother's insurance benefits," are the same as those in H.R. 2893. The benefits would be payable to the divorced wife of a deceased worker under nearly the same conditions that they are now payable to the worker's widow. However, in place of the requirement of "living with" at the time of his death, the bill requires that the divorced wife have been receiving at least half her support from the wage earner at that time. In addition, she must be the mother of his entitled child.

Changes made by the bill in the provision regarding parent's benefits are like those in H.R. 2893. Under the wording of the bill, it will not be necessary to determine the value of non-income-producing property owned by a parent to make a finding of dependency. A parent is considered dependent upon an individual who was furnishing at least half the parent's support, rather than more than half, as at present. The amount of a parent's benefit would be three-fourths rather than the present one-half of the old-age insurance benefit on which it is based. The time for filing proof of dependency for parents of workers who were uninsured at death under the present provision of the law, but who become insured under the provisions of the bill is extended through 1951.

The lump-sum death payment would, under the bill as under H.R. 2893, be payable on the death of an insured worker whether or not monthly benefits were also payable in the month of the worker's death. The amount of the lump sum under the bill would be three times the amount of the old-age benefit, rather than six as at present. The lump sum payable on the records of those who died before 1950 would be computed and paid under the provisions of the present law.

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Miscellaneous Provisions

A number of changes would be made in other provisions of the act which would either increase protection in some areas or simplify administration. Only a few of these are mentioned here.

The amount of wages which a beneficiary may earn without loss of benefits is increased to \$50 a month for beneficiaries under age 75. Beneficiaries age 75 and over would draw their benefits regardless of the amount of their earnings.

The bill specifically includes, as wages, tips and other cash remuneration customarily received by an employee from the customers of his employer. In the case of tips, this remuneration is wages only to the extent that the employee reports their amount in writing to his employer. Dismissal wages are included in wages regardless of whether the employer is legally required to make them. Retirement pay is specifically excluded from wages. These changes are substantially like those in H.R. 2893.

Changes are made in the statute of limitations so that, for both wage earners and self-employed persons, the statute would run concurrently with that relating to the payment of their taxes. The conditions under which a record may be corrected after the running of the statute are more strictly defined than in the present law, and are similar to those stated in H.R. 2893. It is provided that, in the absence of any record of wages or self-employment income for a given period, a correction may be made at any time after the running of the statute upon proof that taxable wages were actually paid or that a tax return had been made of self-employment income within the statutory period.

The number of months for which retroactive benefits (other than for disability) may be paid to a person otherwise eligible, but who has not filed a timely claim, is increased from three to six months.

The provision for reducing individual benefits, when necessary to stay within the maximum limits, is changed to provide for such reduction after any deduction necessitated for employment or other reason, rather than before such deductions. This will add to the work of making deductions but will help large survivor families by permitting larger payments than they would otherwise receive. The provision removes any necessity for deciding which members of a large family should file claims for benefits.

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Contributions

The tax rate on employers and employees is fixed at $1\frac{1}{2}$ percent for the calendar year 1950; 2 percent from 1951 through 1959; $2\frac{1}{2}$ percent from 1960 through 1964; 3 percent from 1965 through 1969; and $3\frac{1}{4}$ during 1970 and thereafter. The tax rate on the self-employed is one and one-half times the employee rate.

Permanent and Total Disability Insurance Benefits

In the Committee bill, provisions for long-term disability are more restrictive in scope than those of H.R. 2893. The definition of disability for monthly benefits requires that an insured worker be permanently and totally disabled; there was no requirement of permanence in H.R. 2893. Provisions for dependents' benefits and for payments to disabled dependents of insured persons are not included in the Committee bill. No weekly benefits for temporary disability or for maternity are provided.

Disability benefits, at the same rate as old-age benefits, will be payable beginning January 1951. Payments will be made only to disabled individuals who are under 65 years of age, have acquired insured status, and are unable to engage in any substantially gainful work. Benefits will be payable after a waiting period of six months throughout which the individual must be totally disabled. The bill provides that benefits will be terminated whenever a beneficiary causes to be totally disabled, attains retirement age, or dies.

Definition of Disability. To qualify for permanent and total disability benefits an insured person must either be unable to engage in any substantially gainful activity by reason of any medically demonstrable physical or mental impairment which is permanent, or be blind. Blindness is defined as central visual acuity of 5/200 or less, or an equivalent defect in the field of vision. The concepts of "substantially gainful work" and "impairment which is permanent" will have to be worked out through administrative regulations. The stricter definition of disability in the Committee bill will result in a lower number of awarded claims than under H.R. 2893; some persons suffering from prolonged disability will not qualify because they are expected to recover.

Insured Status. The insured status provisions are similar in the two bills. To be eligible for benefits an applicant must have acquired insured status on the basis of both substantial and recent attachment to the labor force. To meet the first requirement an applicant must have at least 20 quarters of coverage out of the 40-quarter period

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ending with the quarter in which the onset of disability is deemed to have occurred (disability determination date). In addition, he must have 6 quarters of coverage within the 13-quarter period ending with the quarter in which the onset of disability is deemed to have occurred. Insured status requirements may be met as early as June 30, 1950. This means that there will be a backlog of claims; persons who were steadily employed in covered jobs and were disabled as early as the third quarter of 1948 may become eligible for benefits. In order to protect the insured status of persons who, because of ignorance of the law, file a delayed application for benefits, a grace period (also found in H.R. 2893) is provided during which the normal rules governing the timely filing of applications do not apply. For claimants who file for benefits before 1953, the onset of disability will be deemed to have occurred on whichever of the following days is the latest: the day the disability actually began; June 30, 1950; or the first day of the first quarter in which the claimant had insured status for disability benefits. Retroactive benefits will not be paid in cases of delayed filing in the grace period, however, except for the normal 3-month period applicable to all disability claims.

After 1952 the normal rule for determining the deemed date of onset (disability determination date) will be whichever of the following days is the latest: the day the disability actually began; the first day of the 10th month prior to the month of filing (thus allowing for the expiration of the waiting period and giving the claimant the advantage of the usual 3-month retroactive benefit period); or the first day of the first quarter in which the claimant had insured status for disability benefits. After the expiration of the grace period in 1952, an undue delay in filing an application may result in the expiration of insured status. A limitation on stale claims is necessary since it may be medically and administratively difficult to ascertain accurately at what time in the past a condition became totally disabling.

Numerous safeguards have been set up prescribing reductions and suspensions of benefits, and penalties to protect the new program. For the most part these provisions are similar to those in H.R. 2893.

Reduction of Benefits. Disability insurance benefits will be subject to a reduction for any month a claimant receives or is to receive a workmen's compensation benefit for the same disability. This reduction will equal one-half of whichever of the two cash benefits is the smaller. Where workmen's compensation is payable as a lump sum, the required reduction is to be carried out in as equitable and practicable a manner as possible.

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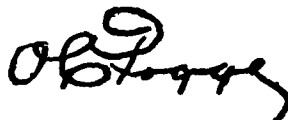
Deductions from Disability Benefits. Deductions in the amount of the disability insurance benefit will be made for months in which the beneficiary (1) rendered services for wages of more than \$50 in any type of employment, whether or not included as covered employment under the bill; or (2) is charged with net earnings of more than \$50 from any type of self-employment, whether or not included as self-employment under the bill; or (3) fails to submit himself for examination in accordance with regulations; or (4) refuses without good cause to accept rehabilitation services after being directed to do so (rehabilitation services might be provided by a State rehabilitation agency or other source); or (5) is outside the United States and no adequate arrangements have been made for the determination or redetermination of his disability and for his rehabilitation. If in the judgment of the Administrator it will aid in the process of rehabilitation, he may for a period of 12 months suspend or modify the wage and self-employment work clause for any individual who is following an approved plan of rehabilitation. These deduction provisions, for the most part, parallel those in H.R. 2893. Penalty provisions similar to those in the present law are applicable for failure to report events causing deductions.

The bill also gives the Administrator the authority to terminate the entitlement of any individual who refuses to submit himself for examination or reexamination, or who refuses without good cause to accept rehabilitation services.

* * * *

I think it only fair to caution you that some of the amendments proposed in the Committee bill are considered quite controversial by some members of Congress, and it is not a foregone conclusion that there will be early action or that the bill will be accepted without changes in the House or in the Senate.

Although, as it stands, the proposed bill falls short of the goals recommended by the President and the Social Security Administration, it is one whose enactment we would welcome and which would give us great satisfaction to administer.



O. C. Pogge
Director

Office Memorandum • UNITED STATES GOVERNMENT

TO : All Bureau Employees

DATE: July 27, 1950

FROM : O. C. Pogge, Director
Bureau of Old-Age and Survivors Insurance

SUBJECT: Director's Bulletin No. 169
Conferees' Decisions on Social Security Act Amendments of 1950 (H.R. 6000)

The last of the Conference Committee decisions on H.R. 6000 are now public knowledge and the Committee staff is engaged in drafting the final version of the bill. Thus more than 18 months of intensive congressional action on improvements in the Social Security Act now approach their culmination. I am sure that you have followed with deep interest (and, at times, anxiety) the events beginning with the introduction of H.R. 2893 on February 21, 1949, through the long months of hearings which resulted in the passage of H.R. 6000 by the House last October and by the Senate a few weeks ago. The enactment of H.R. 6000 will be a tremendous advance in the long journey toward a universal, sound, and adequate means of providing security for all Americans through a method consistent with our system of individual incentives and free enterprise. This legislation does not bring that journey to its end, but the goal is much nearer than at any time in the past.

In some instances, the new legislation does not go as far as we think it should, or in the direction we think it should take, but this is inevitable in any subject in which so many different interests are involved. In other instances, the provisions provide greater security than would have resulted had H.R. 6000 been enacted last fall and not revised this year.

Disability insurance, probably the most controversial issue in the bill, was defeated only after prolonged Committee consideration which revealed a good deal of strength in its favor. The decision of the conferees to drop efforts to find an acceptable compromise on permanent total disability insurance and to restore disability assistance was adopted to prevent a delay which might have held up the entire bill.

The conferees have not yet released their report or given final approval to draft language, so that there is a possibility of last minute changes. Of course, both the House and the Senate must accept the report of the conferees before it becomes a law. For purposes of our immediate planning I believe we may assume that both Houses will do so, and that the bill will be before the President for his signature within a few weeks. The major changes in the program provided in the amendments are described briefly in the following pages.

The act when finally approved, with its increased areas of coverage, increased benefit amounts and new types of benefits, will present us with both a challenge and an opportunity. Our record in the past has been an enviable one. We will take on the greater tasks with confidence in the future.


O. C. Pogge
Director

I. Coverage

The amendments will extend coverage on a compulsory basis to about 7.7 million persons and on a voluntary basis to about 2 million. (This total and other figures used in the discussion of coverage groups refer to employment in an average week.) About 45 million workers will be covered by the expanded OASI program. Another 7.5 million are under other public retirement systems such as civil service, railroad retirement, the systems of the armed forces and State and local retirement programs.

The major groups who will still not have systematic retirement protection under a public program even after the amendments, are self-employed farmers and self-employed professional persons and those agricultural and domestic workers who are not "regularly" employed. These groups represent only about 10 percent of the Nation's 60 million paid workers.

Employees of Nonprofit Institutions. The amendments afford opportunity for coverage--subject to certain conditions--to 600,000 employees of nonprofit institutions. The conditions for coverage are: (1) At least 2/3 of the employees of a nonprofit organization must favor coverage. If less than 2/3 want to be covered, none of the employees will be covered. (2) If 2/3 or more of the employees desire coverage, those of the employees who desire coverage, plus any new employees, will be covered provided that the employing organization agrees to waive its exemption from payment of the employer tax. If the organization does not agree to waive its exemption from the employer tax, none of the employees can be covered. The employing organization may terminate its waiver of exemption by giving two years notice after the waiver has been in effect for eight years (thus a waiver must be in effect for at least 10 years).

Clergymen and members of religious orders are mandatorily excluded from coverage. The amendments continue the exclusion of certain services performed by students, student nurses, and internes. The existing exclusion of services performed in the employ of certain income-tax-exempt organizations is modified to exclude such services if the remuneration is less than \$50 a quarter.

These compromise provisions for covering employees of nonprofit institutions leave much to be desired from an administrative and program viewpoint. The compromise appears to be based mainly on three principles strongly espoused by some nonprofit groups: (1) that coverage should be entirely voluntary for institutions connected with religious denominations, (2) that religious and other nonprofit institutions should be treated uniformly, and (3) that compulsory coverage of the employees would, in effect, result in "compulsion" on the institution.

Employees of State and Local Governments. The legislation makes coverage available to 1.4 million employees of States and their political

subdivisions and instrumentalities by means of voluntary agreements to be negotiated between the States and the Federal Security Administrator. Excluded from coverage are about 2.4 million employees of State and local governments in positions covered by retirement systems. The provisions deviate in two instances from the general pattern of coverage through voluntary agreements and the mandatory exclusion of persons covered by a retirement system. One exception provides for automatic coverage of certain employees of transit systems; another permits coverage of a limited number of retirement system members under a Federal-State agreement.

This sole exception to exclusion from coverage under a voluntary agreement of members of a public retirement system provides that such members may be covered if the State or political subdivision by which the retirement system was established had in effect on January 1, 1950, a statute, ordinance, or other legislative act which provided for making such retirement system supplementary to old-age and survivors insurance. It appears that the only employees who will be afforded coverage through this provision are some 30,000 members of the Wisconsin Municipal Retirement Fund. The otherwise complete exclusion of retirement system members is a disappointing result, but one which is understandable in view of the pressure exerted on Congress by public school teachers, policemen, and firemen who objected to the mere possibility of coverage under old-age and survivors insurance.

Federal Employment. The great majority of Federal employees are covered under the civil service retirement system, the armed forces retirement systems, or under some other system established by a law of the United States. Under the amendments these Federal employees (including all members of the armed forces) are excluded, but coverage would be extended to a substantial proportion of all other Federal employees. Some 150,000 to 200,000 Federal employees would be covered.

Employees in any of 13 specifically excluded groups are also excluded. One of these specific exclusions applies to individuals who are not covered under the civil service retirement system because they are covered under another retirement system. In general, the other 12 excluded groups are composed of persons who are not regularly a part of the labor market, or who are not normally dependent upon Federal employment for a livelihood. In addition, the bill would exclude from coverage employees of a Federal instrumentality if the instrumentality is exempt from the tax imposed by Section 1410 of the Internal Revenue Code (the employer tax of the program) by a provision of law which specifically refers to that section. So far as we know, there are no such specific tax exemptions at present.

It is difficult to describe the groups of Federal employees to whom coverage is extended, as most of the coverage provisions are written in terms of exclusions, which may apply either to all employees in various governmental agencies or instrumentalities or to all employment of certain types regardless of the agency or instrumentality for which it is performed. However, most of the Federal employees covered are in

one of the following groups:

- (1) Short duration employees of the United States, other than field service employees of the Post Office Department and temporary employees in or under the Bureau of the Census employed for the taking of any census;
- (2) Employees excluded from coverage under the civil service system pending permanent or indefinite appointment (including such employees in the field service of the Post Office Department);
- (3) Employees of National farm loan associations (other than directors);
- (4) Employees of Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, and similar organizations;
- (5) Employees of the Tennessee Valley Authority other than those covered by the Tennessee Valley Authority retirement system;
- (6) Employees of Federal credit unions;
- (7) Employees of county and community committees under the Production and Marketing Administration (but not the committees themselves);
- (8) Employees of production credit associations partly owned by the United States (those associations from which Federal funds have been retired are already covered).

The amendments provide that the Federal Security Administration shall not make determinations as to employment or wages with respect to service in the employ of the United States, or its wholly owned instrumentalities, but shall accept the determinations of the head of the appropriate Federal Agency or instrumentality. This provision represents an extension of present provisions of Title II of the Social Security Act applicable to services for the Maritime Commission and the Bonneville Power Administration.

Self-Employed Persons. The amendments will extend coverage to some 4.6 million self-employed persons. In general, those covered are persons other than farm operators and certain specified professional people, whose net earnings from self-employment are at least \$400 in a year. The excluded professional groups are: lawyers, physicians, dentists, osteopaths, chiropractors, naturopaths, Christian Science practitioners, optometrists, veterinarians, professional engineers, architects, funeral directors, and certified, registered, licensed, or full-time practicing public accountants.

The covered group included proprietors (sole owners and partners) of retail stores, service establishments, wholesale and jobbing businesses, manufacturing plants, and transportation, communication, insurance, real

estate, publishing, and financial enterprises. In addition, it includes about 225,000 borderline workers, such as part-time life insurance salesmen, house-to-house salesmen, operators of leased taxicabs, and "newboys" over 18, who are excepted from coverage as employees but will be treated as self-employed persons.

The amendments base the coverage of the self-employed on concepts used in determining net profit from a trade or business for income tax purposes. For social security purposes a self-employed person will copy the amount of his net earnings from self-employment, as determined on the trade or business schedule of his income tax return, on a social security schedule which will be part of the same return.

The term "net earnings from self-employment" will mean, with certain exceptions, an individual's net profit from a trade or business carried on by him or by a partnership of which he is a member, as determined for income tax purposes. Among the exceptions are earnings from farming, the specified professions, the ministry and the holding of public office. In addition, the following types of nonbusiness income are excluded: rentals from real estate, unless received by a real estate dealer in the course of his trade or business; dividends and interest on stocks and bonds, unless received by a securities dealer in the course of his trade or business capital gains and losses; and income from an estate or trust derived by a beneficiary of the estate or trust. The term embraces such trade or business income as room rent, rentals received by an operator of a hotel, rooming house, tourist camp, or warehouse; interest on accounts receivable, and royalties derived in the conduct of a trade or business. In the case of trade or business income to which community property laws are applicable, the entire income of the trade or business will be regarded as the income of the husband unless the wife exercises substantially all the management and control of the business, in which case the entire income will be regarded as hers. If a husband and wife are legal partners, each one will be credited with his or her distributive share of the partnership income.

Determinations with respect to contributions, eligibility for benefits and amount of benefits will be based on an individual's "self-employment income." The term "self-employment income" will mean the same as "net earnings from self-employment," except that it will not include an individual's net earnings in excess of \$3,600 in a taxable year. When the individual has received wages, his self-employment income will not include the net earnings in excess of the difference between \$3,600 and the wages. Self-employment income will also exclude net earnings from self-employment of less than \$400 in a taxable year and the net earnings from self-employment of a nonresident alien.

Because self-employment income would be reported annually rather than quarterly, the amendments provide a method for crediting an individual with quarters of coverage on the basis of annual amounts of self-employment income. Self-employment income reported for a calendar year will be credited in equal amounts to each quarter of the year, while self-employment income reported for a fiscal year or a taxable year of

less than 12 months will be credited equally to the calendar quarter in which the year ends and to each of the three or fewer preceding quarters which fall wholly or partly within the year. Each quarter to which self-employment income of \$100 or more is credited will be a quarter of coverage. However, since an individual will be covered under the program and will be credited with self-employment income for any year only if he has net earnings from self-employment of \$400 or more, the effect of these provisions is to give four quarters of coverage for every full calendar or fiscal year for which self-employment income is reported.

Just as beneficiaries who work for wages will be subject to deductions from benefits for any month in which they earn wages of more than \$50, beneficiaries having net earnings from self-employment will be subject to deductions if their net earnings for a taxable year exceed \$50 times the number of months in that year. If an individual's net earnings from self-employment exceed this "exempt amount," he will suffer no more than one benefit deduction for every \$50 or part of \$50 of the excess. In such cases the individual will be given an opportunity to show that he did not render substantial services in self-employment in particular months, and will thus suffer deductions only for the months in which he rendered substantial services. Thus if he hires a manager or turns over active operation to a member of his family, he can retain ownership and participate to a limited degree in the business and still draw benefits. To facilitate the administration of this retirement test for the self-employed, beneficiaries will be expected to report their net earnings from self-employment to the Bureau.

Although this extension of coverage is an extremely important one, there are still significant groups of the self-employed for whom coverage has not been provided. There are, in an average week, some 2,800,000 farm operators and about 480,000 persons in the named professional groups with \$400 or more of annual net earnings from self-employment. The farm operators were excluded principally because Congress has insufficient evidence that farmers desired coverage. The National Grange and the Farmers' Union favored immediate coverage but the American Farm Bureau Federation counseled delay. With respect to the professional groups, Congress felt that a large proportion of members of the groups did not wish to come under the program. As a result the House Committee first excluded such major groups as doctors, lawyers, and dentists. As the bill proceeded through the legislative process, the exclusion of some other groups was requested by various professional associations which feared that coverage under the program would cast doubt on their members' professional standing.

Domestic Service. Approximately 1 million of the estimated 1.8 million persons who work in domestic service will be covered under the amendments. The newly covered domestic workers are those who are regularly employed in nonfarm private homes, and nonstudents working in college clubs and local chapters of fraternities and sororities. Domestic workers in private homes on farms operated for profit constitute a special category and are covered on the same basis as agricultural labor. Students working in college clubs are excluded.

A domestic worker in a nonfarm private home is regularly employed by her employer in a calendar quarter, if she works for the employer on some part of at least 24 days in that or the preceding quarter. To be covered in a quarter, the regularly employed worker must also be paid at least \$50 in cash wages. These two tests apply to work performed for each employer independent of any domestic service that may be performed for another employer. Thus, a domestic worker employed in more than one household might be covered for some of her jobs and not for others. To make it easier for housewives to determine the required contributions, only cash remuneration is to be considered. In addition, the Commissioner of Internal Revenue is authorized to issue regulations providing for rounding the cash wages to the nearest dollar.

Nonbusiness services performed by such persons as private secretaries, carpenters, plumbers and other specialized personnel, often are hard to distinguish from domestic service. To avoid the need for such distinctions, the same coverage and reporting requirements apply to service not in the course of the employer's trade or business and to domestic service in a private home. To be covered, an individual performing nonbusiness services must meet both the 24 days worked and the \$50 cash-wage tests. Noncash remuneration in such cases will no longer be covered. The present exclusion of "casual labor not in the course of the employer's trade or business" will no longer apply. When an individual performs both domestic and nonbusiness services, the two will be considered together in determining whether the coverage requirements are met and the remuneration is to be reported.

Nonstudents performing domestic or other services in college clubs, fraternities and sororities are covered in any calendar quarter for which their remuneration (both cash and noncash) is \$50 or more. "Wages" for such workers will include all their remuneration whether paid in cash or in kind.

Under the amendments, domestic workers in private homes will not be covered if they work only one day a week for an employer; they may be covered only when they have worked for an employer at least twice a week. In order to be "regularly employed," on the basis of her work in the current quarter, a twice-a-week worker needs to work at least 12 weeks in the quarter; a three-times-a-week worker needs 8 weeks; and a full time worker needs 4 weeks. It is estimated that 25 percent of the covered domestic workers will be part-week workers while the balance will be those working on a weekly or monthly basis.

The amendments have the following effect on the three generally recognized classes of domestic workers:

- (1) The full-time group will have substantially all its members covered.
- (2) The regular-day group will have some of its members covered, namely, those who work twice or more a week for a single employer.
- (3) The irregular-day group will have no coverage at all.

The main difference between the coverage provided by the amendment and that proposed by the Administration is that under our recommendation practically all in the three groups would have been covered. While the amendment does not go as far as we might have wished it to go, it constitutes a significant new step in improving the program. Procedures for administering the coverage of domestic workers, now being perfected through the joint effort of this Agency and the Treasury Department, will be announced soon.

Agricultural Labor. The amendments extend coverage to about 850,000 workers excluded as "agricultural labor" under present law. This is accomplished by the coverage of "regularly employed" agricultural workers paid at least \$50 in cash wages in a calendar quarter and by a redefinition of the term agricultural labor.

Generally speaking, a farm worker is covered during a quarter in which he meets either of the two following conditions:

(1) He performs agricultural services on some 60 days and is paid \$50 in cash wages during a calendar quarter after he has established a service relationship with that employer by working for him continuously during a 3-month period; or

(2) He is paid \$50 during a calendar quarter immediately following one in which he was covered under the conditions set forth in (1) above.

This rule of coverage applies to all agricultural labor except services in connection with the ginning of cotton or the production and harvesting of gum resin, turpentine, and similar commodities, which services are excluded from coverage. Just as in the case of domestic service, noncash remuneration for agricultural labor is not included as wages.

Under the redefinition of agricultural labor, off-the-farm services in the raising and harvesting of mushrooms, the hatching of poultry, the operation of profit-making irrigation ditches, and the gathering of maple sap, and both on and off-the-farm services in the processing of maple sap into maple syrup or maple sugar will no longer constitute agricultural labor. In addition, post-harvesting services in connection with any agricultural commodity performed in the employ of farmers' cooperatives, and post-harvesting services in connection with fruits and vegetables performed in the employ of commercial handlers will no longer constitute agricultural labor. A third change in the definition provides that nonbusiness services or domestic services performed in a private home of the employer on a farm operated for profit are to constitute agricultural labor. The purpose of this change is to provide the same conditions of coverage with respect to such services as is provided with respect to the remainder of agricultural labor.

Another provision having some relevance to agriculture provides coverage for employees of farmers' cooperatives for years prior to 1951 if the taxes have been paid in good faith and no refund has been obtained.

The test of regular employment in the case of agricultural labor is designed to provide coverage to only the full-time year-round worker. The coverage provided is a good deal smaller, and the provision more complex, than recommended by the Administration.

The amendments will result in the first large-scale application in this country of a social insurance program to agriculture. Through this coverage, farm people will be afforded their first opportunity to become directly acquainted with old-age and survivors insurance.

World War II Military Service. The amendments give World War II veterans wage credits of \$160 for each month of military service performed during the war period. The wage credits will be given regardless of whether death occurred in service or whether veterans' benefits are payable. However, the wage credits will not be given if a benefit based in whole or in part upon the veteran's military service during World War II becomes payable under another Federal system. This offset provision may be justified on the basis that the veteran would not ordinarily have acquired simultaneous credit under two retirement systems had he not been in military service. Wage credits will not be given if a larger benefit or payment would be payable without such credits.

The wage credits will be taken into account in computing monthly benefits payable for months beginning with September 1950 and in determining lump-sum death payments in cases where the veteran dies after August 1950. The wage credit provisions of the conference-approved bill differ from those in the Senate bill only by establishing the Federal Security Agency, rather than the Civil Service Commission, as the clearing house for the various Federal systems, for purposes of determining when old-age and survivors insurance military wage credits are not creditable because another Federal benefit is payable. The conference bill differs in two ways from the House-approved bill. Under the conference bill, the cost of the additional benefits resulting from the wage credits will be met directly out of the Trust Fund. Under the House-approved bill, the cost would have been met by a special appropriation from the General Treasury to the Trust Fund. Also, under the House bill, wage credits would have been given even though benefits became payable under other Federal systems based on the veteran's World War II military service.

The survivorship protection provided to veterans under the existing law (section 210) for three years after their discharge from service is carried over into the amended law on the same basis as at present. This protection will be allowed to expire, for each veteran, at the end of his three-year period. Where this protection overlaps with that provided by the \$160-a-month wage credits, the provision resulting in the most favorable treatment for the case concerned will be applied.

Employment Performed Outside Continental United States. The general geographical restriction of coverage to services performed within the continental United States (or on or in connection with an American

vessel) is relaxed to include additional workers who are a part of the American economy and with respect to whom it is feasible to collect contributions. This extension of coverage is accomplished by changes in the general definition of "employment" and in the definition of the term "United States."

The new definition of "employment" includes services performed by about 150,000 citizens working outside the United States for American employers (defined so as to assure tax liability in the United States); it also includes services performed outside the United States in connection with American aircraft under the same conditions as apply to services on or in connection with American vessels.

The term "United States" is redefined to include the Virgin Islands, and also Puerto Rico if its legislature adopts a concurrent resolution expressing a desire for the extension of old-age and survivors insurance to that territory. Extension of coverage to the Virgin Islands and Puerto Rico will cover about 400,000 workers. Serious consideration was given to the desirability of a separate system for the islands because of their low level of income, the greater proportion of agricultural employment and other economic differences. It was decided, however, that two adjustments in the general system--retaining the \$50 quarter of coverage rather than increasing the requirement to \$100 as in the House bill, and a lower minimum benefit for workers whose average monthly wage was \$34 or less--would provide a satisfactory solution to the problem. Coverage of full-time agricultural labor will also be of special benefit to the islands.

Definition of Employee. By redefining the term "employee," the amendments extend coverage to approximately 400,000 persons as employees. The new definition, which is effective with respect to services performed after 1950, includes all who are employees under the present definition; namely, officers of corporations and individuals who are employees under the usual common-law rules.

The definition also includes as employees, persons who perform services under prescribed circumstances in the following specified occupational groups: (1) full-time life insurance salesmen; (2) full-time traveling or city salesmen (other than house-to-house salesmen) taking orders for their principal from retailers, hotels, wholesalers, jobbers and contractors; (3) agent drivers and commissioned drivers engaged in distributing meat, vegetables, fruit, and bakery products, beverages (other than milk) or laundry or dry-cleaning services; and homeworkers who earn at least \$50 in a calendar quarter if they are subject to regulation under State law and work in accordance with specifications prescribed by the employer.

In adding specified groups to the definition, the Committee attempted to provide employee coverage for persons whose status as common-law employees may be in question but whose economic relationship to the person for whom they work is very similar to that of persons clearly identifiable as common-law employees. The revised definition results in employee coverage for almost two-thirds of the people excluded from

coverage by P.L. 642.

Effective Date. In general, coverage provisions will be effective January 1, 1951.

II. Insured Status

For newly covered workers and for older workers who had only small amounts of covered employment before the effective date, the provision approved by the Conference Committee liberalizes insured status requirements to a greater extent than was recommended by the Administration. Any individual who is living on September 1 will be fully insured on that date if he has as many as 6 quarters of coverage. In addition, the elapsed period for determining fully insured status will start with January 1, 1951, so that an individual will be fully insured if he had at least 1 quarter of coverage (earned either before or after 1950) for every 2 quarters elapsing after 1950, or after the quarter in which he attained age 21, if later, and up to but excluding the quarter in which he attained age 65 or died, whichever first occurred. As under the present law, the minimum number of quarters of coverage required for fully insured status is 6, and fully insured status becomes permanent when 40 quarters of coverage have been acquired.

The immediate effect of the revised eligibility requirements will be to make eligible for benefits a large number of aged individuals who now have 6 or more quarters of coverage, but not enough to give them an insured status under the present law.

This provision, recommended by the Advisory Council and adopted by the Senate, was approved largely because of its effect on future public assistance loads and because it would hasten the time when the old-age and survivors insurance program would provide more effective security for the aged. As stated by the Senate Committee on Finance in its report:

"Your committee's impelling concern in recommending passage of H.R. 6000, as revised, has been to take immediate, effective steps to cut down the need for further expansion of public assistance, particularly old-age assistance. Unless the insurance system is expanded and improved so that it in fact offers a basic security to retired persons and to survivors, there will be continual and nearly irresistible pressure for putting more and more Federal funds into the less-constructive assistance programs. We consider the assistance method to have serious disadvantages as a long-run approach to the Nation's social-security problem. 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."

* * * *

"Not only would this liberalization enable many persons already aged to draw retirement benefits immediately if they have coverage in the past, but it would also enable the newly covered groups to qualify much more quickly. As a result, about 700,000 additional persons would be paid benefits in the first year of operation, thus reducing the need for public assistance expenditures by the States."

In addition, under this provision individuals who are not yet permanently insured and are not working regularly will have their present insured status extended, since they can use quarters of coverage earned before 1951 to fill in the elapsed period after 1950.

It will be noted that the liberalized eligibility requirements apply only to those individuals who are living on the effective date of this amended provision. Any individual who died before that date must meet the requirements of the present law for his survivors to receive benefits. This amendment follows the recommendation of the Senate Advisory Council, and is consistent with the treatment accorded survivors under the 1939 amendments (which applied only to deaths after 1939). It will avoid administrative difficulties which would have arisen from determining family status and dependency, in some of these "backlog" cases, as many as 10 years after the insured individual's death. Also a factor in this decision was the consideration that the liberal "new start" provision is intended primarily to take care of more of those persons, now aged, who had little chance to become insured under the present act. Since there is the special provision of currently insured status to protect the survivors of persons who had recent covered employment, but were not fully insured, it seems less necessary to provide a further liberalization of insured status for persons already deceased than to provide for the retired workers.

No change is made in the number of quarters of coverage required for currently insured status. However, the definition of currently insured status has been expanded to correspond with the new provisions for payment of benefits to the children of female primary beneficiaries and to the dependent husbands and widowers of women workers. Under the new definition, the 13-quarter period for determining currently insured status ends with (1) the quarter of death, (2) the quarter in which the individual became entitled to old-age insurance benefits under the amendments, or (3) the quarter in which he or she became entitled to a primary insurance benefit under the present law. This third provision makes it possible to pay husband's benefits in cases where a woman worker became entitled to a primary insurance benefit before the effective date of the new law, and was currently insured at the time of her initial entitlement but has not been in covered employment for half of the last 13 quarters.

The definition of "quarter of coverage," so far as wages are concerned, remains substantially the same as in present law, \$50 of wages being required. The provision on "gift" quarters of coverage in a year has been liberalized. If the wages paid to an individual in any year after

1950 equals \$3,600, each quarter of the year will be deemed to be a quarter of coverage, even though the individual was paid the entire \$3,600 in the last quarter of the year. Provision is made for combinations of wages and self-employment income.

III. Benefit Amounts

The amendment provides for substantial increases in benefit amounts, both for beneficiaries now on the rolls and for individuals who will become entitled to benefits in future. The benefits of individuals now on the rolls will be increased through the medium of a "conversion table" (see below) set forth in the law. Use of this table will make unnecessary the individual recomputation of present benefits, and will enable us to get out the checks for the new amounts within a reasonably short period of time. The table will also be used in the future in those cases in which an individual had fewer than 6 quarters of coverage after 1950 or in which he attained age 22 before 1951 and could receive a larger benefit by the use of the present method of computation (including increments for years before 1951) raised by the table than he could under the new formula. The average increase in present benefits that would result from the use of the table would be about 77 percent. This will raise the average husband and wife benefit for aged couples now on the rolls from \$41 to about \$75. The minimum benefit for those now on the rolls would be \$20. The maximum family benefit under both the table and the new formula will be the lesser of \$150 or 80 percent of the average monthly wage, but the maximum will not reduce family benefits below \$40.

The increased benefit amounts provided under the conversion table will be payable for September. Since no one could have as many as 6 quarters of coverage after 1950 until the second quarter of 1952, all benefit computations before that time will be based on the present formula and the conversion table.

The new provisions for computing future benefits will produce higher amounts by a combination of several changes. First is the increase in the benefit formula to 50 percent of the first \$100 of average monthly wage and 15 percent of the next \$200. The maximum taxable wage credited for benefit purposes for years after 1950 is increased to \$3,600. This basic formula will produce higher benefits in the near future than the one recommended by the Administration in H.R. 2893, but it will not reach as high a level in the long run because of the omission of increments for years of coverage. The act as approved by the Conference Committee follows the recommendations of the Advisory Council in this respect. The Council had recommended that the increment be dropped, on the ground that it would result in inadequate benefits in the early years, if the formula is adjusted to adequate benefits some 30 or 40 years, in the future. Conversely, if benefits are made adequate now, the Council felt an increment would commit the system at this time to costs which might prove to be excessive. The Administration recommended retention of the increment as a means of differentiating the benefits of

long-term workers, who have made very substantial amounts of contribution over a long period, from those of workers who qualified on a shorter period of employment.

Conversion Table For Present Beneficiaries And Persons Filing Claim
Without Using The "New Start" Average Wage Provisions

(For staff information only)

I Primary insurance benefit (as determined under subsection (d))	II Primary insurance amount	III Assumed average monthly wage for purpose of computing maximum benefits
\$10	\$20.00	\$40.00
11	22.00	44.00
12	24.00	48.00
13	26.00	52.00
14	28.00	56.00
15	30.00	60.00
16	31.70	63.40
17	33.20	66.40
18	34.50	69.00
19	35.70	71.40
20	37.00	74.00
21	38.50	77.00
22	40.20	80.40
23	42.20	84.40
24	44.50	89.00
25	46.50	93.00
26	48.30	96.60
27	50.00	100.00
28	51.50	110.00
29	52.80	118.60
30	54.00	126.60
31	55.10	134.00
32	56.20	141.30
33	57.20	148.00
34	58.20	154.60
35	59.20	161.30
36	60.20	168.00
37	61.20	174.60
38	62.20	181.30
39	63.10	187.30
40	64.00	195.00
41	64.90	210.00
42	65.80	220.00
43	66.70	230.00
44	67.60	240.00
45	68.50	250.00
46	68.50	250.00

Under the new benefit formula set forth in the act, the following benefit amounts will be payable at given levels of average monthly wage:

<u>Average Monthly Wage</u>	<u>Primary Insurance Amount</u>	<u>Wife's Insurance Benefit</u>
\$50	\$25	\$12.50
100	50	25.00
200	65	32.50
300	80	40.00

The average regularly employed worker in occupations now covered earns about \$200 per month. Monthly benefits for such an average worker and his wife when they qualify under the new formula will be about \$100.

The increase in the wage base to \$3,600 is a definite improvement, though it falls short of the \$4,800 base recommended by the Administration. Strong feelings were expressed during hearings for retaining the present \$3,000 wage base, and it was only on the closing day of debate in the Senate that the higher amount was voted, thus taking the wage base out of the area of consideration by the Conference Committee. The importance of the change is greater than the \$600 might indicate. It establishes the principle that when wage rates rise generally, the benefit formula should be adjusted so that benefits will reflect actual wage loss for the great majority of covered workers. This is of basic importance in preserving the American social insurance plan of benefits geared to wages.

The method of computing the average monthly wage remains essentially the same as in present law. The only substantial difference is the establishment of a "new start," effective after 1950, for those individuals whose benefits are to be computed under the new benefit formula. This "new start" will be especially important for workers newly covered under the amendments, since otherwise their average monthly wage would be greatly reduced by the inclusion, in the elapsed period, of all the time back to the beginning of 1937. Workers now covered who die or become entitled to benefits after the middle of 1952 will also be benefited by the "new start," since wage rates are already considerably higher than those obtaining in the past 10 years, and are expected to go still higher in the future. Without a "new start," the average monthly wage of these covered workers would be pulled down by their previous low wages.

The amendments provide a sliding scale of minimum primary insurance amounts. For individuals whose average monthly wage is \$35 or more, the minimum primary insurance amount will be \$25. For each dollar of average monthly wage below \$35, the minimum is reduced by \$1 to an absolute minimum of \$20. This represents a compromise between the \$25 minimum approved by the House of Representatives when it approved \$100 as the required earnings for a quarter of coverage and the \$20 minimum approved by the Senate for persons who have an average monthly wage below \$34 (the monthly wage that would produce a \$100 quarter of coverage). The benefit area between \$20 and \$25 will most frequently affect part-time workers, some farm and domestic workers in low-wage areas of the

continental United States, and many workers in Puerto Rico and the Virgin Islands.

There will be administrative savings, with very little effect on benefit amounts, from the provisions under which any average monthly wage not a multiple of \$1 will be reduced to the next lower multiple of \$1, and any benefit not a multiple of 10 cents will be raised to the next higher multiple of 10 cents. These changes had been recommended by the Administration.

The Administration also recommended the new "closing date" provision which excludes wages in the "lag period" from the initial computation of the average monthly wage, except in those cases where such wages are needed to establish insured status. Under the amendments, it will not be necessary to obtain reports of wages paid in the two quarters preceding the quarter of death or entitlement, except where insured status is involved. To avoid any possible loss to beneficiaries, provision is made for a special recomputation of benefits, at least six months after the month of entitlement, to take account of the lag period wages if that would increase the average monthly wage.

The general provision for recomputation of benefits is more restrictive than that in the present law, and is designed to reduce the number of recomputations based on wages earned after entitlement. Except for a special provision for recomputing the benefits of veterans of World War II who die after the effective date and before July 27, 1954, recomputation of benefits is permitted only to include the 6-month lag period or in cases in which the individual's benefit had been suspended on account of employment for at least 12 months in a 36-month period following his last previous computation, and then only if the individual had at least 6 quarters of coverage after 1950.

IV. Old-Age, Dependents' and Survivors' Insurance Benefits

The amendments approved by the Conference Committee would make a number of changes in the requirements affecting eligibility for the various types of benefits. In general, these changes increase the protection offered to families of workers and self-employed persons. There are no substantive changes in the provisions for entitlement of the retired worker who must, as previously, have attained age 65, be fully insured, and have filed a claim. The name of the benefit is changed from "primary insurance benefit" to "old-age insurance benefit."

Under the new provisions, the wife of a retired beneficiary may receive benefits even though she is under 65, if she has an entitled child in her care. Otherwise, the conditions which a wife must meet remain the same as at present, except for a minor change in the time a woman must have been married to qualify for a wife's or widow's benefit when the couple had no children. In place of the present requirement that the marriage have existed 36 calendar months (12 for

the widow) before the month of entitlement (or death), the new provision sets a period of three years (one for widow) before the date of entitlement. Thus a woman married on January 16, 1951, could become entitled on her marriage anniversary three years later, or the widow of a man who died on or after the first wedding anniversary could receive widow's benefits. At present she would not if the death occurred before February 1952.

The provisions relating to the definition of child, dependency of child, and the child's benefit amount are liberalized. The adopted child of a deceased individual need no longer meet any time requirement to qualify as a "child." In life cases, a stepchild who is later adopted by his stepparent may count time spent in both relationships toward the required time period (changed from 36 months to three years).

While no change has been made with respect to a child's dependency on his father or adopting father, extensive revisions have been made in the provisions concerning a child's dependency on his mother and on a stepparent. The new provision will more frequently permit payment on the wage record of a person upon whom a child was actually relying for full or partial support. A child will be deemed dependent on his natural or adopting mother, regardless of the father's presence in the home or contributions to support, if the mother was currently insured when she died or became entitled to an old-age insurance benefit. The presumption underlying this change is that a working mother is helping to support her children. In addition, in any other case a child can be deemed dependent on his mother (including a stepmother) if the mother was furnishing at least half of the child's support. As at present, "living with" or furnishing some support will permit a finding of dependency on a mother in any case where the child's father was neither living with the child nor contributing to his support. A child is considered dependent on a stepfather with whom he was living or who was furnishing at least half the child's support, even though the father was also contributing toward the child's support. The benefit amount for one or more surviving children is increased by one-fourth of the primary insurance amount divided equally among the children.

Under the provisions approved for "mother's insurance benefits," which will replace the present "widow's current insurance benefits," benefits will be payable to the divorced wife of a deceased worker under nearly the same conditions that they are payable to the worker's widow under age 65. However, in place of the requirement of "living with" at the time of his death, the amendments require that the divorced wife have been receiving at least half of her support from the wage earner at that time. In addition, she must be the mother of his entitled child.

A minor change which will simplify administration is that a woman receiving wife's benefits need not file an application for a widow's benefit upon the death of her husband. Her benefit will be converted automatically from wife's to widow's amount upon receipt of the notice of her husband's death.

Benefit payments for the dependent parent of a deceased worker are raised from one-half the old-age insurance benefit to three-fourths. Also, it will no longer be necessary to determine the value of the non-income-producing property owned by a parent to make a finding of the dependency of a person applying for parent's benefits. A parent will be considered dependent on an individual who was furnishing at least half, rather than more than half, the parent's support.

Two new types of benefits are added by the amendments. The dependent husband or the dependent widower of a woman who was both fully and currently insured when she became entitled to old-age insurance benefits or when she died may qualify at or after age 65 for monthly benefits on his wife's record under circumstances parallel to those now required of a wife or widow. The amount of the husband's benefit will be half the amount of his wife's old-age insurance benefit; a widower's benefit, three-fourths of his wife's old-age benefit. As is true for parents, husbands and widowers must furnish proof of dependency within two years of the month of the wife's entitlement or death. The survival of a widower entitled or potentially entitled to benefits on his wife's record will preclude payment of benefits on her record to a dependent parent, just as in the case of a widow where there is a dependent parent.

Extra protection for the survivors of workers who die in the future is assured through a provision which will permit payment of the lump sum on the death of every insured worker, regardless of whether any survivor can become entitled to a monthly benefit for the month of the worker's death. The lump sums computed on the basis of the new primary amounts will be three times the primary rather than six times, as now provided, but because of the increase in primary amounts, the lump sums in the future will be about the same size, in dollar amount, as at present.

V. Miscellaneous Provisions

A number of changes are made in other provisions of the act by the amendments approved by the Conference Committee. Some of these would increase protection and others are primarily to simplify administration. Only the more important of these changes are mentioned here.

The amount of wages which a beneficiary may earn without suspension of benefits is increased to \$50 for beneficiaries under age 75. Those aged 75 and over may draw their benefits regardless of the amount of their earnings. Net earnings in self-employment income cause a suspension of benefits for months in which the beneficiary under age 75 rendered services when the earnings allocated by us to the month exceed \$50. Ending the work clause at 75 will cost less than to end it at age 70 as recommended by the Advisory Council to the Senate Committee on Finance. Some such provision is of particular interest to self-employed persons since many of them gradually reduce their work rather than retiring at a specific age.

The present provision that total family benefits may not exceed twice the amount of the primary insurance benefit will be eliminated, and the \$85 upper limit on family benefits is increased to \$150. In order to prevent the variations in benefit amount and frequent shifts in entitlement which might result when several children in a family group could all be entitled on the wage records of two different individuals, it is provided that, in such cases, the children may receive only the benefits on the record yielding the larger old-age benefit amount, but the maximum applicable is the lower of \$150 or 80 percent of the sum of the average monthly wages computed on all records on which the children are eligible. In general, this will give the group of children about the same amount they could receive if some were entitled on one wage record and others on a different record, and without the complexity of having some children entitled on each record.

The provision for reducing individual benefits, when necessary to stay within the maximum limits, has been changed to provide for such reduction after, rather than before, any deduction for employment or other reason. The provision makes it unnecessary to decide which members of a large family should file claims for benefits. To simplify the work of making deductions under this new provision, the amendments also give us authority to deduct only so much of a benefit as is necessary to bring the family total to the maximum it would receive if the full benefit were suspended and all other benefits of the family members were refigured. Thus, if deductions from one child's benefits would be offset by increases to other members of the family group, the deduction need not be imposed.

The most important change in the definition of wages is the increase in the wage base from \$3,000 to \$3,600 a year. Other changes include exemption from wages of payments made under a "plan or system" to or on behalf of dependents of an employee as well as those made to or on behalf of the employee himself, and exclusion of payments under an exempt trust to or on behalf of an employee's beneficiary as well as the employee. Wages for domestic service may be reported in even dollar amounts.

The provision to include tips as wages, originally carried in the House bill and strongly endorsed by the labor groups, is not included. The argument prevailed that it would complicate reporting for employing units such as hotels and restaurants.

The statute of limitations for the correction of wage records has been changed from four years after the calendar year in which the wages were paid to 3 years, 2 months, and 15 days after that year. For self-employment income, the statutory period is 3 years, 2 months, and 15 days after the close of the individual's taxable year. These limits were correlated with a new limitation in the Internal Revenue Code on the payment of income and withholding taxes. After the statutory period, records may be corrected if the error is discovered in connection with a claim filed or a wage investigation initiated before the running of the statute. In addition, corrections may be

made after the statutory period to correct errors apparent on the face of the record; to transfer items incorrectly reported as between our records and those of the Railroad Retirement Board, to delete or reduce wage items entered through fraud, to correct errors in allocation of wages to individuals or periods of time, to include railroad items that are used in computing survivors' benefits under the OASI program, and to conform our records to tax returns filed with the Collector of Internal Revenue. In the absence of any record of wages or self-employment income for a given period, a correction may be made at any time after the running of the statute upon proof that taxable wages were actually paid or that a tax return had been made of self-employment income within the statutory period.

The provisions for disclosing information from our records remain substantially as at present. In addition, specific authority is granted us to release wage record information, upon request, to State unemployment compensation agencies, to furnish special reports on individual wage records upon authorization of the individual concerned, and to conduct special statistical studies and compile data relating to the program, and to charge the recipients of such information for the cost involved in complying with these requests.

The Conference Committee deleted from the bill the Senate amendment providing for the combined withholding by employers of the employee old-age and survivors insurance contribution and the employee income tax. The bill contains a provision, however, which will eliminate the present requirement that workers make application for "special refunds" of contributions based on earnings in excess of \$3,600, and will allow the amount to be credited on the individual's income tax.

VI. Cost and Financing

The tax schedule agreed to by the conferees is as follows:

Calendar year	Employee	Employer	Self-employed
	Percent	Percent	Percent
1951-53	1-1/2	1-1/2	2-1/4
1954-59	2	2	3
1960-64	2-1/2	2-1/2	3-3/4
1965-69	3	3	4-1/2
1970 and after.	3-1/4	3-1/4	4-7/8

The level premium cost of the expanded program (that is, the rate which would be required to carry the full cost of the program from the present time indefinitely into the future) is about 6%. Thus, the cost of benefits as a percent of payroll will be about the same under the expanded program as was contemplated under either the original 1935 Act or the 1939 Amendments.

The development of the Nation's economic system in the past has been accompanied by a rising level of income and earnings. If past trends continue, earnings in the future will be substantially higher than they are now. The cost estimates, and hence the contribution rate schedule, are based on the assumption that benefits in the long-range future will be raised so as to bear about the same relationship to future average earnings that benefits under the conference bill bear to present average earnings. To the extent that benefit changes fail to keep pace with rising earnings levels, the cost of the program as a percent of payroll will be lower than the estimates indicate. This is due to the weighted nature of the benefit formula; as average earnings approach the \$300 maximum a larger portion of such earnings becomes subject to the 15% factor rather than the 50% factor in the benefit formula and, therefore, benefits based on high average earnings are smaller in relation to such earnings.

The cost of the protection under the new program for a generation of workers covered during their full working lifetime is estimated to be approximately 4% of payroll. Thus, under the schedule in the bill the combined rate in 1954 would approximate the value of the benefits for the group of young workers who enter covered employment at that time. The excess of the 6% level premium cost over the 4% rate results from the fact that persons retiring during the next 30 or 40 years will receive full benefits even though they have not contributed over a full working lifetime.

Although the Administration and the Senate Advisory Council recommended a Government contribution, the rates in the bill were established with the intent that the system would be self-supporting. The 1943 Amendment authorizing appropriations to the Trust Fund out of general revenues has been deleted.

FEDERAL SECURITY AGENCY
SOCIAL SECURITY ADMINISTRATION
INTEROFFICE COMMUNICATION

August 17, 1950

TO: All Bureau Employees

FROM: O. C. Pogge, Director
Bureau of Old-Age and Survivors Insurance

SUBJECT: Director's Bulletin Supplement to No. 169
Conferees' Decisions on Social Security Act Amendments of 1950
(H.R. 6000)

Final Congressional action on H.R. 6000 has been delayed because of the pressure of defense legislation. The House yesterday accepted the Conference Report by a vote of 373 to 1, and action by the Senate is expected momentarily.

As I mentioned in Director's Bulletin No. 169, the conferees were expected to make some minor changes in H.R. 6000 when they met to review and approve the final draft language. The bulletin was prepared by the Division of Program Analysis prior to the Committee's release of the bill, so that you might be immediately informed of its major provisions. The supplemental comments and changes discussed below are sent you so that you may associate them with your copies of the Director's Bulletin.

Coverage of Employees of State and Local Governments. The amendments extend automatic coverage to employees of certain transit systems acquired from private ownership by a State, political subdivision or instrumentality. Since it was not clear at the time that Director's Bulletin No. 169 was prepared what provisions would be finally agreed on, additional explanation was omitted. The provisions are as follows: Where an entire system was acquired before 1937, none of the services will be covered. If the system, or any part of it, was acquired after 1936 and before 1951, all services are covered if the employees are not on December 31, 1950, under a general retirement system providing benefits which are guaranteed by the State constitution; otherwise, none of the services are covered. Where an entire system is acquired after 1950 all services are covered if the employees are not under a general retirement system on the date of acquisition; otherwise, none of the services are covered. (A "general retirement system" means one established by a State or political subdivision which covers other employees in addition to employees of the transportation system.) Special conditions for coverage are provided if a State or political subdivision on December 31, 1950, was operating a transit system which is not covered under old-age and survivors insurance (by reason of the above rules) and after 1950 makes an additional acquisition as a part of its system.

As a result of considerable last-minute pressure brought to bear on the conference committee by representatives of organizations of teachers and other employees covered under retirement systems, the committee withdrew its approval of the amendment which would have permitted coverage of members of the Wisconsin Retirement Fund. The exclusion from coverage of public retirement system members (except for transit employees, of course) is therefore complete.

Domestic Service and Service Not in the Course of the Employer's Trade or Business. The coverage provided for domestic service in a private home and service not in the course of the employer's trade or business, when these services are performed elsewhere than on a farm operated for profit, remains essentially as previously discussed. Technical changes were made, however, in the provisions affecting these areas of employment.

Under the amendments, these areas of employment are treated separately, whereas it was previously stated that domestic service was to be included within the concept of service not in the course of the employer's trade or business. Domestic service is not excepted from "employment." Remuneration for domestic service, however, is not deemed "wages" if the employer pays less than \$50 in cash for such service in the quarter in which the employee meets the test of regular employment. No change was made in this test and the provision for rounding wages remains applicable to domestic service.

For the purpose of determining whether services constitute employment, the provisions with respect to service not in the course of the employer's trade or business relate the \$50 cash wage test to the quarter in which the services were performed (irrespective of when the wages are paid). These provisions carry no authorization for rounding the amount of wages paid for such services.

These committee changes require distinguishing between domestic services and other nonbusiness services which may be performed by an employee for an employer. Thus, they do not permit a combination of the two types of services for the purposes of satisfying the requirements relating to cash wages and regularity of employment necessary to provide coverage.

Agricultural Labor. The number of agricultural workers covered by H.R. 6000 remains at about 850,000 despite two technical changes made in the last revision of the bill.

The \$50 cash wage test, used in determining whether agricultural labor is covered employment, is related to the quarter in which the services were performed by the employee for a single employer. The wages for such employment, however, will be reported in the quarter in which they were paid to the employee. In this respect the provisions for agricultural labor are the same as those for employment not in the course of an employer's trade or business.

The test for regular employment as an agricultural laborer was revised to include only those employees who work for one employer on a full-time basis on some 60 days during a calendar quarter (following a qualifying quarter).

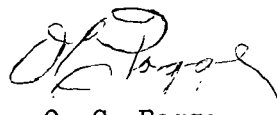
Definition of Employee. A significant development with respect to the definition of employee was the position taken by the conference committee as to the meaning of the phrase "the usual common-law rules applicable in determining the employer-employee relationship." In its committee report (H. Report #2771, page 104) the following statement is made:

". . . this opportunity is taken to reiterate and endorse the statement made in the Report of the Committee on Ways and Means in connection with the Social Security Act Amendments of 1939:

'A restricted view of the employer-employee relationship should not be taken in the administration of the Federal old-age and survivors insurance system in making coverage determinations. The tests for determining the relationship laid down in cases relating to tort liability and to the common-law concept of master and servant should not be narrowly applied (p. 76),'

"This statement made in 1939 is equally applicable to the phrase in the bill as agreed upon in the conference agreement, which contemplates a realistic interpretation of the common-law rules."

Disclosure of Information. The bill does not specifically authorize disclosure of wage record information to State unemployment compensation agencies or other groups. However, the Administrator may include provision for such disclosure in the regulations he is authorized to make governing disclosure. As the provisions now stand, the Administrator is required upon request to furnish information from the record of wages and self-employment income of an individual to that individual, his survivor, legal representative, or estate. Disclosure otherwise shall be only as authorized by regulations of the Administrator, and the Administrator is authorized to charge the cost involved in complying with a request to the person or agency requesting the information.


O. C. Pogge

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Calendar No. 2380

81ST CONGRESS }
2d Session }

SENATE

{ REPORT
{ No. 2375

REVENUE ACT OF 1950

—————
AUGUST 22 (legislative day, JULY 20), 1950.—Ordered to be printed
—————

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

REPORT

[To accompany H. R. 8920]

The Committee on Finance, to which was referred the bill (H. R. 8920) to reduce excise taxes, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill, as amended, do pass.

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(10) TAX TREATMENT OF PUERTO RICAN RESIDENTS

Under the existing Federal individual income tax law a disparity exists between the treatment accorded two different groups of United States citizens who are residents of Puerto Rico, those who are citizens only by reason of the organic acts establishing the government of Puerto Rico and those who are citizens because they were born or naturalized in the United States. Puerto Rican residents who are United States citizens only as a result of the organic law are taxed by the United States on any income derived from sources in the United States in the same manner as nonresident aliens.

Citizens of the United States who are residents of Puerto Rico but derive their citizenship from the Puerto Rican organic law are also divided into two groups for tax purposes, depending upon whether or not they are eligible for the special treatment provided for income from sources within the United States possessions under section 251 of the code. To be eligible for this treatment 80 percent of the individual's gross income must be derived from United States possessions and 50 percent of his gross income must be derived from the conduct of a trade or business within a possession of the United States either on his own account or as an employee. These individuals are taxed by the United States only on income from sources within the United States. They receive the regular deductions to the extent that they are allocable to income from sources within the United States and are subject to the regular individual income-tax rates, but receive only a single personal exemption.

Those who do not qualify under section 251 are taxed by the United States on their income from all sources, including Puerto Rico, but receive a foreign tax credit on taxes paid to Puerto Rico or to any foreign country. They receive the ordinary deductions and exemptions.

For the purposes of its own individual income tax, Puerto Rico does not distinguish between those of its residents whose United States citizenship depends upon organic law and those who were born or naturalized in the United States. It taxes their income from all sources, including the United States, and allows a tax credit for tax paid to the United States or to a foreign country.

In the opinion of your committee the existing Federal income tax treatment of United States citizens in Puerto Rico is confusing and the discrimination against those who derive their citizenship from the organic law is unfair. Moreover, it is most unfortunate to classify citizens of the United States as nonresident aliens for tax purposes. Under section 224 of your committee's bill all United States citizens who are bona fide residents of Puerto Rico during the entire taxable year receive the same tax treatment with respect to taxable years beginning after December 31, 1950. They are not taxed under the Federal individual income tax with respect to any income derived from sources within Puerto Rico. The tax is limited to income derived from sources outside Puerto Rico, including income from the United States itself. The withholding tax of 30 percent of gross income will no longer apply to residents of Puerto Rico who are citizens of the United States only by reason of organic law nor are they to be deprived of exemptions and the benefits of income splitting as under existing law.

Puerto Rican residents are singled out in this fashion because Puerto Rico is in a unique position. It is neither a foreign country nor an integral part of the United States. Moreover, it differs from all other possessions in that it has its own income tax law which takes the place of the Federal income tax law. For these reasons your committee believes it is desirable in the case of Puerto Rican residents to apply the United States tax only to income derived from sources outside of Puerto Rico; for income from sources within Puerto Rico the Puerto Rican income tax takes the place of the United States income tax.

Since Puerto Rico allows a credit for income taxes paid to the United States, the Puerto Rican tax would in effect apply only to income derived from Puerto Rico except when the Puerto Rican tax is higher than the United States tax. In such a case Puerto Rico would collect a tax equal to the difference between the Puerto Rican rates and the United States rates applicable to income derived from sources outside Puerto Rico.

There need be no fear that as a result of your committee's proposal anyone will gain a tax benefit by splitting his income in two and being subjected to tax on part of it by Puerto Rico and the other part by the United States. With respect to Puerto Rican residents, Puerto Rico, since it first includes the United States income in its tax base and then allows a credit for income taxes paid to the United States, will collect a tax at relatively high effective rates on the income from Puerto Rican sources, while the United States, since the bill allows an exclusion for income derived from Puerto Rican sources, would collect a tax at relatively low effective rates. Assuming the rate schedules were the same in both the United States and Puerto Rico, the combined tax would be the same as would be collected by either jurisdiction if the whole income had been subject to its taxes alone. In a similar fashion, if the individual is a resident of the United States, United States would collect the tax at the relatively high effective rates and Puerto Rico at relatively low effective rates.

It has been estimated that this provision will increase the revenues by \$2,500,000 annually when fully effective.

Your committee has amended this portion of the House bill so as to make provision for the collection of taxes due the United States from residents of Puerto Rico. This latter amendment is made effective on the date of enactment.

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DETAILED DISCUSSION OF THE TECHNICAL PROVISIONS OF THE BILL

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TITLE II.—MISCELLANEOUS INCOME TAX AMENDMENTS

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SECTION 224. RESIDENTS OF PUERTO RICO

This section corresponds to section 217 of the bill passed by the House. The provisions of the House bill have been retained, but two new subsections have been added by your committee. The first of these, subsection (i), provides for the amendment of the Internal Revenue Code section relating to the collection of taxes in the Virgin Islands and Puerto Rico; the second, subsection (j), provides for the amendment of the sections of the code and of the Social Security Act which relate to the definition of net earnings from self-employment.

Section 224 of the bill makes provision for the extension of the Federal income-tax laws to Puerto Rico to the extent of subjecting individual citizens of Puerto Rico who are also United States citizens to the Federal tax on their world-wide income, as in the case of other United States citizens, and to the extent of subjecting to the same treatment alien individuals who are bona fide residents of Puerto Rico during the entire taxable year. Such aliens resident in Puerto Rico

would be subject to tax as in the case of aliens resident in the United States. Any individual citizen of the United States, or any alien individual, who is a bona fide resident of Puerto Rico during the entire taxable year will, however, be permitted to exclude from gross income any income derived from sources within Puerto Rico, except amounts received for services performed as an employee of the United States or any agency thereof. Deductions allocable to such excluded income will not be allowed for purposes of the Federal tax.

In the case of an individual citizen of the United States who gives up his Puerto Rican residence after having been a bona fide resident of Puerto Rico for a period of at least 2 years before the date of such change in residence, any income derived from Puerto Rican sources which is attributable to the period of residence prior to the change may also be excluded from gross income, except amounts received for services performed as an employee of the United States or any agency thereof. Deductions allocable to such excluded income will not be allowed. Similar treatment is not extended to individual aliens who change their residence from Puerto Rico.

The above changes in the taxation of the income of individuals are accomplished by the amendment of section 251 of the code to make such section inapplicable to Puerto Rico in the case of citizens of the United States, by the amendment of section 252 (a) to make such section inapplicable to citizens of Puerto Rico and by the addition of new sections 116 (l) and 220 to the code. Section 116 (l), as added by section 224 (c) of the bill, provides for the exclusion from gross income of income from sources within Puerto Rico in the case of individuals who are bona fide residents of Puerto Rico during the entire taxable year. Section 220, as added by section 224 (d) of the bill, provides that supplement H of the code (relating to nonresident alien individuals) shall have no application to alien individuals who are bona fide residents of Puerto Rico during the entire taxable year and that such individuals shall be subject, as in the case of citizens and alien residents of the United States, to the taxes imposed by sections 11 and 12 of the code.

Withholding of tax at source under section 143 (a) and (b) of the code on fixed or determinable annual or periodical income will be continued in accordance with present provisions of the code in the case of alien individuals who are residents of Puerto Rico, even though such individuals are bona fide residents of Puerto Rico during the entire taxable year. Such treatment is obtained by amendments, as provided by section 224 (e) of the bill, to sections 143 (a) (1) and 143 (b) of the code. Credit for, or refund of, such withheld tax will be allowed in the case of those alien residents of Puerto Rico who become subject to tax under sections 11 and 12 of the code in accordance with proposed section 220.

Section 224 (f) of the bill makes provision for the amendment of sections 1621 (a) (6) and 1621 (a) (8) of the code relating to definition of wages with respect to the collection of income tax at source on wages. Pursuant to proposed section 1621 (a) (6) (B), withholding of income tax will be required on wages paid for services performed by an individual alien resident of Puerto Rico as an employee of the United States or any agency thereof.

Section 1621 (a) (8) (B), as amended by the bill, will no longer apply to Puerto Rico. In its application to any other possession of

the United States, this section requires withholding of income tax on wages paid for services performed by a citizen of the United States in such possession as an employee of the United States or any agency thereof. The latter change is a corollary to the amendment provided by section 223 of the bill. Pursuant to section 1621 (a) (8) (C) withholding of tax will not be required on wages paid for services performed by a citizen of the United States within Puerto Rico, if it is reasonable to believe that during the entire calendar year the employee will be a bona fide resident of that possession, unless the employer is the United States or any agency thereof.

Section 224 (g) of the bill amends section 58 (a) of the code to require alien individuals who are residents of Puerto Rico during the entire taxable year to make a declaration of estimated tax for the taxable year in accordance with the present requirements of the code. Gross income in such cases will not, of course, include the Puerto Rican source income excluded by virtue of section 116 (1) (1) of the code. Citizens of Puerto Rico who are also citizens of the United States, will, of course, be required to make the declaration prescribed by section 58 (a) of the code.

Section 224 (h) of the bill provides for the amendment of sections 131 (a) (2) and 131 (a) (3) of the code which relate to the credits against tax. Under the amendment to section 131 (a) (2) alien individuals who are bona fide residents of Puerto Rico during the entire taxable year will be allowed a credit for taxes paid or accrued during the taxable year to any possession of the United States with respect to income from sources in such possession subject to the Federal income tax. Pursuant to the amendment to section 131 (a) (3) such an alien individual will also be allowed a credit for taxes paid or accrued during the taxable year to any foreign country with respect to income from sources in such country subject to the Federal income tax, if the foreign country of which such alien resident is a citizen or subject, in imposing its income taxes, allows a similar credit to citizens of the United States residing therein. No credit will, of course, be allowed against the Federal income tax for taxes paid or accrued to Puerto Rico with respect to income derived from Puerto Rican sources but excluded from gross income for purposes of the Federal income tax. Similarly, no credit will be allowed for income taxes paid or accrued to Puerto Rico on income derived from sources in a foreign country, even though such income may have been subject to tax in (1) the United States, (2) the foreign country, and (3) Puerto Rico.

Since section 224 of the bill broadens the application of the income-tax laws to individuals in Puerto Rico, proposed section 3811 (a) provides that, notwithstanding any other provision of law (such as Puerto Rican organic law) respecting taxation in Puerto Rico, all taxes imposed by chapter 1 of the code (including those imposed by the Self-Employment Contributions Act), by the Federal Insurance Contributions Act, and by subchapter D of chapter 9 (collection of income tax at source on wages), shall be collected under the direction of the Secretary and shall be paid into the Treasury of the United States as internal-revenue collections. In addition, this proposed subsection provides that all provisions of the laws of the United States (including the provisions relating to the Tax Court of the United States) applicable to the administration, collection, and enforcement of any tax imposed upon the incomes of individuals, estates,

and trusts by chapter 1 (including the tax imposed by the Self-Employment Contributions Act), and of any tax imposed by the Federal Insurance Contributions Act or by subchapter D of chapter 9 (collection of income tax at source on wages), shall, in respect to such tax, extend to and be applicable in Puerto Rico in the same manner and to the same extent as if Puerto Rico were a State, and as if the term "United States" when used in a geographical sense included Puerto Rico.

Section 224 (j) of the bill, added by your committee to the House bill, provides for the amendment of section 481 (a) (7) of the Internal Revenue Code and of section 211 (a) (7) of the Social Security Act, each of which contains special rules for the computation of net earnings from self-employment in the case of Puerto Rico.

Proposed section 481 (a) (7) (A) provides in effect that, with respect to any taxable year beginning before the effective date specified in section 3810 of the code (i. e., the date on which the provisions of title II of the Social Security Act are extended to Puerto Rico), the Puerto Rican source income of a United States citizen will be taken into account in determining whether such citizen of the United States meets the requirements of section 251 of the code, and thus in determining whether or not gross income means only United States source income for purposes of the self-employment tax. In other words, this proposed amendment preserves for purposes of the self-employment tax the rule, should the effective date specified in section 3810 be no earlier than January 1, 1952, which would have existed in the absence of the amendments proposed by section 224 of the bill.

Proposed section 481 (a) (7) (B) provides in effect that, with respect to any taxable year beginning on or after the effective date specified in section 3810 of the code, any resident of Puerto Rico, whether or not a bona fide resident thereof during the entire taxable year, and whether or not an alien, a citizen of the United States, or a citizen of Puerto Rico, shall compute his net earnings from self-employment in the same manner as would a citizen of the United States residing in the United States. For purposes of the self-employment tax, the gross income of such a resident of Puerto Rico will include income from Puerto Rican sources.

The amendment proposed by section 224 (j) (2) of the bill to section 211 (a) (7) of the Social Security Act conforms such section 211 (a) (7) to proposed section 481 (a) (7) of the Internal Revenue Code.

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Calendar No. 2380

81ST CONGRESS
2^D SESSION

H. R. 8920

[Report No. 2375]

IN THE SENATE OF THE UNITED STATES

JUNE 30 (legislative day, JUNE 7), 1950

Read twice and referred to the Committee on Finance

AUGUST 22, 1950

Reported, under the authority of the order of the Senate of August 22 (legislative day, July 20), 1950, by Mr. GEORGE, with amendments

[Omit the part struck through or enclosed in bold-face brackets and insert the part printed in italic]

AN ACT

To reduce excise taxes, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) **SHORT TITLE.**—This Act, divided into titles and
4 sections according to the following Table of Contents, may
5 be cited as the “Revenue Act of 1950”:

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17 **SEC. 217 224. RESIDENTS OF PUERTO RICO.**

18 (a) INCOME OF INDIVIDUALS FROM SOURCES WITHIN
19 PUERTO RICO.—Section 251 (d)⁵ (relating to income from
20 sources within possessions of United States) is hereby
21 amended to read as follows:

22 “(d) DEFINITION.—As used in this section the term
23 ‘possession of the United States’ does not include the Virgin
24 Islands of the United States, and such term when used with
25 respect to citizens of the United States does not include
26 Puerto Rico.”

1 (b) CITIZENS OF THE UNITED STATES RESIDING IN
2 PUERTO RICO.—Section 252 (a) (relating to citizens of
3 possessions of the United States) is hereby amended by
4 adding at the end thereof the following new sentence: “This
5 subsection shall have no application in the case of a citizen of
6 Puerto Rico.”

7 (c) TAXATION OF INCOME OF RESIDENTS OF PUERTO
8 RICO.—Section 116 (relating to exclusions from gross in-
9 come) is hereby amended by adding at the end thereof the
10 following new subsection:

11 “(1) INCOME FROM SOURCES WITHIN PUERTO
12 RICO.—

13 “(1) RESIDENT OF PUERTO RICO FOR ENTIRE
14 TAXABLE YEAR.—In the case of an individual who is a
15 bona fide resident of Puerto Rico during the entire tax-
16 able year, income derived from sources within Puerto
17 Rico (except amounts received for services performed
18 as an employee of the United States or any agency
19 thereof) ; but such individual shall not be allowed as a
20 deduction from his gross income any deductions properly
21 allocable to or chargeable against amounts excluded from
22 gross income under this paragraph.

23 “(2) TAXABLE YEAR OF CHANGE OF RESIDENCE
24 FROM PUERTO RICO.—In the case of an individual citizen

1 of the United States, who has been a bona fide resident
2 of Puerto Rico for a period of at least two years before
3 the date on which he changes his residence from Puerto
4 Rico, income derived from sources therein (except
5 amounts received for services performed as an em-
6 ployee of the United States or any agency thereof)
7 which is attributable to that part of such period of
8 Puerto Rican residence before such date; but such indi-
9 vidual shall not be allowed as a deduction from his gross
10 income any deductions properly allocable to or charge-
11 able against amounts excluded from gross income under
12 this paragraph.”

13 (d) ALIENS RESIDING IN PUERTO RICO.—Supplement
14 H (relating to nonresident alien individuals) is hereby
15 amended by adding at the end thereof the following new
16 section:

17 **“SEC. 220. ALIEN RESIDENTS OF PUERTO RICO.**

18 “(a) NO APPLICATION TO CERTAIN ALIEN RESIDENTS
19 OF PUERTO RICO.—The provisions of this supplement shall
20 have no application to an alien individual who is a bona fide
21 resident of Puerto Rico during the entire taxable year, and
22 such alien shall be subject to the taxes imposed by sections
23 11 and 12.

24 “(b) CROSS REFERENCE.—For exclusion from gross

1 income of income derived from sources within Puerto Rico,
2 see section 116 (l) (1).”

3 (e) WITHHOLDING ON ALIEN RESIDENTS OF PUERTO
4 RICO.—Section 143 (a) (1) (relating to withholding of
5 tax at source on tax-free covenant bonds) and section 143
6 (b) (relating to withholding of tax at source on dividends,
7 interest, etc., paid to nonresident aliens) are each amended by
8 adding at the end thereof the following: “As used in this
9 subsection the term ‘nonresident alien individual’ includes an
10 alien resident of Puerto Rico.”

11 (f) WITHHOLDING OF TAX ON WAGES.—

12 (1) Section 1621 (a) (6) (relating to collection
13 of income tax at source on wages) is hereby amended
14 to read as follows:

15 “(6) for services performed by a nonresident alien
16 individual, other than (A) a resident of a contiguous
17 country who enters and leaves the United States at
18 frequent intervals, or (B) a resident of Puerto Rico
19 if such services are performed as an employee of the
20 United States or any agency thereof, or”.

21 (2) Section 1621 (a) (8) (relating to collection
22 of income tax at source on wages) is hereby amended by
23 striking out subparagraph (B) thereof and inserting
24 in lieu thereof the following:

1 “(B) for services for an employer (other than the
2 United States or any agency thereof) performed by a
3 citizen of the United States within a possession of the
4 United States (other than Puerto Rico), if it is rea-
5 sonable to believe that at least 80 per centum of the
6 remuneration to be paid to the employee by such em-
7 ployer during the calendar year will be for such services,
8 or

9 “(C) for services for an employer (other than the
10 United States or any agency thereof) performed by a
11 citizen of the United States within Puerto Rico, if it is
12 reasonable to believe that during the entire calendar
13 year the employee will be a bona fide resident of Puerto
14 Rico, or”.

15 (g) DECLARATION OF ESTIMATED TAX.—Section 58
16 (a) (relating to declaration of estimated tax by individuals)
17 is hereby amended by inserting after “Chapter 9 is not
18 made applicable” the following: “, but including every alien
19 individual who is a resident of Puerto Rico during the entire
20 taxable year”.

21 (h) FOREIGN TAX CREDIT.—Paragraphs (2) and (3)
22 of section 131 (a) (relating to allowance of credit) are
23 hereby amended to read as follows:

24 “(2) RESIDENT OF THE UNITED STATES OR
25 PUERTO RICO.—In the case of a resident of the United

1 States and in the case of *a bona fide* resident of Puerto Rico during the entire taxable
 2 *fide* resident of Puerto Rico during the entire taxable
 3 year, the amount of any such taxes paid or accrued
 4 during the taxable year to any possession of the United
 5 States; and

6 “(3) **ALIEN RESIDENT OF THE UNITED STATES OR**
 7 **PUERTO RICO.**—In the case of an alien resident of the
 8 United States and in the case of an alien *individual*
 9 *who is a bona fide* resident of Puerto Rico during the
 10 entire taxable year, the amount of any such taxes paid
 11 or accrued during the taxable year to any foreign
 12 country, if the foreign country of which such alien
 13 resident is a citizen or subject, in imposing such taxes,
 14 allows a similar credit to citizens of the United States
 15 residing in such country; and”.

16 (i) **COLLECTION OF TAXES IN PUERTO RICO.**—*Sec-*
 17 *tion 3811 (relating to collection of taxes in Puerto Rico and*
 18 *the Virgin Islands) is hereby amended to read as follows:*

19 “**SEC. 3811. COLLECTION OF TAXES IN PUERTO RICO AND VIR-**
 20 **GIN ISLANDS.**

21 “(a) **PUERTO RICO.**—*Notwithstanding any other pro-*
 22 *vision of law respecting taxation in Puerto Rico, all taxes*
 23 *imposed by chapter 1, and by subchapters A and D of*
 24 *chapter 9, shall be collected under the direction of the Secre-*
 25 *tary and shall be paid into the Treasury of the United States*

1 *as internal revenue collections. All provisions of the laws*
2 *of the United States applicable to the administration, collec-*
3 *tion, and enforcement of any tax imposed upon the incomes*
4 *of individuals, estates, and trusts by chapter 1 (including*
5 *the provisions relating to The Tax Court of the United*
6 *States), and of any tax imposed by subchapter A or by sub-*
7 *chapter D of chapter 9, shall, in respect to such tax, extend*
8 *to and be applicable in Puerto Rico in the same manner and*
9 *to the same extent as if Puerto Rico were a State, and as if*
10 *the term 'United States' when used in a geographical sense*
11 *included Puerto Rico.*

12 “(b) *VIRGIN ISLANDS.—Notwithstanding any other*
13 *provision of law respecting taxation in the Virgin Islands,*
14 *all taxes imposed by subchapter E of chapter 1, and by*
15 *subchapter A of chapter 9, shall be collected under the direc-*
16 *tion of the Secretary and shall be paid into the Treasury of*
17 *the United States as internal revenue collections. All pro-*
18 *visions of the laws of the United States applicable to the*
19 *administration, collection, and enforcement of the tax imposed*
20 *by subchapter E of chapter 1 (including the provisions re-*
21 *lating to The Tax Court of the United States), and of any*
22 *tax imposed by subchapter A of chapter 9, shall, in respect*
23 *to such tax, extend to and be applicable in the Virgin Islands*
24 *in the same manner and to the same extent as if the Virgin*

1 *Islands were a State, and as if the term 'United States' when*
2 *used in a geographical sense included the Virgin Islands.*

3 “(c) *DEFINITION.—As used in this section, the term*
4 *'tax' includes any penalty with respect to the tax, any addi-*
5 *tion to the tax, and any additional amount with respect to*
6 *the tax, provided for by any law of the United States.’”*

7 (j) *TECHNICAL AMENDMENTS.—*

8 (1) *Section 481 (a) (7) (relating to the definition*
9 *of net earnings from self-employment) is hereby amended*
10 *to read as follows:*

11 “(7) (A) *In the case of any taxable year beginning*
12 *before the effective date specified in section 3810, the*
13 *term 'possession of the United States' when used in*
14 *section 251 with respect to citizens of the United States*
15 *shall include Puerto Rico;*

16 “(B) *In the case of any taxable year beginning on*
17 *or after the effective date specified in section 3810, a*
18 *resident of Puerto Rico shall compute his net earnings*
19 *from self-employment in the same manner as a citizen of*
20 *the United States but without regard to the provisions*
21 *of section 116 (l).’”*

22 (2) *Section 211 (a) (7) (relating to the definition*
23 *of net earnings from self-employment) of the Social*
24 *Security Act is hereby amended to read as follows:*

1 “(7) (A) *In the case of any taxable year beginning*
2 *before the effective date specified in section 219, the term*
3 *‘possession of the United States’ when used in section*
4 *251 of the Internal Revenue Code with respect to citi-*
5 *zens of the United States shall include Puerto Rico;*

6 “(B) *In the case of any taxable year beginning on*
7 *or after the effective date specified in section 219, a resi-*
8 *dent of Puerto Rico shall compute his net earnings from*
9 *self-employment in the same manner as a citizen of the*
10 *United States but without regard to the provisions of*
11 *section 116 (l) of such code.”*

12 ~~(i)~~ (k) **EFFECTIVE DATE.**—The amendments made by
13 this section shall be applicable with respect to taxable years
14 beginning after December 31, 1950, except that the amend-
15 ments made by subsection (f) shall be applicable with
16 respect to wages paid on or after January 1, 1951 *and*
17 *except that the amendment made by subsection (i) shall be*
18 *effective on the date of the enactment of this Act.*

19 **SEC. 225. REGULATED INVESTMENT COMPANIES.**

20 *Effective with respect to taxable years ending after the*
21 *date of the enactment of this Act, section 362 (b) (relating*
22 *to method of taxation of regulated investment companies and*
23 *shareholders) is hereby amended by adding at the end thereof*
24 *the following:*

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Amend the title so as to read: An Act to provide revenue, and for other purposes.

Passed the House of Representatives June 29, 1950.

Attest: RALPH R. ROBERTS,
Clerk.

Calendar No. 2380

81ST CONGRESS
2^D SESSION

H. R. 8920

[Report No. 2375]

AN ACT

To reduce excise taxes, and for other purposes.

JUNE 30 (legislative day, JUNE 7), 1950

Read twice and referred to the Committee on Finance

AUGUST 22, 1950

Reported with amendments

81ST CONGRESS
2^D SESSION

H. R. 8920

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 1 (legislative day, JULY 20), 1950

Ordered to be printed with the amendments of the Senate numbered

AN ACT

To reduce excise taxes, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) SHORT TITLE.—This Act, divided into titles and
4 sections according to the following Table of Contents, may
5 be cited as the “Revenue Act of 1950”:

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9 SEC. ~~(114)~~²¹⁷ 224. RESIDENTS OF PUERTO RICO.

10 (a) INCOME OF INDIVIDUALS FROM SOURCES WITHIN
11 PUERTO RICO.—Section 251 (d) (relating to income from
12 sources within possessions of United States) is hereby
13 amended to read as follows:

14 “(d) DEFINITION.—As used in this section the term
15 ‘possession of the United States’ does not include the Virgin
16 Islands of the United States, and such term when used with
17 respect to citizens of the United States does not include
18 Puerto Rico.”

19 (b) CITIZENS OF THE UNITED STATES RESIDING IN
20 PUERTO RICO.—Section 252 (a) (relating to citizens of
21 possessions of the United States) is hereby amended by
22 adding at the end thereof the following new sentence: “This
23 subsection shall have no application in the case of a citizen of
24 Puerto Rico.”

1 (c) TAXATION OF INCOME OF RESIDENTS OF PUERTO
2 RICO.—Section 116 (relating to exclusions from gross in-
3 come) is hereby amended by adding at the end thereof the
4 following new subsection:

5 “(1) INCOME FROM SOURCES WITHIN PUERTO
6 RICO.—

7 “(1) RESIDENT OF PUERTO RICO FOR ENTIRE
8 TAXABLE YEAR.—In the case of an individual who is a
9 bona fide resident of Puerto Rico during the entire tax-
10 able year, income derived from sources within Puerto
11 Rico (except amounts received for services performed
12 as an employee of the United States or any agency
13 thereof) ; but such individual shall not be allowed as a
14 deduction from his gross income any deductions properly
15 allocable to or chargeable against amounts excluded from
16 gross income under this paragraph.

17 “(2) TAXABLE YEAR OF CHANGE OF RESIDENCE
18 FROM PUERTO RICO.—In the case of an individual citizen
19 of the United States, who has been a bona fide resident
20 of Puerto Rico for a period of at least two years before
21 the date on which he changes his residence from Puerto
22 Rico, income derived from sources therein (except
23 amounts received for services performed as an em-
24 ployee of the United States or any agency thereof)
25 which is attributable to that part of such period of

1 Puerto Rican residence before such date; but such indi-
2 vidual shall not be allowed as a deduction from his gross
3 income any deductions properly allocable to or charge-
4 able against amounts excluded from gross income under
5 this paragraph.”

6 (d) ALIENS RESIDING IN PUERTO RICO.—Supplement
7 H (relating to nonresident alien individuals) is hereby
8 amended by adding at the end thereof the following new
9 section:

10 “SEC. 220. ALIEN RESIDENTS OF PUERTO RICO.

11 “(a) NO APPLICATION TO CERTAIN ALIEN RESIDENTS
12 OF PUERTO RICO.—The provisions of this supplement shall
13 have no application to an alien individual who is a bona fide
14 resident of Puerto Rico during the entire taxable year, and
15 such alien shall be subject to the taxes imposed by sections
16 11 and 12.

17 “(b) CROSS REFERENCE.—For exclusion from gross
18 income of income derived from sources within Puerto Rico,
19 see section 116 (1) (1).”

20 (e) WITHHOLDING ON ALIEN RESIDENTS OF PUERTO
21 RICO.—Section 143 (a) (1) (relating to withholding of
22 tax at source on tax-free covenant bonds) and section 143
23 (b) (relating to withholding of tax at source on dividends,
24 interest, etc., paid to nonresident aliens) are each amended by
25 adding at the end thereof the following: “As used in this

1 subsection the term 'nonresident alien individual' includes an
2 alien resident of Puerto Rico."

3 (f) WITHHOLDING OF TAX ON WAGES.—

4 (1) Section 1621 (a) (6) (relating to collection
5 of income tax at source on wages) is hereby amended
6 to read as follows:

7 " (6) for services performed by a nonresident alien
8 individual, other than (A) a resident of a contiguous
9 country who enters and leaves the United States at
10 frequent intervals, or (B) a resident of Puerto Rico
11 if such services are performed as an employee of the
12 United States or any agency thereof, or".

13 (2) Section 1621 (a) (8) (relating to collection
14 of income tax at source on wages) is hereby amended by
15 striking out subparagraph (B) thereof and inserting
16 in lieu thereof the following:

17 "(B) for services for an employer (other than the
18 United States or any agency thereof) performed by a
19 citizen of the United States within a possession of the
20 United States (other than Puerto Rico), if it is rea-
21 sonable to believe that at least 80 per centum of the
22 remuneration to be paid to the employee by such em-
23 ployer during the calendar year will be for such services,
24 or

25 "(C) for services for an employer (other than the

1 United States or any agency thereof) performed by a
 2 citizen of the United States within Puerto Rico, if it is
 3 reasonable to believe that during the entire calendar
 4 year the employee will be a bona fide resident of Puerto
 5 Rico, or”.

6 (g) DECLARATION OF ESTIMATED TAX.—Section 58
 7 (a) (relating to declaration of estimated tax by individuals)
 8 is hereby amended by inserting after “Chapter 9 is not
 9 made applicable” the following: “, but including every alien
 10 individual who is a resident of Puerto Rico during the entire
 11 taxable year”.

12 (h) FOREIGN TAX CREDIT.—Paragraphs (2) and (3)
 13 of section 131 (a) (relating to allowance of credit) are
 14 hereby amended to read as follows:

15 “(2) RESIDENT OF THE UNITED STATES OR
 16 PUERTO RICO.—In the case of a resident of the United
 17 States and in the case of (115) *an individual who is a*
 18 *bona fide* resident of Puerto Rico during the entire tax-
 19 able year, the amount of any such taxes paid or accrued
 20 during the taxable year to any possession of the United
 21 States; and

22 “(3) ALIEN RESIDENT OF THE UNITED STATES OR
 23 PUERTO RICO.—In the case of an alien resident of the
 24 United States and in the case of an alien (116) *individ-*
 25 *ual who is a bona fide* resident of Puerto Rico during the

1 entire taxable year, the amount of any such taxes paid
2 or accrued during the taxable year to any foreign
3 country, if the foreign country of which such alien
4 resident is a citizen or subject, in imposing such taxes,
5 allows a similar credit to citizens of the United States
6 residing in such country; and”.

7 **(117)(i) COLLECTION OF TAXES IN PUERTO RICO.**—*Sec-*
8 *tion 3811 (relating to collection of taxes in Puerto Rico and*
9 *the Virgin Islands) is hereby amended to read as follows:*

10 **“SEC. 3811. COLLECTION OF TAXES IN PUERTO RICO AND VIR-**
11 **GIN ISLANDS.**

12 *“(a) PUERTO RICO.—Notwithstanding any other pro-*
13 *vision of law respecting taxation in Puerto Rico, all taxes*
14 *imposed by chapter 1, and by subchapters A and D of*
15 *chapter 9, shall be collected under the direction of the Secre-*
16 *tary and shall be paid into the Treasury of the United States*
17 *as internal revenue collections. All provisions of the laws*
18 *of the United States applicable to the administration, collec-*
19 *tion, and enforcement of any tax imposed upon the incomes*
20 *of individuals, estates, and trusts by chapter 1 (including*
21 *the provisions relating to The Tax Court of the United*
22 *States), and of any tax imposed by subchapter A or by sub-*
23 *chapter D of chapter 9, shall, in respect to such tax, extend*
24 *to and be applicable in Puerto Rico in the same manner and*
25 *to the same extent as if Puerto Rico were a State, and as if*

1 the term 'United States' when used in a geographical sense
2 included Puerto Rico.

3 “(b) VIRGIN ISLANDS.—Notwithstanding any other
4 provision of law respecting taxation in the Virgin Islands,
5 all taxes imposed by subchapter E of chapter 1, and by
6 subchapter A of chapter 9, shall be collected under the direc-
7 tion of the Secretary and shall be paid into the Treasury of
8 the United States as internal revenue collections. All pro-
9 visions of the laws of the United States applicable to the
10 administration, collection, and enforcement of the tax imposed
11 by subchapter E of chapter 1 (including the provisions re-
12 lating to The Tax Court of the United States), and of any
13 tax imposed by subchapter A of chapter 9, shall, in respect
14 to such tax, extend to and be applicable in the Virgin Islands
15 in the same manner and to the same extent as if the Virgin
16 Islands were a State, and as if the term 'United States' when
17 used in a geographical sense included the Virgin Islands.

18 “(c) DEFINITION.—As used in this section, the term
19 'tax' includes any penalty with respect to the tax, any addi-
20 tion to the tax, and any additional amount with respect to
21 the tax, provided for by any law of the United States.”

22 (118)(j) TECHNICAL AMENDMENTS.—

23 (1) Section 481 (a) (7) (relating to the definition
24 of net earnings from self-employment) is hereby amended
25 to read as follows:

1 “(7) (A) In the case of any taxable year beginning
2 before the effective date specified in section 3810, the
3 term ‘possession of the United States’ when used in
4 section 251 with respect to citizens of the United States
5 shall include Puerto Rico;

6 “(B) In the case of any taxable year beginning on
7 or after the effective date specified in section 3810, a
8 resident of Puerto Rico shall compute his net earnings
9 from self-employment in the same manner as a citizen of
10 the United States but without regard to the provisions
11 of section 116 (l).”

12 (2) Section 211 (a) (7) (relating to the definition
13 of net earnings from self-employment) of the Social
14 Security Act is hereby amended to read as follows:

15 “(7) (A) In the case of any taxable year beginning
16 before the effective date specified in section 219, the term
17 ‘possession of the United States’ when used in section
18 251 of the Internal Revenue Code with respect to citi-
19 zens of the United States shall include Puerto Rico;

20 “(B) In the case of any taxable year beginning on
21 or after the effective date specified in section 219, a resi-
22 dent of Puerto Rico shall compute his net earnings from
23 self-employment in the same manner as a citizen of the
24 United States but without regard to the provisions of
25 section 116 (l) of such code.”

1 ~~(119)(i)~~ (k) EFFECTIVE DATE.—The amendments made by
2 this section shall be applicable with respect to taxable years
3 beginning after December 31, 1950, except that the amend-
4 ments made by subsection (f) shall be applicable with
5 respect to wages paid on or after January 1, 1951 (120), and
6 *except that the amendment made by subsection (i) shall be*
7 *effective on the date of the enactment of this Act.*

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Amend the title so as to read: An Act to provide revenue, and for other purposes.

Passed the House of Representatives June 29, 1950.

Attest: **RALPH R. ROBERTS,**
Clerk.

Passed the Senate with amendments September 1 (legislative day, July 20), 1950.

Attest: **LESLIE L. BIFFLE,**
Secretary.

81ST CONGRESS
2^D SESSION

H. R. 8920

AN ACT

To reduce excise taxes, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 1 (legislative day, JULY 20), 1950

Ordered to be printed with the amendments of the
Senate numbered

REVENUE ACT OF 1950

SEPTEMBER 21, 1950.—Ordered to be printed

Mr. DOUGHTON, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 8920]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 8920) to reduce excise taxes, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 48, 64, 87, 99, and 110.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 32, 33, 34, 35, 36, 37, 42, 43, 46, 47, 51, 52, 53, 54, 58, 59, 60, 63, 66, 67, 69, 70, 71, 77, 78, 79, 80, 81, 84, 85, 89, 90, 93, 94, 95, 96, 97, 98, 101, 104, 105, 112, 115, 116, 117, 118, 119, 120, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 138, 139, 140, 141, 142, 143, 144, 145, 147, 148, 150, 151, 152, 153, 154, 155, 156, 158, 160, 161, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, and 189 and agree to the same.

* * * * *

Amendment No. 114: This is a clerical amendment. The House recedes with an amendment making a change in section number.

Amendments Nos. 115 and 116: These are clarifying amendments. The House recedes.

Amendment No. 117: This amendment amends section 3811 of the Internal Revenue Code to extend to Puerto Rico administrative, collection, and enforcement provisions considered necessary because of the changes made by the bill relating to the income-tax treatment of individuals resident in Puerto Rico. The House recedes.

Amendment No. 118: This amendment makes technical and conforming changes to section 481 (a) (7) of the Internal Revenue Code and to section 211 (a) (7) of the Social Security Act, each of which relates to the computation of net earnings from self-employment in the case of residents of Puerto Rico. These changes are necessary because of the changes made by the bill in the tax treatment of residents of Puerto Rico. The House recedes.

Amendment No. 119: This is a clerical amendment. The House recedes.

Amendment No. 120: This amendment provides that the amendment made by Senate amendment No. 117 shall be effective on the date of the enactment of the bill. The House recedes.

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REVENUE ACT OF 1950

The SPEAKER. The gentleman from North Carolina [Mr. DOUGHTON] asks unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

Is there objection?

There was no objection.

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Mr. MILLS.

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Mr. Speaker, I insert at this point in the RECORD a summary of H. R. 8920, the Revenue Act of 1950, as agreed to by the conferees, which was prepared by the staff of the Joint Committee on Internal Revenue Taxation:

SUMMARY OF H. R. 8920 AS AGREED TO BY THE CONFEREES

* * * *

TITLE II. MISCELLANEOUS INCOME-TAX AMENDMENTS

* * * *

Section 221. Residents of Puerto Rico

Under the existing interpretation of the Federal individual income tax law a difference exists between the treatment accorded two different groups of United States citizens who are residents of Puerto Rico, those who are citizens only by reason of the organic acts establishing the government of Puerto Rico and those who are citizens because they were born or naturalized in the United States.

Puerto Rican residents who are United States citizens only as a result of the organic law are taxed by the United States on any income derived from sources in the United States in the same manner as nonresident aliens.

Citizens of the United States who are residents of Puerto Rico but do not derive their citizenship from the Puerto Rican organic law are also divided into two groups for tax purposes, depending upon whether or not they are eligible for the special treatment provided for income from sources within the United States possessions under section 251 of the code. To be eligible for this treatment 80 percent of the individual's gross income must be derived from United States possessions and 50 percent of his gross income must be derived from the conduct of a trade or business within a possession of the United States either on his own account or as an employee. These individuals are taxed by the United States only on income from sources within the United States. They receive the regular deductions to the extent that they are allocable to income from sources within the United States and are subject to the regular individual income-tax rates, but receive only a single personal exemption.

Those who do not qualify under section 251 are taxed by the United States on their income from all sources, including Puerto Rico, but receive a foreign tax credit on taxes paid to Puerto Rico or to any foreign country. They receive the ordinary deductions and exemptions.

For the purposes of its own individual income tax, Puerto Rico does not distinguish between those of its residents whose United States citizenship depends upon organic law and those who were born or naturalized in the United States. It taxes their income from all sources, including the United States, and allows a tax credit for tax paid to the United States or to a foreign country.

Under section 221 of the bill all United States citizens who are bona fide residents of Puerto Rico during the entire taxable year receive the same tax treatment with respect to taxable years beginning after December 31, 1950. They are not taxed under the Federal individual income tax with respect to any income derived from sources within Puerto Rico. The tax is limited to income derived from sources outside Puerto Rico, including income from the United States itself. The withholding tax of 30 percent of gross income will no longer apply to residents of Puerto Rico who are citizens of the United States only by reason of organic law nor are they to be deprived of exemptions and the benefits of income splitting as under existing law.

It has been estimated that this provision will increase the revenues by \$2,500,000 annually when fully effective.

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[PUBLIC LAW 814—81ST CONGRESS]

[CHAPTER 994—2D SESSION]

[H. R. 8920]

AN ACT

To provide revenue, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the “Revenue Act of 1950”:

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SEC. 221. RESIDENTS OF PUERTO RICO.

(a) **INCOME OF INDIVIDUALS FROM SOURCES WITHIN PUERTO RICO.**—Section 251 (d) (relating to income from sources within possessions of United States) is hereby amended to read as follows:

“(d) **DEFINITION.**—As used in this section the term ‘possession of the United States’ does not include the Virgin Islands of the United States, and such term when used with respect to citizens of the United States does not include Puerto Rico.”

(b) **CITIZENS OF THE UNITED STATES RESIDING IN PUERTO RICO.**—Section 252 (a) (relating to citizens of possessions of the United States) is hereby amended by adding at the end thereof the following new sentence: “This subsection shall have no application in the case of a citizen of Puerto Rico.”

(c) **TAXATION OF INCOME OF RESIDENTS OF PUERTO RICO.**—Section 116 (relating to exclusions from gross income) is hereby amended by adding at the end thereof the following new subsection:

“(1) **INCOME FROM SOURCES WITHIN PUERTO RICO.**—

“(1) **RESIDENT OF PUERTO RICO FOR ENTIRE TAXABLE YEAR.**—In the case of an individual who is a bona fide resident of Puerto Rico during the entire taxable year, income derived from sources within Puerto Rico (except amounts received for services performed as an employee of the United States or any agency thereof); but such individual shall not be allowed as a deduction from his gross income any deductions properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

“(2) **TAXABLE YEAR OF CHANGE OF RESIDENCE FROM PUERTO RICO.**—In the case of an individual citizen of the United States, who has been a bona fide resident of Puerto Rico for a period of at least two years before the date on which he changes his residence from Puerto Rico, income derived from sources therein (except amounts received for services performed as an employee of the United States or any agency thereof) which is attributable to that part of such period of Puerto Rican residence before such date; but such individual shall not be allowed as a deduction from his gross income any deductions properly allocable to or chargeable against amounts excluded from gross income under this paragraph.”

(d) **ALIENS RESIDING IN PUERTO RICO.**—Supplement H (relating to nonresident alien individuals) is hereby amended by adding at the end thereof the following new section:

“**SEC. 220. ALIEN RESIDENTS OF PUERTO RICO.**

“(a) **NO APPLICATION TO CERTAIN ALIEN RESIDENTS OF PUERTO RICO.**—The provisions of this supplement shall have no application to an alien individual who is a bona fide resident of Puerto Rico during the entire taxable year, and such alien shall be subject to the taxes imposed by sections 11 and 12.

“(b) **CROSS REFERENCE.**—For exclusion from gross income of income derived from sources within Puerto Rico, see section 116 (1) (1).”

(e) **WITHHOLDING ON ALIEN RESIDENTS OF PUERTO RICO.**—Section 143 (a) (1) (relating to withholding of tax at source on tax-free covenant bonds) and section 143 (b) (relating to withholding of tax at source on dividends, interest, etc., paid to nonresident aliens) are each amended by adding at the end thereof the following: “As used in this subsection the term ‘nonresident alien individual’ includes an alien resident of Puerto Rico.”

(f) **WITHHOLDING OF TAX ON WAGES.**—

(1) Section 1621 (a) (6) (relating to collection of income tax at source on wages) is hereby amended to read as follows:

“(6) for services performed by a nonresident alien individual, other than (A) a resident of a contiguous country who enters and leaves the United States at frequent intervals, or (B) a resident of Puerto Rico if such services are performed as an employee of the United States or any agency thereof, or”.

(2) Section 1621 (a) (8) (relating to collection of income tax at source on wages) is hereby amended by striking out subparagraph (B) thereof and inserting in lieu thereof the following:

“(B) for services for an employer (other than the United States or any agency thereof) performed by a citizen of the United States within a possession of the United States (other than Puerto Rico), if it is reasonable to believe that at least 80 per centum of the remuneration to be paid to the employee by such employer during the calendar year will be for such services, or

“(C) for services for an employer (other than the United States or any agency thereof) performed by a citizen of the United States within Puerto Rico, if it is reasonable to believe that during the entire calendar year the employee will be a bona fide resident of Puerto Rico, or”.

(g) **DECLARATION OF ESTIMATED TAX.**—Section 58 (a) (relating to declaration of estimated tax by individuals) is hereby amended by inserting after “Chapter 9 is not made applicable” the following: “, but including every alien individual who is a resident of Puerto Rico during the entire taxable year”.

(h) **FOREIGN TAX CREDIT.**—Paragraphs (2) and (3) of section 131 (a) (relating to allowance of credit) are hereby amended to read as follows:

“(2) **RESIDENT OF THE UNITED STATES OR PUERTO RICO.**—In the case of a resident of the United States and in the case of an individual who is a bona fide resident of Puerto Rico during the entire taxable year, the amount of any such taxes paid or accrued during the taxable year to any possession of the United States; and

“(3) **ALIEN RESIDENT OF THE UNITED STATES OR PUERTO RICO.**—In the case of an alien resident of the United States and in the case of an alien individual who is a bona fide resident of Puerto Rico during the entire taxable year, the amount of any such taxes paid or accrued during the taxable year to any foreign country, if the foreign country of which such alien resident is a citizen or subject, in imposing such taxes, allows a similar credit to citizens of the United States residing in such country; and”.

(i) **COLLECTION OF TAXES IN PUERTO RICO.**—Section 3811 (relating to collection of taxes in Puerto Rico and the Virgin Islands) is hereby amended to read as follows:

“SEC. 3811. COLLECTION OF TAXES IN PUERTO RICO AND VIRGIN ISLANDS.

“(a) **PUERTO RICO.**—Notwithstanding any other provision of law respecting taxation in Puerto Rico, all taxes imposed by chapter 1, and by subchapters A and D of chapter 9, shall be collected under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections. All provisions of the laws of the United States applicable to the administration, collection, and enforcement of any tax imposed upon the incomes of individuals, estates, and trusts by chapter 1 (including the provisions relating to The Tax Court of the United States), and of any tax imposed by subchapter A or by subchapter D of chapter 9, shall, in respect to such tax, extend to and be applicable in Puerto Rico in the same manner and to the same extent as if Puerto Rico were a State, and as if the term ‘United States’ when used in a geographical sense included Puerto Rico.

“(b) **VIRGIN ISLANDS.**—Notwithstanding any other provision of law respecting taxation in the Virgin Islands, all taxes imposed by subchapter E of chapter 1, and by subchapter A of chapter 9, shall be collected under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections. All provisions of the laws of the United States applicable to the administration, collection, and enforcement of the tax imposed by subchapter E of chapter 1 (including the provisions relating to The Tax Court of the United States), and of any tax imposed by subchapter A of chapter 9, shall, in respect to such tax, extend to and be applicable in the Virgin Islands in the same manner and to the same

extent as if the Virgin Islands were a State, and as if the term 'United States' when used in a geographical sense included the Virgin Islands.

"(c) **DEFINITION.**—As used in this section, the term 'tax' includes any penalty with respect to the tax, any addition to the tax, and any additional amount with respect to the tax, provided for by any law of the United States."

(j) **TECHNICAL AMENDMENTS.**—

(1) Section 481 (a) (7) (relating to the definition of net earnings from self-employment) is hereby amended to read as follows:

"(7) (A) In the case of any taxable year beginning before the effective date specified in section 3810, the term 'possession of the United States' when used in section 251 with respect to citizens of the United States shall include Puerto Rico;

"(B) In the case of any taxable year beginning on or after the effective date specified in section 3810, a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 116 (1)."

(2) Section 211 (a) (7) (relating to the definition of net earnings from self-employment) of the Social Security Act is hereby amended to read as follows:

"(7) (A) In the case of any taxable year beginning before the effective date specified in section 219, the term 'possession of the United States' when used in section 251 of the Internal Revenue Code with respect to citizens of the United States shall include Puerto Rico;

"(B) In the case of any taxable year beginning on or after the effective date specified in section 219, a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 116 (1) of such code."

(k) **EFFECTIVE DATE.**—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1950, except that the amendments made by subsection (f) shall be applicable with respect to wages paid on or after January 1, 1951, and except that the amendment made by subsection (i) shall be effective on the date of the enactment of this Act.

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Approved September 23, 1950, 3:15 p. m.