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THE SOCIAL SECURITY ACT
1969 — 1972

Social Security Amendments of 1972
(Public Law 92-603)
and Related Amendments
Volumes 1 — 6

Social Security Amendments of 1970
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DEPARTMENT OF
HEALTH AND HUMAN SERVICES
Social Security Administration
AMENDMENTS TO
THE SOCIAL SECURITY ACT
1969 — 1972

Social Security Amendments of 1972
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II. Reported to and Passed House
   A. Committee on Ways and Means Report
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   B. House Debate—Congressional Record—December 22, 1970
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III. Public Law
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II. Referred to and Passed Senate
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   House Report No. 91-1676 (to accompany H.R. 19470) — December 7, 1970

B. Committee Bill Reported to the House
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C. House Debate—Congressional Record—December 22, 1970
   (House passed Committee-reported bill.)

II. Referred to and Passed Senate

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B. Senate Debate—Congressional Record—January 2, 1971
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III. Public Law

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I. Reported to and Passed Senate

A. Committee on the Judiciary Report
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B. Senate Debate—Congressional Record—October 6, 1969
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C. Senate-Passed Bill
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III. Private Law
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I. Reported to and Passed House
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      (House passed Committee-reported bill.)

II. Reported to and Passed Senate
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      (Committee reported and Senate passed House bill.)

III. Private Law
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I. Reported to and Passed House
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   B. Committee Bill Reported to the House
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   C. House Debate—Congressional Record—December 16, 1969
      (House passed Committee-reported bill.)

II. Reported to and Passed Senate
   A. Committee on the Judiciary
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   B. Senate Debate—Congressional Record—December 19, 1970
      (Committee reported and Senate passed House bill.)

III. Private Law
   Private Law 91-228 — 91st Congress—December 31, 1970
IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 30, 1969

Mr. GERALD R. FORD introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance program, provide for automatic benefit increases thereafter in the event of future increases in the cost of living, provide for future automatic increases in the earnings and contribution base, and for other purposes.

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

2. That this Act may be cited as the “Social Security Amendments of 1969”.

3. 4.
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Sec. 3. Increase in benefits for certain individuals age 72 and over.
Sec. 4. Automatic adjustment of benefits.
Sec. 5. Liberalization of earnings test.
Sec. 6. Increase of earnings counted for benefit and tax purposes.
Sec. 7. Automatic adjustment of earnings base.
Sec. 8. Changes in tax schedules.
Sec. 9. Age-62 computation point for men.
Sec. 10. Entitlement to child's insurance benefits based on disability which began between 18 and 22.
Sec. 11. Allocation to Disability Insurance Trust Fund.
Sec. 12. Wage credits for members of the uniformed services.
Sec. 13. Parent's insurance benefits in case of retired or disabled worker.
Sec. 14. Increase in widow's and widower's insurance benefits.

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Sec. 2. (a) Section 215 (a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS"

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<td>(Primary insurance benefit under 1969 Act, as modified)</td>
<td>(Primary insurance amount under 1967 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
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<td>If an individual's primary insurance benefit (as determined under subsec. (d)) is—</td>
<td>Or his primary insurance amount (as determined under subsec. (c)) is—</td>
<td>Or his average monthly wage (as determined under subsec. (b)) is—</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
<td>And the maximum amount of benefits payable (as provided in sec. 203(a) on the basis of his wages and self-employment income shall be—</td>
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<td>(Primary insurance amount under 1967 Act)</td>
<td>(Average monthly wage)</td>
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If an individual's primary insurance benefit (as determined under subsection (d)) is—

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<tr>
<td>$19.20</td>
<td>$7.20</td>
</tr>
<tr>
<td>$17.80</td>
<td>$5.20</td>
</tr>
<tr>
<td>$16.40</td>
<td>$3.20</td>
</tr>
<tr>
<td>$15.10</td>
<td>$1.20</td>
</tr>
</tbody>
</table>

The amount referred to in the preceding paragraphs of this subsection shall be—

| $58.30 | $50.00 |
| $50.00 | $41.90 |
| $41.90 | $33.80 |
| $33.80 | $25.70 |
| $25.70 | $17.60 |
| $17.60 | $9.50 |
| $9.50 | $1.40 |

And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—

| $128.00 | $109.90 |
| $109.90 | $91.80 |
| $91.80 | $73.70 |
| $73.70 | $55.60 |
| $55.60 | $37.50 |
| $37.50 | $19.40 |
| $19.40 | $11.30 |
| $11.30 | $3.20 |

Note: For purposes of this subsection, wages and self-employment income shall—

| $85.30 | $67.20 |
| $67.20 | $49.10 |
| $49.10 | $31.00 |
| $31.00 | $12.90 |
| $12.90 | $4.80 |

The amount of the individual's primary insurance benefit shall be—

| $38.00 | $30.10 |
| $30.10 | $22.20 |
| $22.20 | $14.30 |
| $14.30 | $6.40 |

The amount of the individual's primary insurance benefit shall be—

<p>| $38.00 | $30.10 |
| $30.10 | $22.20 |
| $22.20 | $14.30 |
| $14.30 | $6.40 |</p>
<table>
<thead>
<tr>
<th>I (Primary insurance benefit under 1939 Act, as modified)</th>
<th>II (Primary insurance amount under 1967 Act)</th>
<th>III (Average monthly wage)</th>
<th>IV (Primary insurance amount)</th>
<th>V (Maximum family benefits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an individual's primary insurance benefit (as determined under subsec. (d) is—</td>
<td></td>
<td>Or his primary insurance amount (as determined under subsec. (e) is—</td>
<td></td>
<td>And the maximum amount of benefits payable (as provided in sec. 205(a)) on the basis of his wages and self-employment income shall be—</td>
</tr>
<tr>
<td>At least—</td>
<td>But not more than—</td>
<td>At least—</td>
<td>But not more than—</td>
<td></td>
</tr>
<tr>
<td>$168.40</td>
<td>169.50</td>
<td>170.70</td>
<td>171.80</td>
<td>172.90</td>
</tr>
</tbody>
</table>

1 (b) Section 203 (a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

2 "(2) when two or more persons were entitled (without the application of section 202 (j) (1) and sec-
tion 223(b)) to monthly benefits under section 202 or
223 for March 1970 on the basis of the wages and self-
employment income of such insured individual and at
least one such person was so entitled for February 1970
on the basis of such wages and self-employment income,
such total of benefits for March 1970 or any subsequent
month shall not be reduced to less than the larger of—

"(A) the amount determined under this sub-
section without regard to this paragraph, or

"(B) an amount equal to the sum of the
amounts derived by multiplying the benefit amount
determined under this title (including this subsec-
tion, but without the application of section 222(b),
section 202(q), and subsections (b), (c), and (d)
of this section), as in effect prior to March 1970, for
each such person for such month, by 110 percent
and raising each such increased amount, if it is not a
multiple of $0.10, to the next higher multiple of
$0.10;

but in any such case (i) paragraph (1) of this subsection
shall not be applied to such total of benefits after the appli-
cation of subparagraph (B), and (ii) if section 202(k)(2)
(A) was applicable in the case of any such benefits for
March 1970, and ceases to apply after such month, the pro-
visions of subparagraph (B) shall be applied, for and after
the month in which section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for March 1970, or”.

(c) Section 215 (b) (4) of such Act is amended by striking out “January 1968” each time it appears and inserting in lieu thereof “February 1970”.

(d) Section 215 (c) of such Act is amended to read as follows:

“PRIMARY INSURANCE AMOUNT UNDER 1967 ACT

“(c) (1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual’s primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

“(2) The provisions of this subsection shall be applica-
table only in the case of an individual who became entitled to benefits under section 202 (a) or section 223 before March 1970, or who died before such month.”

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970 and with respect to lump-sum death payments under such title in the case of deaths occurring after February 1970.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for
February 1970 and became entitled to old-age insurance benefits under section 202 (a) of such Act for March 1970, or he died in such month, then, for purposes of section 215 (a) (4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

Sec. 3. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$44," and by striking out "$20" and inserting in lieu thereof "$22."

(2) Section 227 (b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$44".

(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44".

(2) Section 228 (b) (2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44", and by striking out "$20" and inserting in lieu thereof "$22".
(3) Section 228 (c) (2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$22". 

(4) Section 228 (c) (3) (A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44". 

(5) Section 228 (c) (3) (B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$22". 

c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970.

AUTOMATIC ADJUSTMENT OF BENEFITS

SEC. 4. (a) Section 215 of the Social Security Act is amended by adding after subsection (h) the following new subsection:

"COST-OF-LIVING INCREASES IN BENEFITS

"(i) (1) For purposes of this subsection—

"(A) the term 'base quarter' shall mean the period of 3 consecutive calendar months ending on September 30, 1969, and the period of 3 consecutive calendar months ending on September 30 of each year thereafter.

"(B) the term 'cost-of-living computation quarter' shall mean the base quarter in which the monthly average of the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, the monthly average of such Index in the later
of: (i) the 3 calendar-month period ending on September 30, 1969 or (ii) the base quarter which was most recently a cost-of-living computation quarter.

“(2) (A) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall, effective for January of the next calendar year, increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228 and the primary insurance amount of each individual, specified in subparagraph (B) of this paragraph, by an amount derived by multiplying such amount of each such individual (including each such individual’s primary insurance amount or benefit amount under section 227 or 228 as previously increased under this subparagraph) by the same per centum (rounded to the nearest one-tenth of 1 per centum) as the monthly average of the Consumer Price Index for such cost-of-living computation quarter exceeds the monthly average of such Index for the base quarter determined after the application of clauses (i) and (ii) of paragraph (1) (B). Such increased primary insurance amount shall be considered such individual’s primary insurance amount for purposes of this subsection, section 202, and section 223.

“(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter
shall apply in the case of monthly benefits under this title for months after December of the calendar year in which occurred such cost-of-living computation quarter, based on the wages and self-employment income of an individual who became entitled to monthly benefits under section 202, 223, 227, or 228 (without regard to section 202 (j) (1) or section 223 (b)), or who died, in or before December of the calendar year in which occurred such cost-of-living computation quarter.

"(C) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register on or before December 1 of such calendar year a determination that a benefit increase is resultanty required and the percentage thereof. He shall also publish in the Federal Register at that time a revision of the benefit table contained in subsection (a), as it may have been revised previously, pursuant to this subparagraph. Such revision shall be determined as follows:

"(i) The amount of each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table in effect before this revision.

"(ii) The amount of each line of column IV shall be increased from the amount shown in the table in effect before this revision by increasing such amount by the percentum specified in subparagraph (A) of paragraph (2),
raising each such increased amount, if not a multiple of $.10, to the next higher multiple of $.10.

"(iii) If the contribution and benefit base (as defined in section 230(b)) for the calendar year in which such benefit table is revised is lower than such base for the following calendar year, columns III, IV, and V shall be extended. The amount in the first additional line in column IV shall be the amount in the last line of such column as determined under clause (ii), plus $1.00, rounding such increased amount to the nearest multiple of $1.00. The amount of each succeeding line of column IV shall be the amount on the preceding line increased by $1.00, until the amount on the last line of such column shall be equal to one-thirtysixth of the contribution and earnings base for the calendar year succeeding the calendar year in which such benefit table is revised, rounding such amount, if not a multiple of $1.00, to the nearest multiple of $1.00. The amount in each additional line of column III shall be determined so that the second figure in the last line of column III shall be one-twelfth of the contribution and earnings base for the calendar year following the calendar year in which such benefit table is revised, and the remaining figures in column III shall be determined in consistent mathematical intervals from column IV. The second figure in the last line of column III before the extension of the column shall be increased to a figure
mathematically consistent with the figures determined in accordance with the preceding sentence. The amount on each line of column V shall be increased, to the extent necessary, so that each such amount shall be equal to 40 per centum of the second figure in the same line of column III, plus 40 per centum of the smaller of (I) such second figure or (II) the larger of $450 or 50 per centum of the largest figure in column III.

"(iv) The amount on each line of column V shall be increased, if necessary, so that such amount shall be at least equal to one and one-half times the amount shown on the corresponding line in column IV. Any such increased amount that is not a multiple of $.10 shall be increased to the next higher multiple of $.10."

(b) Section 203 (a) of such Act is amended by striking out the period at the end of the first sentence and inserting in lieu thereof "or" and adding the following new paragraph:

"(4) when two or more persons are entitled (without the application of section 202 (j) (1) and section 223 (b)) to monthly benefits under section 202 or 223 for December in the calendar year in which occurs a cost-of-living computation quarter (as defined in section 215 (i) (1)) on the basis of the wages and self-employment income of such insured individual, such total of benefits for the month immediately following shall be
reduced to not less than the amount equal to the sum of
the amounts derived by multiplying the benefit amount
determined under this title (including this subsection,
but without the application of section 222 (b), section
202 (q), and subsections (b), (c), and (d) of this sec-
tion) as in effect for December for each such person by
the same per centum increase as such individual's pri-
mary insurance amount (including such amount as pre-
viously increased under section 215 (i) (2)) is increased
and raising each such increased amount, if not a multiple
of $0.10, to the next higher multiple of $0.10.”.

(c) (1) Section 202 (a) of such Act is amended by
striking out “(as defined in section 215 (a)).”.
(2) Section 215 (f) (4) of such Act is amended by
adding at the end before the period the following: “(includ-
ing a primary insurance amount as increased under subsection
(i) (2))”.
(3) Section 215 (g) of such Act is amended by strik-
ing out “primary insurance amount” and inserting in lieu
thereof “primary insurance amount (including a primary
insurance amount as increased under subsection (i) (2))”.

LIBERALIZATION OF EARNINGS TEST

Sec. 5. (a) (1) Paragraphs (1) and (4) (B) of sec-
tion 203 (f) of the Social Security Act are each amended by
striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)".

(2) Paragraph (1) (A) of section 203 (h) of such Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)".

(3) Paragraph (3) section 203 (f) of such Act is amended to read as follows:

"(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be 50 per centum of his earnings for such year in excess of the product of $150 or the exempt amount as determined under paragraph (8) multiplied by the number of months in such year. The excess earnings as derived under the preceding sentence, if not a multiple of $1, shall be reduced to the next lower multiple of $1."

(b) Subsection (f) of section 203 of such Act is amended by adding at the end thereof the following new paragraph:

"(8) (A) On or before October 1 of 1972 and of each even-numbered year thereafter, the Secretary shall determine and publish in the Federal Register the exempt amount as defined in subparagraph (B) for each month in the two taxable years which end after the calendar year following the year in which such determination is made."
"(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger:

"(i) the product of $150 and the ratio of (I) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subparagraph (A) is made for each such month of such particular taxable year to (II) the average of the taxable wages of all persons for whom wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $10, shall be rounded to the nearest multiple of $10, or

"(ii) the exempt amount for each month in the taxable year preceding such particular taxable year; except that the provisions in clause (i) shall not apply with respect to any taxable year unless the contribution and earnings base for such year is determined under section 230 (b) (1)."

(c) Clause (B) of Section 203 (f) (1) of the Social Security Act is amended to read as follows:

"(B) in which such individual was age 72 or over, excluding from such excess earnings the earnings of an individual in or after the month in which he was age 72
in the year in which he attained age 72,, with the amount
(if any) of an individual’s self-employment income in
such year being prorated in an equitable manner under
regulations prescribed by the Secretary,”.
(d) The amendments made by this section shall apply
with respect to taxable years ending after December 1970.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX
PURPOSES

Sec. 6. (a) (1) (A) Section 209 (a) (5) of the Social
Security Act is amended by inserting “and prior to 1972”
after “1967”.
(B) Section 209 (a) of such Act is further amended by
adding at the end thereof the following new paragraphs:
“(6) That part of remuneration which, after remunera-
tion (other than remuneration referred to in the succeeding
subsections of this section) equal to $9,000 with respect to
employment has been paid to an individual during any cal-
endar year after 1971 and prior to 1974, is paid to such
individual during any such calendar year;
“(7) That part of remuneration which, after remunera-
tion (other than remuneration referred to in the succeeding
subsections of this section) equal to the contribution and
earnings base (determined under section 230) with respect
to employment paid to an individual during the calendar year
with respect to which such contribution and earnings base
was effective, is paid to such individual during such calendar year;

(2) (A) Section 211 (b) (1) (E) of such Act is amended by inserting "and prior to 1972" after "1967", by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211 (b) (1) of such Act is further amended by adding at the end thereof the following new subparagraphs:

"(F) For any taxable year ending after 1971 and prior to 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) For any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230) effective for such calendar year, minus (ii) the amount of the wages to such individual during such taxable year, or".

(3) (A) Section 213 (a) (2) (ii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and before 1972, or $9,000 in the case of a calendar year after 1971 and before 1974, or an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year with
(B) Section 213 (a) (2) (iii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and prior to 1972, or $9,000 in the case of a taxable year ending after 1971 and prior to 1974 or the amount equal to the contribution and earnings base (as determined under section 230), in the case of any taxable year ending in any calendar year after 1973, effective for such calendar year".

(4) Section 215 (e) (1) of such Act is amended by striking out "and the excess over $7,800 in the case of any calendar year after 1967" and inserting in lieu thereof "the excess over $7,800 in the case of any calendar year after 1967 and before 1972, the excess over $9,000 in the case of any calendar year after 1971 and before 1974, and the excess over an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year after 1973 with respect to which such contribution and earnings base was effective".

(b) (1) (A) Section 1402 (b) (1) (E) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1972" after "1967", and by striking out "; or" and inserting in lieu thereof "; and".
(B) Section 1402(b)(1) of such Code is further amended by adding at the end thereof the following new subparagraphs:

"(F) for any taxable year ending after 1971 and before 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) for any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or".

(2) (A) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "$7,800" each place it appears and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, section 3121(a)(1) of such Code is amended by (1) striking out "$9,000" each place it appears and inserting in lieu thereof "the contribution and earnings base (as determined under section 230 of the Social Security Act)"", and (2) striking out "by an employer during any calendar year", and inserting in lieu thereof "by an employer during the calendar
year with respect to which such contribution and earnings base was effective”.

(3) (A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out “$7,800” and inserting in lieu thereof “$9,000”.

(B) Effective with remuneration paid after 1973, the second sentence of section 3122 of such Code is amended by striking out “$9,000” and inserting in lieu thereof “the contribution and earnings base”.

(4) (A) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out “$7,800” where it appears in subsections (a), (b), and (c) and inserting in lieu thereof “$9,000”.

(B) Effective with remuneration paid after 1973, the second sentence of section 3125 of such Code is amended by striking out “$9,000” where it appears in subsections (a), (b), and (c) and inserting in lieu thereof “the contribution and earnings base”.

(5) Section 6413 (c) (1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting “and prior to the calendar year 1972” after “after the calendar year 1967”.

(B) by inserting after “exceed $7,800” the following: “or (E) during any calendar year after the
calendar year 1971 and prior to the calendar year 1974, the wages received by him during such year exceed $9,000, or (F) during any calendar year after 1973, the wages received by him during such year exceed the contribution and earnings base (as determined under section 230 of the Social Security Act) effective with respect to such year,” and

(C) by inserting before the period at the end thereof the following: “and before 1972, or which exceeds the tax with respect to the first $9,000 of such wages received in such calendar year after 1971 and before 1974, or which exceeds the tax with respect to the first amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) of such wages received in the calendar year after 1973 with respect to which such contribution and earnings base was effective”.

(6) Section 6413 (c) (2) (A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by—

(A) striking out “or $7,800 for any calendar year after 1967” and inserting in lieu thereof “$7,800 for the calendar year 1968, 1969, 1970 and 1971, or $9,000 for the calendar year 1972 or 1973, or an amount equal to the contribution and earnings base (as determined
under section 230 of the Social Security Act) for any
calendar year after 1973 with respect to which such con-
tribution and earnings base was effective”.

(c) The amendments made by subsections (a) (1) and
(a) (3) (A), and the amendments made by subsection (b)
(except paragraph (1) thereof), shall apply only with
respect to remuneration paid after December 1971. The
amendments made by subsections (a) (2), (a) (3) (B),
and (b) (1) shall apply only with respect to taxable years
ending after 1971. The amendment made by subsection (a)
(4) shall apply only with respect to calendar years after
1971.

AUTOMATIC ADJUSTMENT OF EARNINGS BASE

SEC. 7. (a) Title II of the Social Security Act is
amended by adding at the end thereof the following new
section:

"AUTOMATIC ADJUSTMENT OF EARNINGS BASE

"SEC. 230. (a) On or before October 1 of 1972, and each
even-numbered year thereafter, the Secretary shall deter-
mine and publish in the Federal Register the contribution and
earnings base (as defined in subsection (b)) for the two
calendar years succeeding the calendar year following the
year in which the determination is made.

"(b) The contribution and earnings base for a particular
calendar year shall be whichever of the following is the
larger.
"(1) the product of $9,000 and the ratio of (A) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subsection (a) is made for such particular calendar year to (B) the average of the taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $600, shall be rounded to the nearest multiple of $600, or

"(2) the contribution and earnings base for the calendar year preceding such particular calendar year."

(b) That part of section 215 (a) of the Social Security Act which precedes the table is amended by striking out "or" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof "or the amount equal to his primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (5); or", and by inserting after paragraph (4) the following:

"(5) If such insured individual's average monthly wage (as determined under subsection (b)) exceeds $750, the amount equal to the sum of (A) $54.48 and (B) 28.47 per centum of such average monthly wage; such sum, if
it is not a multiple of $1, shall be rounded to the nearest multiple of $1.''

(c) So much of section 203 (a) as precedes paragraph (2) is amended to read as follows:

"Sec. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an insured individual exceeds the larger of: (I) the amount appearing in column V of the table in section 215 (a) on the line on which appears in column IV such insured individual’s primary insurance amount, and (II) the amount which is equal to the sum of $180.00 and 40 per centum of the highest average monthly wage (as determined under section 215 (b)), which will produce the primary insurance amount of such individual (as determined under section 215 (a) (5)), such total of monthly benefits to which such individuals are entitled shall be reduced to the larger amount determined under (I) or (II) above, whichever is applicable; except that—

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

"(B) the amount determined under clause (II) for the highest primary insurance amount of any insured individual (if such primary insurance amount is determined under section 215 (a) (15))."

(d) (1) Section 201 (c) of the Social Security Act is amended by inserting before the last sentence the following sentence: "The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401 (a), 3101 (a), and 3111 (a) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated income in relationship to the estimated outgo of the Trust Funds during such year."

(2) Section 1817 (b) of such Act is amended by inserting before the last sentence the following sentence: "The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401 (b), 3101 (b), and 3111 (b) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for
the estimated income in relationship to the estimated outgo
of the Trust Fund during such year.”

(e) The amendments made by subsections (b) and (c) shall apply with respect to monthly benefits for months after December 1973 and with respect to lump-sum death payments under such title in the case of deaths occurring after 1973.

CHANGES IN TAX SCHEDULES

SEC. 8. (a) (1) Section 1401 (a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4), and inserting in lieu thereof the following:

“(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1975, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;

“(2) in the case of any taxable year beginning after December 31, 1974, and before January 1, 1977, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and

“(3) in the case of any taxable year beginning after December 31, 1976, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year.”
(2) Section 3101 (a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

“(1) with respect to wages received during the calendar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;

“(2) with respect to wages received during the calendar years 1975 and 1976, the rate shall be 4.6 percent;

“(3) with respect to wages received during the calendar years 1977, 1978, and 1979, the rate shall be 4.8 percent;

“(4) with respect to wages received during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and

“(5) with respect to wages received after December 31, 1986, the rate shall be 5.0 percent.”

(3) Section 3111 (a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

“(1) with respect to wages paid during the cal-
endar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;

“(2) with respect to wages paid during the cal-
endar years 1975 and 1976, the rate shall be 4.6 per-
cent;

“(3) with respect to wages paid during the cal-
endar years 1977, 1978, and 1979, the rate shall be 4.8 percent;

“(4) with respect to wages paid during the cal-
endar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and

“(5) with respect to wages paid after December 31, 1986, the rate shall be 5.0 percent.”

(b) (1) Section 1401 (b) of such Code (relating to rate of tax on self-employment income for purposes of hos-
pital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:

“(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1971, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year; and

“(2) in the case of any taxable year beginning after December 31, 1970, the tax shall be equal to 0.90 per-
cent of the amount of the self-employment income for such taxable year.”
(2) Section 3101 (b) of such Code (relating to rate of
tax on employees for purposes of hospital insurance) is
amended by striking out paragraphs (1), (2), (3), (4),
and (5) and inserting in lieu thereof the following:

"(1) with respect to wages received during the
calendar year 1970, the rate shall be 0.60 percent; and

"(2) with respect to wages received after December
31, 1970, the rate shall be 0.90 percent."

(3) Section 3111 (b) of such Code (relating to rate of
tax on employers for purposes of hospital insurance) is
amended by striking out paragraphs (1), (2), (3), (4),
and (5) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calen-
dar year 1970, the rate shall be 0.60 percent; and

"(2) with respect to wages paid after December 31,
1970, the rate shall be 0.90 percent."

(c) The amendments made by subsections (a) (1) and
(b) (1) shall apply only with respect to taxable years be-
beginning after December 31, 1969. The remaining amend-
ments made by this section shall apply only with respect to
remuneration paid after December 31, 1969.

AGE—62 COMPUTATION POINT FOR MEN

Sec. 9. (a) Section 214 (a) (1) of the Social Security
Act is amended by striking out "before—" and by striking
out all of subparagraphs (A), (B), and (C) and by in-
serting in lieu thereof "before the year in which he died or
(if earlier) the year in which he attained age 62, ";

(b) Section 215 (b) (3) of such Act is amended by
striking out "before—" and all of subparagraphs (A), (B),
and (C) and by inserting in lieu thereof "before the year in
which he died or, if it occurred earlier but after 1960, the
year in which he attained age 62.");

(c) Section 215 (f) of such Act is amended by striking
out paragraph (5) and inserting in lieu thereof the follow-
ing:

"(5) In the case of an individual who is entitled to
monthly benefits for a month after December 1971, on the
basis of the wages and self-employment income of an insured
individual who prior to January 1972 became entitled to
benefits under section 202 (a), became entitled to benefits
under section 223 after the year in which he attained age
62, or died in a year after the year in which he attained
age 62, the Secretary shall, notwithstanding paragraphs (1)
and (2), recompute the primary insurance amount of such
insured individual. Such recomputation shall be made under
whichever of the following alternative computation methods
yields the higher primary insurance amount:

"(A) the computation methods of this section, as
amended by the Social Security Amendments of 1969,
which would be applicable in the case of an insured
individual who attained age 62 after December 1971, or

“(B) under the provisions in subparagraph (A) (but without regard to the limitation, ‘but after 1960’ contained in paragraph (3) of subsection (b)), except

that for any such recomputation, when the number of

an individual’s benefit computation years is less than 5, his average monthly wage shall, if it is in excess of $400, be reduced to such amount.”

(d) Section 223 (a) (2) of such Act is amended by—

(1) striking out “(if a woman) or age 65 (if a man)”;

(2) striking out “in the case of a woman” and inserting in lieu thereof “in the case of an individual”, and

(3) striking out “she” and inserting in lieu thereof “he”.

(e) Section 223 (c) (1) (A) is amended by striking out “(if a woman) or age 65 (if a man)”.

(f) The amendments made by the preceding subsections of this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971 and with respect to lump-sum death payments made in the case of an insured individual who died after such month.

(g) Sections 209 (i), 216 (i) (3) (A), and 213 (a) (2)
of the Social Security Act are amended by striking out “(if
a woman) or age 65 (if a man)”.

ENTITLEMENT TO CHILD’S INSURANCE BENEFITS BASED ON DISABILITY WHICH BEGAN BETWEEN 18 AND 22

SEC. 10. (a) Clause (ii) of section 202 (d) (1) (B) of the Social Security Act is amended by striking out “which began before he attained the age of 18” and inserting in lieu thereof “which began before he attained the age of 22”.

(b) Subparagraphs (F) and (G) of section 202 (d) (1) of such Act are amended to read as follows:

“(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

“(i) the first month during no part of which he is a full-time student, or

“(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month; or

“(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at or prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—
“(i) the first month during no part of which he is a full-time student, or

“(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month.”

(c) Section 202 (d) (1) of such Act is further amended by adding at the end thereof the following new sentence:

“No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223 (d) except for paragraph (1) (B) thereof for any month in which he engages in substantial gainful activity.”

(d) Paragraph (6) of section 202 (d) is amended by striking out “in which he is a full-time student and has not attained the age of 22” and all that follows and inserting in lieu thereof “in which he—

“(A) (i) is a full-time student or (ii) is under a disability (as defined in section 223 (d)), and

“(B) had not attained the age of 22, but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

“(C) the first month in which an event specified in paragraph (1) (D) occurs; or

“(D) the earlier of (i) the first month during no
part of which he is a full-time student or (ii) the month
in which he attains the age of 22, but only if he is not
under a disability (as so defined) in such earlier month;
or

"(E) if he was under a disability (as so defined),
the third month following the month in which he ceases
to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which
he is a full-time student, or

"(ii) the month in which he attains the age
of 22."

(e) Section 202 (s) of such Act is amended—

(1) by striking out "before he attained such age"
in paragraph (1) and inserting in lieu thereof "before
he attained the age of 22"; and

(2) by striking out "before such child attained the
age of 18" in paragraphs (2) and (3) and inserting in
lieu thereof "before such child attained the age of 22".

(f) The amendments made by this section shall apply
only with respect to monthly insurance benefits payable under
section 202 of the Social Security Act for months after
December 1970, except that in the case of an individual who
was not entitled to a monthly benefit under such section for
December 1970, such amendments shall apply only on the
basis of an application filed after September 30, 1970.
SEC. 11. (a) Section 201 (b) (1) of the Social Security Act is amended by—

(1) striking out “and” at the end of clause (B); 
(2) striking out “1967, and so reported,” and inserting in lieu thereof the following: “1967, and before January 1, 1970, and so reported, and (D) 1.05 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,”.

(b) Section 201 (b) (2) of such Act is amended by—

(1) striking out “and” at the end of clause (B); 
(2) striking out “1967,” and inserting in lieu thereof the following: “1967, and before January 1, 1970, and (D) 0.7875 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,”.

WAGE CREDITS FOR MEMBERS OF THE UNIFORMED SERVICES

SEC. 12. (a) Subsection 229 (a) of such Act is amended by—

(1) striking out “after December 1967,” and inserting in lieu thereof “after December 1970”; 
(2) striking out “after 1967” and inserting in lieu thereof “after 1956”; and
(3) striking out all of paragraphs (1), (2), and (3), and inserting in lieu thereof “$300”.

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1970 and with respect to lump-sum death payments in the case of deaths occurring after December 1970, except that, in the case of any individual who is entitled, on the basis of the wages and self-employment income of any individual to whom section 229 applies, to monthly benefits under title II of such Act for December 1970, such amendments shall apply (A) only if an application for recomputation by reason of such amendments is filed by such individual, or any other individual, entitled to benefits under such title II on the basis of such wages and self-employment income, and (B) only with respect to such benefits for months after whichever of the following is later: December 1970 or the twelfth month before the month in which such application was filed. Recomputations of benefits as required to carry out the provisions of this paragraph shall be made notwithstanding the provisions of section 215 (f) (1) of the Social Security Act; but no such recomputation shall be regarded as a recomputation for purposes of section 215 (f) of such Act.
PARENT'S INSURANCE BENEFITS IN CASE OF RETIRED OR
DISABLED WORKER

SEC. 13. (a) Paragraphs (1) and (2) of section 202
(h) of the Social Security Act are amended to read as
follows:

"(1) Every parent (as defined in this subsection) of an
individual entitled to old-age or disability insurance benefits,
or of an individual who died a fully insured individual, if
such parent—

"(A) has attained age 62,

"(B) was receiving at least one-half of his sup-
port, as determined in accordance with regulations pre-
scribed by the Secretary, from such individual—

"(i) if such individual is entitled to old-age or
disability insurance benefits, at the time he became
entitled to such benefits,

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

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

and has filed proof of such support within two years
after the month in which such individual filed application with respect to such period of disability, became entitled to such benefits, or died, as the case may be,

"(C) is not entitled to old-age or disability insurance benefits, or is entitled to such benefits, each of which is (i) less than 50 percent of the primary insurance amount of such individual if such individual is entitled to old-age or disability insurance benefits, or (ii) less than 82 1/2 percent of the primary insurance amount of such individual if such individual is deceased, and if the amount of the parent's insurance benefit for such month is determinable under paragraph (2) (A) (or 75 percent of such primary insurance amount in any other case),

"(D) has not married since the time with respect to which the Secretary determines, under subparagraph (B) of this paragraph, that such parent was receiving at least one-half of his support from such 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 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—

"(F) such parent dies or marries, or
“(G) (i) if such individual is entitled to old-age or
disability insurance benefits, such parent becomes en-
titled to an old-age or disability insurance benefit based
on a primary insurance amount which is equal to or ex-
ceeds one-half of the primary insurance amount of such
individual, or (ii) if such individual has died, such par-
ent becomes entitled to an old-age or disability insur-
ance benefit which is equal to or exceeds 82½ percent
of the primary insurance amount of such deceased indi-
vidual if the amount of the parent's insurance benefit
for such month is determinable under paragraph (2)
(A) (or 75 percent of such primary insurance amount
in any other case), or

“(H) such individual, if living, is not entitled to
disability insurance benefits and is not entitled to old-age
insurance benefits.

“(2) (A) Except as provided in subparagraphs (B)
and (C), such parent's insurance benefit for each month
shall be equal to—

(i) if the individual on the basis of whose wages
and self-employment income the parent is entitled to
such benefit has not died prior to the end of such month,
one-half of the primary insurance amount of such indi-
vidual for such month, or

“(ii) if such individual has died in or prior to such
month, 82 1/2 percent of the primary insurance amount of such deceased individual;

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

“(C) In any case in which—

“(i) any parent is entitled to a parent’s insurance benefit for a month on the basis of the wages and self-employment income of an individual who died in or prior to such month, and

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

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

(b) Section 202 (q) of such Act is amended by—

(1) inserting in paragraph (1) after “husband’s,” the following: “parent’s,” and by striking out in such paragraph (1) “or husband’s” and inserting in lieu thereof “, husband’s, or parent’s”;

(2) inserting in paragraph (3) after “husband’s,” wherever it appears the following: “parent’s,” and by striking out in such paragraph (3) “or husband’s” wherever it appears and inserting in lieu thereof “husband’s, or parent’s”;

(3) inserting in paragraph (6) after “husband’s,” wherever it appears the following: “parent’s,”; and by striking out in such paragraph (6) “or husband’s” wherever it appears and inserting in lieu thereof “husband’s, or parent’s”;

(4) inserting in paragraph (7) after “husband’s,” the following: “parent’s,” and by striking out “or husband’s” and inserting in lieu thereof “husband’s, or parent’s”; and
(5) adding at the end thereof the following new paragraph:

“(10) For purposes of this subsection, ‘parent’s insurance benefits’ means benefits payable under this section to a parent on the basis of the wages and self-employment income of an individual entitled to old-age insurance benefits or disability insurance benefits.”

c) Section 202 (r) of such Act is amended—

(1) by striking out “or Husband’s” in the heading and inserting in lieu thereof, “Husband’s, or Parent’s”; and

(2) by striking out “or husband’s” each time it appears in paragraphs (1) and (2) and inserting in lieu thereof, “husband’s, or parent’s”.

d) Section 203 (d) (1) of such Act is amended by striking out “or child’s” wherever it appears and inserting in lieu thereof “child’s, or parent’s” and by striking out “or child” and inserting in lieu thereof “child, or parent”.

e) Subparagraph (C) of section 202 (q) (7) of such Act is amended—

(1) by striking out “wife’s or husband’s insurance benefits” and inserting in lieu thereof “wife’s, husband’s, or parent’s insurance benefits”, and

(2) by striking out “the spouse” and inserting in lieu thereof “the individual”. 
(f) Section 222 (b) (3) of such Act is amended—

(1) by striking out "husband’s, or child’s" wherever it appears and inserting in lieu thereof "husband’s, parent’s, or child’s", and

(2) by striking out "husband, or child" and inserting in lieu thereof "husband, parent, or child".

(g) Where—

(1) one or more persons were entitled (without the application of section 202 (j) (1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for December 1970 on the basis of the wages and self-employment income of an individual, and

(2) one or more persons are entitled to monthly benefits for January 1971 solely by reason of this section on the basis of such wages and self-employment income, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment income for January 1971 is reduced by reason of section 203 (a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203 (a), be so reduced), then the amount of the benefit to which each person referred to in paragraph (1) of the subsection is entitled for months after December 1970 shall be in-
creased, after the application of such section 203 (a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph (2).

(h) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under section 202 of the Social Security Act for months after December 1970 and only on the basis of an application filed after September 30, 1970.

(i) The requirement in section 202 (h) (1) (B) of the Social Security Act that proof of support be filed within two years after a specified date in order to establish eligibility for parent's insurance benefits shall, insofar as such requirement applies to cases where applications under such subsection are filed by parents on the basis of the wages and self-employment income of an individual entitled to old-age or disability insurance benefits, not apply if such proof of support is filed within two years after the date of enactment of this Act.

INCREASED WIDOW’S AND WIDOWER’S INSURANCE BENEFITS

SEC. 14. (a) Subsection (e) of section 202 of the Social Security Act is amended as follows:

(1) Paragraphs (1) and (2) of such subsection are amended by striking out "82½ percent of" wherever it appears.
(2) Paragraph (5) of such subsection is amended by striking out “60” and inserting in lieu thereof “65”.

(b) Subsection (f) of section 202 of such Act is amended as follows:

(1) Paragraphs (1) and (3) of such subsection are amended by striking out “82\(\frac{1}{2}\) percent of” wherever it appears.

(2) Paragraph (6) of such subsection is amended by striking out “62” and inserting in lieu thereof “65”.

(c) (1) The last sentence of subsection (c) of section 203 of such Act is amended by striking out all that follows the semicolon and inserting in lieu thereof the following: “nor shall any deduction be made under this subsection from any widow’s insurance benefit for any month in which the widow or surviving divorced wife is entitled and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or from any widower’s insurance benefit for any month in which the widower is entitled and has not attained age 65 (but only if he became so entitled prior to attaining age 62).”.

(2) Subparagraph (D) of section 203 (f) (1) of such Act is amended to read as follows: “(D) for which such individual is entitled to widow’s insurance benefits and has not attained age 65 (but only if she became so entitled prior to attaining age
60), or widower's insurance benefits and has not attained age 65 (but only if he became so entitled prior to attaining age 62), or”.

(d) Subsection (q) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) That part of paragraph (1) of such subsection which precedes subparagraph (C) is amended to read as follows:

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

“(A) for each month of such entitlement within the 36-month period immediately preceding the month in which such individual attains retirement age, by

“(i) five-ninths of 1 percent of such amount if such benefit is an old-age insurance benefit, twenty-five thirty-sixths of 1 percent of such amount if such benefit is a wife's, husband's, or parent's insurance benefit, or thirty-five seventyseconds of 1 percent of such amount if such benefit is a widow's or widower's insurance benefit, multiplied by

“(ii) the number of such months in (I) the
reduction period for such benefit (determined under paragraph (6) (A)), if such benefit is for a month before the month in which such individual attains retirement age, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter, and—

"(B) for each month of the 24-month period for which a widow, or widower, is entitled to a widow’s or widower’s insurance benefit immediately preceding the month in which such individual attains age 62, the amount of such individual’s widow’s or widower’s benefit as reduced under subparagraph (A) shall be further reduced by—

“(i) five-ninths of 1 percent of such reduced benefit, multiplied by

“(ii) the number of such months in (I) the reduction period for such benefit, if such benefit is for a month before the month in which such individual attains age 62, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter.
"A widow's or widower's insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—".

(2) Paragraph (2) of such subsection is amended by striking out "paragraphs (1) and (4)" and inserting in lieu thereof "paragraphs (1), (3), and (4)".

(3) Paragraph (3) of such subsection is amended by—

(A) striking out subparagraph (F), and

(B) redesignating subparagraph (G) as subparagraph (F), striking out of such subparagraph "(when such first month occurs before the month in which such individual attains the age of 62)", and striking out "age 62" and inserting in lieu thereof "age 65".

(4) Paragraph (9) of such subsection is amended to read as follows:

"(9) For purposes of this subsection, the term 'retirement age' means age 65.".

(e) Subsection (r) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) by striking out "Husband's, or Parent's" in the heading and inserting in lieu thereof "Husband's, Parent's, Widow's, or Widower's"; and

(2) by striking out "husband's, or parent's" each time it appears in paragraphs (1) and (2) and inserting in lieu thereof "husband's, parent's, widow's, or widower's.".
(f) In the case of an individual who is entitled (without the application of section 202(j)(1) and 223(b)) to widow's or widower's insurance benefits for the month of December 1970, if such individual's entitlement to such benefits began with a month after the month he attained age 62, the Secretary shall redetermine the amount of such benefits under the provisions of this section as if these provisions had been in effect for the first month of such individual's entitlement to such benefits.

(g) The amendments made by this section shall be effective for monthly benefits for months after December 1970.
H. R. 14080

A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance program, provide for automatic benefit increases thereafter in the event of future increases in the cost of living, provide for future automatic increases in the earnings and contribution base, and for other purposes.

By Mr. Gerald R. Ford

September 30, 1969
Referred to the Committee on Ways and Means
On Thursday, September 25, the President sent to the Congress his recommendations for social security legislation. The recommendations include a 10-percent across-the-board increase in social security cash benefits; a provision for automatic benefit adjustments to take account of future increases in the cost of living; an increase in the exempt amount under the retirement test from $1680 to $1800, with a corresponding increase in the monthly measure of retirement, a provision for $1-for-$2 withholding of benefits for all earnings in excess of $1800 rather than withholding $1 for each $1 of earnings above $2880, as under present law, and a provision for automatic adjustment of the test to future earnings levels; and an increase in the contribution and benefit base from $7800 to $9000 with provision for subsequent automatic increases to take account of future earnings levels.

Also included are provisions for an increase from 82 1/2 percent to 100 percent of the husband's benefit for a widow who begins receiving her benefits at age 65 or later, with the benefit amount graded down to 82 1/2 percent for a widow who takes benefits at age 62; non-contributory earnings credits of $100 a month for military service from January 1957 through December 1967; benefits for the aged parents of retired and disabled workers; childhood disability benefits for people who become disabled after age 18 and prior to age 22; and
determination of insured status and benefit amounts for men on the same basis as present law provides for women—that is, over a period equal to the number of years up to age 62 rather than age 65.

The bill provides for changes in the contribution rate schedules for both cash benefits and for hospital insurance. The contribution rate for cash benefits, now scheduled to rise to 5.0 percent, each, for employees and employers for 1973 and after, would not go to 5.0 percent until 1987. The delay in the scheduled increases in the rates for cash benefits will prevent unnecessary, sizeable increases in the cash benefit trust funds. The contribution rates for hospital insurance would rise from 0.6 percent, each, for employees and employers, to 0.9 percent for 1971 and after, rather than for 1987 and after, as under present law.

As a result of the delay in rate increases for cash benefits and the speeding up of the rate increases for hospital insurance, the combined rates for cash benefits and for hospital insurance would rise from 4.8 percent for employees and employers, each, in 1970 to an ultimate rate of 5.9 percent, each, for 1987 and after. The revisions in the contribution rate schedules will mean that the combined rates will be lower for 1971 through 1976 than under present law and the same as present law for 1977 and after. In effect, there will be a temporary decrease in the rates for cash benefits from those now scheduled in the law.

Enclosed is a copy of a memorandum from the Chief Actuary which summarizes new cost estimates for the program which have just been prepared and describes their relationship to the President's proposals.

Also enclosed is a copy of the President's message. The President states in his message that he looks upon his proposals as forerunners of recommendations for further improvements in the social security program.

Robert M. Ball
Commissioner

Enclosures
TO THE CONGRESS OF THE UNITED STATES:

This nation must not break faith with those Americans who have a right to expect that Social Security payments will protect them and their families.

The impact of an inflation now in its fourth year has undermined the value of every Social Security check and requires that we once again increase the benefits to help those among the most severely victimized by the rising cost of living.

I request that the Congress remedy the real losses to those who now receive Social Security benefits by increasing payments by 10 per cent.

Beyond that step to set right today's inequity, I propose that the Congress make certain once and for all that the retired, the disabled and the dependent never again bear the brunt of inflation. The way to prevent future unfairness is to attach the benefit schedule to the cost of living.

This will instill new security in Social Security. This will provide peace of mind to those concerned with their retirement years, and to their dependents.

By acting to raise benefits now to meet the rise in the cost of living, we keep faith with today's recipients. By acting to make future benefit raises automatic with rises in the cost of living, we remove questions about future years; we do much to remove this system from biennial politics; and we make fair treatment of beneficiaries a matter of certainty rather than a matter of hope.

In the 34 years since the Social Security program was first established, it has become a central part of life for a growing number of Americans. Today approximately 25 million people are receiving cash payments from this source. Three-quarters of these are older Americans; the Social Security check generally represents the greater part of total income. Millions of younger people receive benefits under the disability or survivor provisions of Social Security.
Almost all Americans have a stake in the soundness of the Social Security system. Some 92 million workers are contributing to Social Security this year. About 80 per cent of Americans of working age are protected by disability insurance and 95 per cent of children and mothers have survivorship insurance protection. Because the Social Security program is an essential part of life for so many Americans, we must continually re-examine the program and be prepared to make improvements.

Aiding in this Administration's review and evaluation is the Advisory Council on Social Security which the Secretary of Health, Education and Welfare appointed in May. For example, I will look to this Council for recommendations in regard to working women; changing work patterns and the increased contributions of working women to the system may make present law unfair to them. The recommendations of this Council and of other advisers, both within the Government and outside of it, will be important to our planning. As I indicated in my message to the Congress on April 14, improvement in the Social Security program is a major objective of this Administration.

There are certain changes in the Social Security program, however, for which the need is so clear that they should be made without awaiting the findings of the Advisory Council. The purpose of this message is to recommend such changes.

I propose an across-the-board increase of 10% in Social Security benefits, effective with checks mailed in April 1970, to make up for increases in the cost of living.

I propose that future benefits in the Social Security system be automatically adjusted to account for increases in the cost of living.

I propose an increase from $1,680 to $1,800 in the amount beneficiaries can earn annually without reduction of their benefits, effective January 1, 1971.

I propose to eliminate the one-dollar-for-one-dollar reduction in benefits for income earned in excess of $2,880 a year and replace it by a one dollar reduction in benefits for every two dollars earned, which now applies at earnings levels between $1,680 and $2,880, also effective January 1, 1971.

I propose to increase the contribution and benefit base from $7,800 to $9,000, beginning in 1972, to strengthen the system, to help keep future benefits to the individual related to the growth of his wages, and to meet part of the cost of the improved program. From then on, the base will automatically be adjusted to reflect wage increases.

I propose a series of additional reforms to ensure more equitable treatment for widows, recipients above age 72, veterans, for persons disabled in childhood and for the dependent parents of disabled and retired workers.
I emphasize that the suggested changes are only first steps, and that further recommendations will come from our review process.

The Social Security system needs adjustment now so it will better serve people receiving benefits today, and those corrections are recommended in this message. The system is also in need of long-range reform, to make it better serve those who contribute now for benefits in future years, and that will be the subject of later recommendations.

THE BENEFIT INCREASE

With the increase of 10%, the average family benefit for an aged couple, both receiving benefits, would rise from $170 to $188 a month. Further indication of the impact of a 10 per cent increase on monthly benefits can be seen in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Present Minimum</th>
<th>New Minimum</th>
<th>Present Maximum</th>
<th>New Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Person</td>
<td>$55.00</td>
<td>$61.00</td>
<td>$165.00</td>
<td>$181.50</td>
</tr>
<tr>
<td>(A man retiring at age 65 in 1970)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married Couple</td>
<td>$82.50</td>
<td>$91.50</td>
<td>$247.50</td>
<td>$272.30</td>
</tr>
<tr>
<td>(Husband retiring at age 65 in 1970)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The proposed benefit increases will raise the income of more than 25 million persons who will be on the Social Security rolls in April, 1970. Total budget outlays for the first full calendar year in which the increase is effective will be approximately $3 billion.

AUTOMATIC ADJUSTMENTS

Benefits will be adjusted automatically to reflect increases in the cost of living. The uncertainty of adjustment under present laws and the delay often encountered when the needs are already apparent is unnecessarily harsh to those who must depend on Social Security benefits to live.

Benefits that automatically increase with rising living costs can be funded without increasing Social Security tax rates so long as the amount of earnings subject to tax reflects the rising level of wages. Therefore, I propose that the wage base be automatically adjusted so that it corresponds to increases in earnings levels.

These automatic adjustments are interrelated and should be enacted as a package. Taken together they will depoliticize, to a certain extent, the Social Security system and give a greater stability to what has become a cornerstone of our society's social insurance system.
REFORMING THE SYSTEM

I propose a series of reforms in present Social Security law to achieve new standards of fairness. These would provide:

1. An increase in benefits to a widow who begins receiving her benefit at age 65 or later. The benefit would increase the current 82-1/2% of her husband's benefit to a full 100%. This increased benefit to widows would fulfill a pledge I made a year ago. It would provide an average increase of $17 a month to almost three million widows.

2. Non-contributory earnings credits of about $100 a month for military service from January, 1957 to December, 1967. During that period, individuals in military service were covered under Social Security but credit was not then given for "wages in kind" -- room and board, etc. A law passed in 1967 corrected this for the future, but the men who served from 1957 (when coverage began for servicemen) to 1967 should not be overlooked.

3. Benefits for the aged parents of retired and disabled workers. Under present law, benefits are payable only to the dependent parents of a worker who has died; we would extend this to parents of workers who are disabled or who retire.

4. Child's insurance benefits for life if a child becomes permanently disabled before age 22. Under present law, a person must have become disabled before age 18 to qualify for these benefits. The proposal would be consistent with the payment of child's benefit to age 22 so long as the child is in school.

5. Benefits in full paid to persons over 72, regardless of the amount of his earnings in the year he attains that age. Under present law, he is bound by often confusing tests which may limit his exemption.

6. A fairer means of determining benefits payable on a man's earnings record. At present, men who retire at age 62 must compute their average earnings through three years of no earnings up to age 65, thus lowering the retirement benefit excessively. Under this proposal, only the years up to age 62 would be counted, just as is now done for women, and three higher-earning years could be substituted for low-earning years.

CHANGES IN THE RETIREMENT TEST

A feature of the present Social Security law that has drawn much criticism is the so-called "retirement test," a provision which limits the amount that a beneficiary can earn and still receive full benefits.
I have been much concerned about this provision, particularly about its effects on incentives to work. The present retirement test actually penalizes Social Security beneficiaries for doing additional work or taking a job at higher pay. This is wrong.

In my view, many older people should be encouraged to work. Not only are they provided with added income, but the country retains the benefit of their skills and wisdom; they, in turn, have the feeling of usefulness and participation which employment can provide.

This is why I am recommending changes in the retirement test. Raising the amount of money a person can earn in a year without affecting his Social Security payments -- from the present $1680 to $1800 -- is an important first step. But under the approach used in the present retirement test, people who earned more than the exempt amount of $1680, plus $1200, would continue to have $1 in Social Security benefits withheld for every $1 they received in earnings. A necessary second step is to eliminate from present law the requirement that when earnings reach $1200 above the exempt amount, Social Security benefits will be reduced by a full dollar for every dollar of added earnings until all his benefits are withheld; in effect, we impose a tax of more than 100% on these earnings.

To avoid this, I would eliminate this $1 reduction for each $1 earned and replace it with the same $1 reduction for each $2 earned above $3000. This change will reduce a disincentive to increased employment that arises under the retirement test in its present form.

The amount a retired person can earn and still receive his benefits should also increase automatically with the earnings level. It is sound policy to keep the exempt amount related to changes in the general level of earnings.

These alterations in the retirement test would result in added benefit payments of some $300 million in the first full calendar year. Approximately one million people would receive this money -- some who are now receiving no benefits at all and some who now receive benefits but who would get more under this new arrangement. These suggestions are not by any means the solution to all the problems of the retirement test, however, and I am asking the Advisory Council on Social Security to give particular attention to this matter.

CONTRIBUTION AND BENEFIT BASE

The contribution and benefit base -- the annual earnings on which Social Security contributions are paid and that can be counted toward Social Security benefits -- has been increased several times since the Social Security program began. The further increase I am recommending -- from its present level of $7800 to $9000 beginning January 1, 1972 -- will more
produce approximately the same relationship between the base and general earnings levels as that of the early 1950s. This is important since the goal of Social Security is the replacement, in part, of lost earnings; if the base on which contributions and benefits are figured does not rise with earnings increases, then the benefits deteriorate. The future benefit increases that will result from the higher base I am recommending today would help to prevent such deterioration. These increases would, of course, be in addition to those which result from the 10% across-the-board increase in benefits that is intended to bring them into line with the cost of living.

FINANCING

I recommend an acceleration of the tax rate scheduled for hospital insurance to bring the hospital insurance trust fund into actuarial balance. I also propose to decelerate the rate schedule of the old-age, survivors and disability insurance trust funds in current law. These funds taken together have a long-range surplus of income over outgo, which will meet much of the cost. The combined rate, known as the "social security contribution," already scheduled by statute, will be decreased from 1971 through 1976. Thus, in 1971 the currently scheduled rate of 5.2% to be paid by employees would become 5.1%, and in 1973 the currently scheduled rate of 5.65% would become 5.1%. The actuarial integrity of the two funds will be maintained, and the ultimate tax rates will not be changed in the rate schedules which will be proposed.

The voluntary supplementary medical insurance (SMI) of title XVIII of the Social Security Act, often referred to as part B Medicare coverage, is not adequately financed with the current $4 premium. Our preliminary studies indicate that there will have to be a substantial increase in the premium. The Secretary of Health, Education and Welfare will set the premium rate in December for the fiscal year beginning July 1970, as he is required to do by statute.

To meet the rising costs of health care in the United States, this Administration will soon forward a Health Cost Control proposal to the Congress. Other administrative measures are already being taken to hold down spiraling medical expenses.

In the coming months, this Administration will give careful study to ways in which we can further improve the Social Security program. The program is an established and important American institution, a foundation on which millions are able to build a more comfortable life than would otherwise be possible -- after their retirement or in the event of disability or death of the family earner.
The recommendations I propose today, which I urge the Congress to adopt, will move the cause of Social Security forward on a broad front.

We will bring benefit payments up to date.

We will make sure that benefit payments stay up to date, automatically tied to the cost of living.

We will begin making basic reforms in the system to remove inequities and bring a new standard of fairness in the treatment of all Americans in the system.

And we will lay the groundwork for further study and improvement of a system that has served the country well and must serve future generations more fairly and more responsively.

RICHARD NIXON

THE WHITE HOUSE.

September 25, 1969.

###
Memorandum

DATE: September 25, 1969

TO: Mr. Robert M. Ball
Commissioner of Social Security

FROM: Robert J. Myers
Chief Actuary

SUBJECT: Summary Results of New Cost Estimates for Present OASDI and HI Systems and for President's Proposal

This memorandum will summarize the results of the new cost estimates for the Old-Age, Survivors, and Disability Insurance system that have just now been completed. At the same time, it is essential that the current actuarial situation of the Hospital Insurance system should be considered simultaneously. Although the revision of the HI cost estimates has not yet been completed, preliminary estimates have been made, and these should be close to the final results that will be produced subsequently. Information will also be presented as to the cost aspects of the proposal just made by President Nixon.

It will be recalled that the cost estimates for the OASDI system which were contained in the 1969 Trustees Report showed a positive long-range actuarial balance (i.e., a financial surplus) of 0.53% of taxable payroll. The new cost estimates show that this positive balance is increased to 1.16% of taxable payroll. The principal reasons for this change, and the amount that each contributes to the increase of 0.63% of taxable payroll in the financial surplus, are as follows:

(1) The use of a higher earnings-level assumption (namely, 1969 earnings as against 1968 earnings) --- 0.22% of taxable payroll.

(2) The use of a higher interest-rate assumption (namely, 4 3/4% as against 4 1/4%) --- 0.11% of taxable payroll.

(3) The use of higher labor-force participation rates for both men and women (based on recent actual experience), which, because of the weighted benefit formula and the provision preventing, in essence,
receipt of benefits on more than one earnings record, results in a greater increase in estimated income than in estimated outgo--.23% of taxable payroll.

(4) Update of other factors--.07% of taxable payroll.

Now, turning to the cost estimates for the HI system, it will be recalled that the estimates contained in the 1969 Trustees Report showed a negative long-range actuarial balance (i.e., a financial deficit) of 0.29% of taxable payroll. The preliminary new cost estimates show that this negative balance has become larger--namely, -0.77% of taxable payroll. The principal reasons for this change are as follows:

(1) The use of higher hospital utilization rates as the initial 1969 base and the introduction of an assumption that these rates will increase gradually over the next decade (at an average annual rate of about 1%), both of which assumptions are based on an extensive analysis of recent operating experience.

(2) The use of higher assumed increases in hospital per diem costs than previously assumed (namely, 15% for 1969, 14% for 1970, 13% for 1971, grading down to 4% after 1977, as compared with the previous assumption of 12% for 1969, 9% for 1970, 7½% for 1971, grading down to 3½% after 1974), which assumption is based on analysis and projection of recent operating and other experience.

Offsetting slightly the foregoing increased-cost assumptions for the HI cost estimates are several other changed assumptions, including the following:

(1) The use of a higher interest rate (namely, 5% as against 4½%).

(2) A reduction in the estimated cost of the extended care facility benefits (since the previous estimate seems to have included the assumption of too rapid an increase in the utilization of such benefits).
(3) As in the OASDI estimates, higher labor-force participation rates and a higher initial payroll-tax base and higher assumed increases in future earnings levels (e.g., ultimately, 4% per year as against the 3½% used previously).

Finally, I might point out that an increase in the taxable earnings base from the present $7,800 per year would have a favorable effect on the financing of both the OASDI and HI systems. For example, a change to $9,000 would increase the positive actuarial balance of the OASDI system by 0.23% of taxable payroll and would decrease the negative actuarial balance of the HI system by 0.17% of taxable payroll.

President Nixon has proposed that the benefit provisions of the OASDI system should be changed in the following manner:

(1) An across-the-board benefit increase of 10%.

(2) A modification of the retirement test, so that the annual exempt amount would be increased from $1,680 to $1,800, and the "$1 for $2" reduction would apply to all earnings in excess of the annual exempt amount (instead of only to the first $1,200 above the annual exempt amount, as in present law).

(3) Payment of dependent parent's benefits with respect to old-age beneficiaries and disability beneficiaries.

(4) Increase from age 18 to age 22 the limit before which adult children must have been disabled in order to receive child's benefits.

(5) Modify the retirement test as it applies to the year of attainment of age 72, so that earnings in and after the month of attainment are not counted against the annual test (the amount for which is prorated according to the number of months before the month of attainment).
(6) Have an age-62 computation point for men, instead of age-65 (i.e., having the same point for men that women have under present law).

(7) Pay widow's benefits of 100% of the PIA when first payable at or after age 65, graded down to 82½% when first claimed at age 62.

(8) Increase in the taxable earnings base from $7,800 to $9,000, effective for 1972 and after; for 1974 and after, automatic adjustment of the earnings base in accordance with changes in the level of wages in covered employment.

(9) Automatic adjustment of the OASDI benefits in accordance with changes in the cost of living and, beginning in 1974, automatic adjustment of the annual exempt amount of the retirement test in accordance with changes in the level of wages in covered employment; insofar as the OASDI system is concerned, the cost of these benefit changes would be financed by the automatic adjustment of the earnings base, while insofar as the HI system is concerned, the additional financing due to the automatic adjustment of the earnings base would have a significant effect on its actuarial status.

(10) Changes in the contribution schedules, as shown in Table 1.

Under the President's proposal, the long-range actuarial balance of the OASDI system is estimated to be -0.09% of taxable payroll, while the corresponding figure for the HI program is +0.06% of taxable payroll. Both of these relatively small balances are within the limits generally acceptable, and so the proposal is in actuarial balance.

Table 2 shows the progress of the combined OASI and DI Trust Funds and of the HI Trust Fund for FY 1970-73 under present law. Table 3 gives similar data for the President's proposal.

Robert J. Myers

Attachments
Table 1
COMPARISON OF PRESENT AND PROPOSED CONTRIBUTION SCHEDULES

<table>
<thead>
<tr>
<th>Period</th>
<th>Combined Employer-Employee</th>
<th>Self-Employed</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Present</td>
<td>Proposed</td>
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<tr>
<td>OASDI Rate</td>
<td></td>
<td></td>
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<tr>
<td>1970</td>
<td>8.4%</td>
<td>8.4%</td>
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<tr>
<td>1971-72</td>
<td>9.2</td>
<td>8.4</td>
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<tr>
<td>1973-74</td>
<td>10.0</td>
<td>9.2</td>
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<tr>
<td>1975-76</td>
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<td>1977-79</td>
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<td>9.8</td>
</tr>
<tr>
<td>1980-86</td>
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</tr>
<tr>
<td>1987 and after</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>HI Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>1971-72</td>
<td>1.2</td>
<td>1.8</td>
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<td>1973-74</td>
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<td>1975</td>
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<tr>
<td>1976-79</td>
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<tr>
<td>1980-86</td>
<td>1.6</td>
<td>1.8</td>
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<tr>
<td>1987 and after</td>
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<tr>
<td>Combined OASDI-HI Rate</td>
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<td></td>
</tr>
<tr>
<td>1970</td>
<td>9.6%</td>
<td>9.6%</td>
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<tr>
<td>1971-72</td>
<td>10.4</td>
<td>10.2</td>
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<tr>
<td>1973-74</td>
<td>11.3</td>
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</tr>
<tr>
<td>1975</td>
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<td>1987 and after</td>
<td>11.8</td>
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</table>
Table 2
ESTIMATED SHORT-RANGE PROGRESS OF TRUST FUNDS
UNDER PRESENT LAW
(in billions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Contribution Income</th>
<th>Other Income(a)/</th>
<th>Benefit Outgo</th>
<th>Other Outgo(b)/</th>
<th>Net Income</th>
<th>Fund at End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>OASDI Trust Funds</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>1970</td>
<td>$33.4</td>
<td>$1.8</td>
<td>$27.3</td>
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<td>$6.8</td>
<td>$38.7</td>
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<td>36.3</td>
<td>2.3</td>
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<td>47.6</td>
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<tr>
<td>1972</td>
<td>40.3</td>
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<td>29.6</td>
<td>1.2</td>
<td>12.3</td>
<td>59.9</td>
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<tr>
<td>1973</td>
<td>43.9</td>
<td>3.5</td>
<td>30.7</td>
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<td>75.3</td>
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<td>HI Trust Fund</td>
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<td></td>
</tr>
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<td>1970</td>
<td>$4.7</td>
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<td>$.2</td>
<td>$2.2</td>
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<tr>
<td>1971</td>
<td>4.9</td>
<td>1.0</td>
<td>6.2</td>
<td>.1</td>
<td>-.5</td>
<td>1.7</td>
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<tr>
<td>1973</td>
<td>5.6</td>
<td>.7</td>
<td>8.5</td>
<td>.1</td>
<td>-2.2</td>
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</tbody>
</table>

\(a\)/ Interest income, payments from General Fund for noninsured persons and military service wage credits, and (for HI) payments from Railroad Retirement system.

\(b\)/ Administrative expenses and (for OASDI) payments to Railroad Retirement system.
Table 3

ESTIMATED SHORT-RANGE PROGRESS OF TRUST FUNDS UNDER PROPOSAL
(in billions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Contribution Income</th>
<th>Other Income(^a)</th>
<th>Benefit Outgo</th>
<th>Other Outgo(^b)</th>
<th>Net Income</th>
<th>Fund at End of Year</th>
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</thead>
<tbody>
<tr>
<td>OASDI Trust Funds</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>$33.4</td>
<td>$.8</td>
<td>$28.1</td>
<td>$1.2</td>
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<table>
<thead>
<tr>
<th>Fiscal Year</th>
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<th>Benefit Outgo</th>
<th>Other Outgo(^b)</th>
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<td>HI Trust Funds</td>
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<td>1.0</td>
<td>8.5</td>
<td>.1</td>
<td>1.0</td>
<td>5.2</td>
</tr>
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</table>

\(^a\) Interest income, payments from General Fund for noninsured persons and military service wage credits, and (for HI) payments from Railroad Retirement system.

\(^b\) Administrative expenses and (for OASDI) payments to Railroad Retirement system.
On October 1, Representative Gerald R. Ford (R., Mich.) introduced a bill, H. R. 14080, which incorporates President Nixon's recommendations for social security legislation, including a benefit increase effective for March 1970. Representative John W. Byrnes (R., Wis.), ranking minority member on the House Ways and Means Committee, introduced H. R. 14081, which is identical to H. R. 14080 except that the benefit increase would be effective for January 1970. Enclosed is a summary of the provisions of H. R. 14080. Also enclosed are tables showing the effect of the 10-percent benefit increase on average monthly family benefits, the progress of the cash benefit trust funds for calendar years 1970-1973; and first-year benefit costs and number of people affected under each provision.

Hearings on the bills by the Ways and Means Committee of the House of Representatives will begin on October 15.

Robert M. Ball
Commissioner
Across-the-Board Benefit Increase

Under H.R. 14080, benefits would be increased across the board by 10 percent, with a minimum benefit of $61 instead of the present $55. The maximum retirement benefit for a worker alone would be increased from the present $218 to $250. Maximum family benefits payable for the future would range from $91.50 to $480 a month compared with the present range of $82.50 to $434.40. The general benefit increase would be effective with benefits for March 1970, payable in April.

The special payments for certain people age 72 and over who either have not worked at all under social security or have not worked in covered employment long enough to meet the regular insured status requirements would also be increased by 10 percent—from $40 for an individual and $60 for a couple to $44 and $66, respectively.

An estimated 25.5 million beneficiaries in current payment status on March 31, 1970, would get increased benefits. An additional 12,000 people age 72 and over who cannot get special payments under present law could get such payments for March 1970. Additional payments in the first 12 months would total $2.8 billion.

Automatic Adjustment of Benefits

The bill provides for automatic cost-of-living increases in social security cash benefits. On or before December 1 of each year the Secretary of Health, Education, and Welfare would determine whether a cost-of-living increase in benefits is required, and, if so, would publish this fact in the Federal Register together with the percentage increase and a revision of the benefit table showing the increased benefit amounts payable. All people on the benefit rolls and all people who come on the benefit rolls in the future would get the higher benefits.

The calculation of the increase in the cost of living would be based on the Consumer Price Index prepared by the Department of Labor. Under the first such calculation, the monthly average of the Consumer Price Index for the third calendar quarter of 1970 would be compared with the monthly average of the Consumer Price Index for the third calendar quarter of 1969. If the monthly average of the Consumer Price Index for the third calendar quarter
of 1970 exceeded the monthly average of the Consumer Price Index for the third calendar quarter of 1969 by at least 3 percent, monthly benefits for people who are then, and who later become, entitled to benefits would be increased, effective with benefits for January 1971, by the percentage increase (rounded to the nearest one-tenth of one percent) by which the Consumer Price Index had increased. Lump-sum death payments would be increased for deaths occurring after December 1970.

A similar calculation would be made in each subsequent calendar year, with the monthly average of the Consumer Price Index for the third quarter of that year being compared with the average of the Consumer Price Index for the third quarter of the most recent year that necessitated a cost-of-living increase.

**Increase in Earnings Counted for Benefit and Contribution Purposes**

The bill also would provide for an increase in the contribution and benefit base—the amount of annual earnings that is subject to social security contributions and creditable toward social security benefits. The base would be increased from the present $7800 to $9000, effective on January 1, 1972.

In addition, the contribution and benefit base would be automatically adjusted to future increases in average wage levels beginning with 1974. On or before October 1 of 1972, and of each even-numbered year thereafter, the Secretary of Health, Education, and Welfare would determine, and publish in the Federal Register, the contribution and benefit base for the two calendar years beginning January 1 of the next even-numbered year. The base for a particular year is to be the product of $9000 and the ratio of (A) the average covered wages of all persons for whom taxable wages were reported for the first calendar quarter of the year in which the determination is being made to (B) the average covered wages of all persons for whom taxable wages were reported for the first calendar quarter of 1971. That product, if not a multiple of $600, is to be rounded to the nearest multiple of $600.

**Retirement Test Changes**

For earnings above the retirement test exempt amount, which would be raised to $1800, the bill would replace the present provisions (a $1 reduction in benefits for each $2 of earnings between $1680 and $2880, and a dollar-for-dollar reduction for earnings above $2880) with a provision for reduction in benefits of $1 (for each
$2 of all earnings in excess of the $1800 exempt amount. (The present $140 monthly earnings test would be increased to $150 so it would continue to be 1/12th of the annual exempt amount.)

The bill provides for automatic upward adjustment of the annual exempt amount (and the monthly test) in relation to future increases in earnings levels.

The bill also provides that in the year a beneficiary reaches age 72 earnings beginning with the month in which he reaches age 72 would no longer be included in computing the amount of his annual earnings to determine whether any benefits are to be withheld for months before he reached age 72.

The changes in the retirement test would become effective generally on January 1, 1971.

Under these changes in the retirement test, about $330 million in additional benefits would be paid for months in 1971. About 1.1 million people would get these additional payments. Of this number, some 300,000 people could not, under present law, get any benefits for months in 1971.

Age-62 Computation Point for Men

Under the bill, the number of years over which a man's average monthly earnings (on which his benefits are based) and his eligibility for benefits are determined will be figured up to age 62 (as it now is for women), rather than up to age 65 as under present law. Thus up to three more years of low earnings would be omitted from the computation of his retirement benefit. As a result, the treatment of men and women workers under the benefit provisions would be the same, and the retirement benefits payable to men, the benefits payable to their wives, and the benefits payable to survivors of men who live beyond age 62 would generally be increased.

The change is effective with benefits for January 1971, and will be applicable both to people already on the benefit rolls and to those who will come on in the future. About 5 million people--workers, dependents, and survivors--in current-payment status at the end of January 1971 would have their benefits increased because of the change in computing the average monthly wage. In addition, about 100,000 people--75,000 men age 62 and over and 25,000 dependents--would become newly eligible for benefits because of the liberalized insured-status requirement for men age 62 and over. Additional benefit payments in the first 12 months are estimated at $380 million.
Increase in Widow's Insurance Benefits

Under the bill, benefits for widows (and widowers) who came on the benefit rolls after age 62, and those who come on in the future after that age, would be increased. For a widow or widower becoming entitled to benefits at or after age 65, the benefit would be equal to 100 percent of the amount of the spouse's benefit at age 65, rather than 82 1/2 percent as under present law. For widows and widowers coming on the rolls between ages 62 and 65, benefit amounts would range from the 82 1/2 percent payable at age 62 (under present law and under the bill) to the 100 percent payable at age 65 under the bill. For example, the benefit amount for a widow becoming entitled to widow's benefits at age 63 would be 88 1/3 percent of her husband's age-65 benefit; for a widow becoming entitled at age 64, the amount would be equal to 94 1/6 percent of her husband's benefit. The increase in widow's and widower's benefits would become effective with benefits payable for January 1971.

An estimated 2.7 million widows and widowers would have their benefits increased; on the average, the increase would amount to $17. Additional benefit payments under this provision in the first 12 months are estimated at $580 million.

Parents' Insurance Benefits

The bill would provide for the payment of benefits to aged dependent parents of retired and disabled workers, effective for January 1971. Such benefits are now provided for dependent parents of deceased workers. The benefits for the dependent parent of a retired or disabled individual would be equal to 50 percent of that individual's benefit, except that it would be actuarially reduced if taken before age 65. The benefit for a parent of a deceased worker would continue as in present law to be 82 1/2 percent of the worker's benefit if there is one parent and 75 percent each if there are two.

An estimated 25,000 people would be immediately eligible for benefits under the provision, and additional benefit payments in the first 12 months would be $20 million.

Child's Insurance Benefits Based on Disability

Under the bill, childhood disability benefits would be provided for a son or daughter of an insured deceased, disabled, or retired worker if the son or daughter became totally disabled after age 18 and before reaching age 22, and continues to be totally disabled. Under present law, a person must have been totally disabled since before age 18 to qualify for childhood disability benefits. This change would be applicable to monthly benefits effective for January 1971.

An estimated 13,000 people would become immediately eligible for benefits; additional benefit payments in the first 12 months would be $10 million.
Wage Credits for Members of the Uniformed Services

The bill would provide noncontributory earnings credits of $300 for each calendar quarter of military service after December 1956 and before January 1968. These credits, designed to give social security credit for wages-in-kind received by servicemen, would supplement credit for military service basic pay, which has been subject to contributory social security coverage since January 1, 1957. Present law provides similar noncontributory wage credits for military service after 1967 and $160-a-month noncontributory wage credit for service from September 1940 through December 1956. The new wage credits, like the previously provided noncontributory wage credits, would be financed from general revenues. The new credits would be used in computing monthly benefits for months after December 1970 and lump-sum death payments in the case of deaths after 1970.

As a result of this provision, about 150,000 beneficiaries on the rolls in January 1971 will have their benefits increased; an estimated $30 million in additional benefit payments would be paid in the first 12 months of operation.

Financing

Under the most recent of the periodic actuarial reevaluations of the cash benefits part of the social security program, income over the long-range future is expected to exceed outgo by 1.16 percent of taxable payroll. The excess of income over outgo, as shown in the last preceding evaluation, was 0.53 percent of taxable payroll. The larger excess expected under the most recent estimates results from taking into account 1969 (as against 1968) earnings levels, the higher interest rates now being earned by the trust funds, and increased labor-force participation of both men and women.

Preliminary results of the latest reevaluation of the hospital insurance program indicate that the income of the program over the long range will be less than outgo by 0.77 percent of taxable payroll.

A large part of the cost of the proposed improvements in the cash benefits program will be covered by the long-range excess of income over outgo in that part of the social security program. The proposed increase in the contribution and benefit base to $9000 will also help to meet part of the cost of the improvements, since income from the increase in the base will exceed the cost of the additional benefits that will be paid on earnings above the present $7800 ceiling.

Automatic increases in the contribution and benefit base in line with increases in wage levels will provide additional income sufficient to meet fully the cost of the additional benefit payments that will result from automatic adjustment of benefits in line with increases in the cost of living and from automatic adjustment of the retirement test.
The bill would increase the percentage of taxable wages appropriated to the disability insurance trust fund (now 0.95 of one percent of payroll) to 1.05 percent, and would increase the percentage of income from self-employment appropriated to the disability insurance trust fund (now 0.7125 of one percent) to 0.7875 of one percent, effective for 1970. The increase in the allocation of contribution income to the disability insurance trust fund is needed to meet the cost to that trust fund of the 10-percent benefit increase.

In summary, the cash benefits part of the social security program, with the recommended improvements, will be adequately financed; and, in fact, the rate increases scheduled in present law for the cash benefits part of the program can be put into effect considerably later than scheduled in present law.

The contribution rate for cash benefits, now scheduled to rise to 5 percent each for employees and employers in 1973 and thereafter, would not reach 5 percent under the bill until 1987. The delay in the scheduled increases in the contribution rate for cash benefits will prevent unnecessary, large-scale increases in the cash benefits trust funds. Under the bill, the actuarial balance of the cash benefits program would be -0.09 percent of taxable payroll.

The contribution rates for hospital insurance would rise under the bill from 0.6 percent each for employees and employers to 0.9 percent each in 1971 and thereafter, as against rising to the 0.9 level in 1987 and thereafter as under present law. The revision in the contribution rates scheduled for hospital insurance and the increases in the contribution and benefit base to $9000 in 1972, with automatic adjustment thereafter, will leave the hospital insurance trust fund with an actuarial balance of 0.06 percent of payroll under the bill, as against a minus balance of 0.77 percent under present law.

Under the proposed revisions in the contribution rate schedules, the employee and employer contribution rates for cash benefits plus hospital insurance will be lower than in present law for 1971 through 1976 and will be the same as in present law for 1977 and thereafter.
The contribution rate schedules under present law and the bill are shown in the following table.

### Contribution Rates for Employees and Employers, Each, under Present Law and under Proposal

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Benefits</th>
<th>Hospital Insurance</th>
<th>Total</th>
<th>Cash Benefits</th>
<th>Hospital Insurance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>4.20%</td>
<td>0.60%</td>
<td>4.80%</td>
<td>4.20%</td>
<td>0.60%</td>
<td>4.80%</td>
</tr>
<tr>
<td>1971-72</td>
<td>4.60</td>
<td>0.60</td>
<td>5.20</td>
<td>4.20</td>
<td>0.90</td>
<td>5.10</td>
</tr>
<tr>
<td>1973-74</td>
<td>5.00</td>
<td>0.65</td>
<td>5.65</td>
<td>4.20</td>
<td>0.90</td>
<td>5.10</td>
</tr>
<tr>
<td>1975</td>
<td>5.00</td>
<td>0.65</td>
<td>5.65</td>
<td>4.60</td>
<td>0.90</td>
<td>5.50</td>
</tr>
<tr>
<td>1976</td>
<td>5.00</td>
<td>0.70</td>
<td>5.70</td>
<td>4.60</td>
<td>0.90</td>
<td>5.50</td>
</tr>
<tr>
<td>1977-79</td>
<td>5.00</td>
<td>0.70</td>
<td>5.70</td>
<td>4.80</td>
<td>0.90</td>
<td>5.70</td>
</tr>
<tr>
<td>1980-86</td>
<td>5.00</td>
<td>0.80</td>
<td>5.80</td>
<td>4.90</td>
<td>0.90</td>
<td>5.80</td>
</tr>
<tr>
<td>1987 and after</td>
<td>5.00</td>
<td>0.90</td>
<td>5.90</td>
<td>5.00</td>
<td>0.90</td>
<td>5.90</td>
</tr>
</tbody>
</table>

### Contribution Rates for the Self-Employed under Present Law and under Proposal

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Benefits</th>
<th>Hospital Insurance</th>
<th>Total</th>
<th>Cash Benefits</th>
<th>Hospital Insurance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>6.30%</td>
<td>0.60%</td>
<td>6.90%</td>
<td>6.30%</td>
<td>0.60%</td>
<td>6.90%</td>
</tr>
<tr>
<td>1971-72</td>
<td>6.90</td>
<td>0.60</td>
<td>7.50</td>
<td>6.30</td>
<td>0.90</td>
<td>7.20</td>
</tr>
<tr>
<td>1973-74</td>
<td>7.00</td>
<td>0.65</td>
<td>7.65</td>
<td>6.30</td>
<td>0.90</td>
<td>7.20</td>
</tr>
<tr>
<td>1975</td>
<td>7.00</td>
<td>0.65</td>
<td>7.65</td>
<td>6.90</td>
<td>0.90</td>
<td>7.80</td>
</tr>
<tr>
<td>1976</td>
<td>7.00</td>
<td>0.70</td>
<td>7.70</td>
<td>6.90</td>
<td>0.90</td>
<td>7.80</td>
</tr>
<tr>
<td>1977-79</td>
<td>7.00</td>
<td>0.70</td>
<td>7.70</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
</tr>
<tr>
<td>1980-86</td>
<td>7.00</td>
<td>0.80</td>
<td>7.80</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
</tr>
<tr>
<td>1987 and after</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
</tr>
</tbody>
</table>
OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Administration Proposal--H.R. 14080

Estimated effect of the 10-percent benefit increase on monthly benefits in current-payment status, March 31, 1970

<table>
<thead>
<tr>
<th>Category</th>
<th>Present Law</th>
<th>Proposed Benefit Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly rate in current-payment status for all OASDI beneficiaries</td>
<td>$2,180</td>
<td>$2,410</td>
</tr>
<tr>
<td>(in millions)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Selected average monthly amounts

1. Average monthly family benefits:

   Retired worker alone (no dependents receiving benefits) ................. $ 97  $107
   Retired worker and aged wife, both receiving benefits ................... 170  188
   Disabled worker alone (no dependents receiving benefits) ............... 111  122
   Disabled worker, wife, and 1 or more children ............................ 237  261
   Aged widow alone 1/ ........................................... 88  97
   Widowed mother and 2 children .................................... 254  280

2. Average monthly individual benefits:

   All retired workers (with or without dependents also receiving benefits) ... 101  111
   All disabled workers (with or without dependents also receiving benefits) ... 113  124

1/ Excludes widows entitled to disabled widow's benefits.

Office of the Actuary--Baltimore
October 1, 1969
OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Administration Proposal--H.R. 14080

Progress of the OASI and DI trust funds, combined, under present law and under the system as modified by the Administration proposal, calendar years 1970-73
(In billions)

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income Present law</th>
<th>Income Proposal</th>
<th>Outgo Present law</th>
<th>Outgo Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>$35.8</td>
<td>$35.8</td>
<td>$29.0</td>
<td>$31.1</td>
</tr>
<tr>
<td>1971</td>
<td>41.0</td>
<td>37.7</td>
<td>30.2</td>
<td>34.4</td>
</tr>
<tr>
<td>1972</td>
<td>44.0</td>
<td>41.6</td>
<td>31.4</td>
<td>35.9</td>
</tr>
<tr>
<td>1973</td>
<td>50.0</td>
<td>44.4</td>
<td>32.5</td>
<td>37.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Net increase in funds Present law</th>
<th>Net increase in funds Proposal</th>
<th>Assets, end of year Present law</th>
<th>Assets, end of year Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>$6.8</td>
<td>$4.6</td>
<td>$40.9</td>
<td>$38.7</td>
</tr>
<tr>
<td>1971</td>
<td>10.8</td>
<td>3.3</td>
<td>51.6</td>
<td>42.0</td>
</tr>
<tr>
<td>1972</td>
<td>12.6</td>
<td>5.7</td>
<td>64.2</td>
<td>47.7</td>
</tr>
<tr>
<td>1973</td>
<td>17.4</td>
<td>7.2</td>
<td>81.6</td>
<td>54.8</td>
</tr>
</tbody>
</table>

1/ Assumes no automatic increase in benefit rates under the cost-of-living provision.

Office of the Actuary--Baltimore
October 1, 1969
<table>
<thead>
<tr>
<th>Provision</th>
<th>Effective month</th>
<th>Additional benefit payments in first 12 months (in millions)</th>
<th>Present-law beneficiaries immediately affected (^1) (in thousands)</th>
<th>Newly eligible persons (^2) (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% benefit increase</td>
<td>March 1970</td>
<td>$2,810</td>
<td>25,500</td>
<td>12 (^2)</td>
</tr>
<tr>
<td>Modified retirement test(^4)</td>
<td>January 1971</td>
<td>330</td>
<td>800</td>
<td>300</td>
</tr>
<tr>
<td>Age 62 computation point</td>
<td>January 1971</td>
<td>380</td>
<td>5,000</td>
<td>100</td>
</tr>
<tr>
<td>100% of PIA for widows</td>
<td>January 1971</td>
<td>580</td>
<td>2,700</td>
<td>–</td>
</tr>
<tr>
<td>Parents of retired or disabled workers</td>
<td>January 1971</td>
<td>20</td>
<td>–</td>
<td>25</td>
</tr>
<tr>
<td>Children disabled at ages 18–21</td>
<td>January 1971</td>
<td>10</td>
<td>–</td>
<td>13</td>
</tr>
<tr>
<td>Noncontributory credits for military service after 1956</td>
<td>January 1971</td>
<td>30</td>
<td>150</td>
<td>–</td>
</tr>
</tbody>
</table>

\(^1\) Present-law beneficiaries whose benefit for the effective month would be increased under the provision.

\(^2\) Persons who cannot receive a benefit under present law for the effective month, but who would receive a benefit for such month under the provision.

\(^3\) Noninsured persons aged 72 and over.

\(^4\) Additional benefit payments represent benefits for months in calendar year 1971. Some 800,000 persons who will receive some benefits for months in 1971 under present law would receive additional benefits under the provision; about 300,000 persons who will receive no benefits for months in 1971 under present law would receive some benefits under the provision.

NOTE. — The above figures are not additive because the time periods are not uniform and because a person may be affected by more than one provision.
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

THE PRESIDENT'S PROPOSALS
FOR
WELFARE REFORM
AND
SOCIAL SECURITY AMENDMENTS
1969

INCLUDING DRAFT BILLS, SUMMARIES, AND
OTHER MATERIAL TRANSMITTED BY
THE DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE

OCTOBER 1969

Note: This document has been printed for information purposes
only so as to make it generally available. It has not been
considered by the Committee on Ways and Means.
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<td>Explanation of the bill</td>
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<td>47</td>
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<td>57</td>
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<td>93</td>
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<thead>
<tr>
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<td>101</td>
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<td>103</td>
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MESSAGE ON SOCIAL SECURITY

The White House

To the Congress of the United States:

This Nation must not break faith with those Americans who have a right to expect that Social Security payments will protect them and their families.

The impact of an inflation now in its fourth year has undermined the value of every Social Security check and requires that we once again increase the benefits to help those among the most severely victimized by the rising cost of living.

I request that the Congress remedy the real losses to those who now receive Social Security benefits by increasing payments by 10 percent.

Beyond that step to set right today’s inequity, I propose that the Congress make certain once and for all that the retired, the disabled and the dependent never again bear the brunt of inflation. The way to prevent future unfairness is to attach the benefit schedule to the cost of living.

This will instill new security in Social Security. This will provide peace of mind to those concerned with their retirement years, and to their dependents.

By acting to raise benefits now to meet the rise in the cost of living, we keep faith with today’s recipients. By acting to make future benefit raises automatic with rises in the cost of living, we remove questions about future years; we do much to remove this system from biennial politics; and we make fair treatment of beneficiaries a matter of certainty rather than a matter of hope.

In the 34 years since the Social Security program was first established, it has become a central part of life for a growing number of Americans. Today approximately 25 million people are receiving cash payments from this source. Three-quarters of these are older Americans; the Social Security check generally represents the greater part of total income. Millions of younger people receive benefits under the disability or survivor provisions of Social Security.

Almost all Americans have a stake in the soundness of the Social Security system. Some 92 million workers are contributing to Social Security this year. About 60 percent of Americans of working age are protected by disability insurance and 95 percent of children and mothers have survivorship insurance protection. Because the Social Security program is an essential part of life for so many Americans, we must continually reexamine the program and be prepared to make improvements.

Aiding in this administration’s review and evaluation is the Advisory Council on Social Security which the Secretary of Health, Education, and Welfare appointed in May. For example, I will look to this Council for recommendations in regard to working women; changing work patterns and the increased contributions of working
women to the system may make present law unfair to them. The recommendations of this Council and of other advisers, both within the Government and outside of it, will be important to our planning. As I indicated in my message to the Congress on April 14, improvement in the Social Security program is a major objective of this administration.

There are certain changes in the Social Security program, however, for which the need is so clear that they should be made without awaiting the findings of the Advisory Council. The purpose of this message is to recommend such changes.

I propose an across-the-board increase of 10 percent in social security benefits, effective with checks mailed in April 1970, to make up for increases in the cost of living.

I propose that future benefits in the social security system be automatically adjusted to account for increases in the cost of living.

I propose an increase from $1,680 to $1,800 in the amount beneficiaries can earn annually without reduction of their benefits, effective January 1, 1971.

I propose to eliminate the $1-for-$1 reduction in benefits for income earned in excess of $2,880 a year and replace by a $1 reduction in benefits for every $2 earned, which now applies at earnings levels between $1,680 and $2,880, also effective January 1, 1971.

I propose to increase the contribution and benefit base from $7,800 to $9,000, beginning in 1972, to strengthen the system, to help keep future benefits to the individual related to the growth of his wages, and to meet part of the cost of the improved program. From then on, the base will automatically be adjusted to reflect wage increases.

I propose a series of additional reforms to insure more equitable treatment for widows, recipients above age 72, veterans, for persons disabled in childhood and for the dependent parents of disabled and retired workers.

I emphasize that the suggested changes are only first steps, and that further recommendations will come from our review process.

The social security system needs adjustment now so it will better serve people receiving benefits today, and those corrections are recommended in this message. The system is also in need of long-range reform, to make it better serve those who contribute now for benefits in future years, and that will be the subject of later recommendations.

**The Benefit Increase**

With the increase of 10 percent, the average family benefit for an aged couple, both receiving benefits, would rise from $170 to $188 a month. Further indication of the impact of a 10 percent increase on monthly benefits can be seen in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Present minimum</th>
<th>New minimum</th>
<th>Present maximum</th>
<th>New maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single person (a man retiring at age 65 in 1970)</td>
<td>$55.00</td>
<td>$61.00</td>
<td>$165.00</td>
<td>$181.50</td>
</tr>
<tr>
<td>Married couple (husband retiring at age 65 in 1970)</td>
<td>$82.50</td>
<td>$91.50</td>
<td>$247.50</td>
<td>$272.30</td>
</tr>
</tbody>
</table>

The proposed benefit increases will raise the income of more than 25 million persons who will be on the Social Security rolls in April 1970.
Total budget outlays for the first full calendar year in which the increase is effective will be approximately $3 billion.

**AUTOMATIC ADJUSTMENTS**

Benefits will be adjusted automatically to reflect increases in the cost of living. The uncertainty of adjustment under present laws and the delay often encountered when the needs are already apparent is unnecessarily harsh to those who must depend on Social Security benefits to live.

Benefits that automatically increase with rising living costs can be funded without increasing Social Security tax rates so long as the amount of earnings subject to tax reflects the rising level of wages. Therefore, I propose that the wage base be automatically adjusted so that it corresponds to increases in earnings levels.

These automatic adjustments are interrelated and should be enacted as a package. Taken together they will depoliticize, to a certain extent, the Social Security system and give a greater stability to what has become a cornerstone of our society's social insurance system.

**REFORMING THE SYSTEM**

I propose a series of reforms in present Social Security law to achieve new standards of fairness. These would provide:

1. **An increase in benefits to a widow who begins receiving her benefit at age 65 or later.** The benefit would increase the current 82 1/2 percent of her husband's benefit to a full 100 percent. This increased benefit to widows would fulfill a pledge I made a year ago. It would provide an average increase of $17 a month to almost 3 million widows.

2. **Noncontributory earnings credits of about $100 a month for military service from January 1957 to December 1967.** During that period, individuals in military service were covered under Social Security but credit was not then given for wages in kind—room and board, etc. A law passed in 1967 corrected this for the future, but the men who served from 1957 (when coverage began for servicemen) to 1967 should not be overlooked.

3. **Benefits for the aged parents of retired and disabled workers.** Under present law, benefits are payable only to the dependent parents of a worker who has died; we would extend this to parents of workers who are disabled or who retire.

4. **Child's insurance benefits for life if a child becomes permanently disabled before age 22.** Under present law, a person must have become disabled before age 18 to qualify for these benefits. The proposal would be consistent with the payment of child's benefit to age 22 so long as the child is in school.

5. **Benefits in full paid to persons over 72, regardless of the amount of his earnings in the year he attains that age.** Under present law, he is bound by often confusing tests which may limit his exemption.

6. **A fairer means of determining benefits payable on a man's earnings record.** At present, men who retire at age 62 must compute their average earnings through 3 years of no earnings up to age 65, thus lowering the retirement benefit excessively. Under this proposal, only the years up to age 62 would be counted, just as is now done for women, and 3 higher-earning years could be substituted for low-earning years.
CHANGES IN THE RETIREMENT TEST

A feature of the present social security law that has drawn much criticism is the so-called "retirement test," a provision which limits the amount that a beneficiary can earn and still receive full benefits. I have been much concerned about this provision, particularly about its effects on incentives to work. The present retirement test actually penalizes social security beneficiaries for doing additional work or taking a job at higher pay. This is wrong.

In my view, many older people should be encouraged to work. Not only are they provided with added income, but the country retains the benefit of their skills and wisdom; they, in turn, have the feeling of usefulness and participation which employment can provide.

This is why I am recommending changes in the retirement test. Raising the amount of money a person can earn in a year without affecting his social security payments—from the present $1,680 to $1,800—is an important first step. But under the approach used in the present retirement test, people who earned more than the exempt amount of $1,680, plus $1,200, would continue to have $1 in social security benefits withheld for every $1 they received in earnings. A necessary second step is to eliminate from present law the requirement that when earnings reach $1,200 above the exempt amount, social security benefits will be reduced by a full dollar for every dollar of added earnings until all his benefits are withheld; in effect, we impose a tax of more than 100 percent on these earnings.

To avoid this, I would eliminate this $1 reduction for each $1 earned and replace it with the same $1 reduction for each $2 earned above $3,000. This change will reduce a disincentive to increased employment that arises under the retirement test in its present form.

The amount a retired person can earn and still receive his benefits should also increase automatically with the earnings level. It is sound policy to keep the exempt amount related to changes in the general level of earnings.

These alterations in the retirement test would result in added benefit payments of some $300 million in the first full calendar year. Approximately 1 million people would receive this money—some who are now receiving no benefits at all and some who now receive benefits but who would get more under this new arrangement. These suggestions are not by any means the solution to all the problems of the retirement test, however, and I am asking the advisory council on social security to give particular attention to this matter.

CONTRIBUTION AND BENEFIT BASE

The contribution and benefit base—the annual earnings on which social security contributions are paid and that can be counted toward social security benefits—has been increased several times since the social security program began. The further increase I am recommending—from its present level of $7,800 to $9,000 beginning January 1, 1972—will produce approximately the same relationship between the base and general earnings levels as that of the early 1950's. This is important since the goal of social security is the replacement, in part,
of lost earnings; if the base on which contributions and benefits are figured does not rise with earnings increases, then the benefits deteriorate. The future benefit increases that will result from the higher base I am recommending today would help to prevent such deterioration. These increases would, of course, be in addition to those which result from the 10-percent across-the-board increase in benefits that is intended to bring them into line with the cost of living.

FINANCING

I recommend an acceleration of the tax rate scheduled for hospital insurance to bring the hospital insurance trust fund into actuarial balance. I also propose to decelerate the rate schedule of the old-age, survivors, and disability insurance trust funds in current law. These funds, taken together, have a long-range surplus of income over outgo, which will meet much of the cost. The combined rate, known as the social security contribution, already scheduled by statute, will be decreased from 1971 through 1976. Thus, in 1971 the current scheduled rate of 5.3 percent to be paid by employees would become 5.1 percent, and in 1973 the current scheduled rate of 5.65 percent would become 5.1 percent. The actuarial integrity of the two funds will be maintained, and the ultimate tax rates will not be changed in the rate schedules which will be proposed.

The voluntary supplementary medical insurance (SMI) of title XVIII of the Social Security Act, often referred to as part B Medicare coverage, is not adequately financed with the current $4 premium. Our preliminary studies indicate that there will have to be a substantial increase in the premium. The Secretary of Health, Education, and Welfare will set the premium rate in December for the fiscal year beginning July 1970, as he is required to do by statute.

To meet the rising costs of health care in the United States, this administration will soon forward a health cost control proposal to the Congress. Other administrative measures are already being taken to hold down spiraling medical expenses.

In the coming months, this administration will give careful study to ways in which we can further improve the social security program. The program is an established and important American institution, a foundation on which millions are able to build a more comfortable life than would otherwise be possible—after their retirement or in the event of disability or death of the family earner.

The recommendations I propose today, which I urge the Congress to adopt, will move the cause of social security forward on a broad front. We will bring benefit payments up to date.

We will make sure that benefit payments stay up to date, automatically tied to the cost of living.

We will begin making basic reforms in the system to remove inequities and bring a new standard of fairness in the treatment of all Americans in the system.

And we will lay the groundwork for further study and improvement of a system that has served the country well and must serve future generations more fairly and more responsively.

RICHARD NIXON.

THE WHITE HOUSE,
September 25, 1969.
LETTER OF TRANSMITTAL

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,


Hon. JOHN W. MCCORMACK,  
Speaker of the House of Representatives,  
Washington, D.C.

Hon. Spiro T. AGNEW,  
President of the Senate,  
Washington, D.C.

DEAR MR. PRESIDENT:

DEAR MR. SPEAKER:

I am transmitting with this letter draft legislation to amend the social security program. Also enclosed are a summary and a section-by-section analysis of the draft bill. This draft is designed to carry out the recommendations made in the President’s message on social security of September 25, 1969.

The proposed legislation calls for an across-the-board increase of 10 percent in social security payments, effective March 1970, to make up for increases in the cost of living since Congress last raised the benefits. The legislation also provides for subsequent automatic increases in benefits based upon increases in the cost of living. Other provisions would substantially revise the retirement test, increase the earnings base to $9,000 per year and increase it automatically thereafter, increase the benefits payable to widows and dependent widowers who begin drawing benefits at age 65 or later from 82 1/2 percent of the deceased worker's benefit to 100 percent of that amount, make aged dependent parents of retired and disabled workers eligible for benefits and liberalize the provisions for determining the insured status and benefit computation for men.

We urge that early and favorable consideration be given to the enactment of this bill, and we would appreciate your forwarding the proposed legislation to the appropriate committee.

The Bureau of the Budget advises the enactment of this bill would be in accord with the program of the President.

Sincerely,

ROBERT H. FINCH, Secretary.
SUMMARY OF THE PROPOSED SOCIAL SECURITY
AMENDMENTS OF 1969

Benefit increase

The bill provides for a 10-percent across-the-board increase in cash social security benefits, effective March 1970 and payable in April 1970.

Under the proposal, an automatic increase in benefits is provided in the event of future increases in the cost of living. Whenever the Consumer Price Index prepared by the Department of Labor rises by at least 3 percent, benefits will be increased by that percent. These automatic increases would not be made more often than once a year.

Certain people age 72 and over would receive a 10-percent increase in the special amount that is paid them. These individuals are not now insured under the regular social security cash benefits program. The increase would be effective for March 1970.

The bill changes the present method of determining eligibility for benefits and benefit amounts based on a man's earnings record, making it similar to that now in use for women.

Average monthly earnings for a man—and it is on this average that the monthly benefits are based—are now determined over a period equal to the number of years up to age 65, while for women they are figured over a period equal to the number of years up to age 62. The result of this difference is generally that a man's retirement benefit amount is lower than that of a woman with exactly the same earnings record. Under the bill, this difference would be eliminated. As a result, the treatment of men and women workers under the benefit provisions would be the same, and the retirement benefits payable to men, the benefits payable to their wives, and the benefits payable to survivors of men who live beyond age 62 would be increased.

Widows and widowers

The bill provides benefits for a widow at age 65 equal to 100 percent of the amount her husband would have received at age 65, rather than 82½ percent as under present law. Benefits for widows aged 62-64 would be graded down according to the age of the widow at the time she first gets benefits; a widow coming on the rolls at age 62 would receive 82½ percent of the husband's benefit, as she does under present law. This provision would be effective with benefits for January 1971.

Contribution and benefit base

The bill provides for an increase in the contribution and benefit base (that is, the amount of annual earnings that may be counted for social security purposes) from the present $7,800 per year to $9,000 per year. This provision becomes effective on January 1, 1972. The bill provides also for automatic adjustment of the contribution and benefit base to future increases in wage levels, beginning with 1974. The adjustments of the base could not be made more frequently than every second year.
Retirement test

Under this legislation, there would be four significant changes in the social security retirement test, liberalizing that test as follows:

Under present law, full social security benefits are payable to a beneficiary whose earnings do not exceed $1,680 for a year. If he has earnings of more than $1,680, $1 in benefits is withheld for each $2 between $1,680 and $2,880, but there is a dollar-for-dollar reduction for earnings above $2,880. (However, benefits are not withheld for a month if wages are not more than $140 and substantial services are not rendered in self-employment.)

The proposal is to:

(a) Increase the annual exempt amount from $1,680 to $1,800 (and the monthly earnings test from $140 to $150);
(b) Provide for reduction in benefits of $1 for each $2 of all earnings in excess of the exempt amount of $1,800;
(c) Provide for automatic upward adjustment of the annual exempt amount (and the monthly test) in relation to future increases in earnings levels;
(d) Provide that in the year a beneficiary reaches age 72 earnings beginning with the month he attains age 72 would be disregarded in computing the amount of annual earnings for retirement test purposes. The annual exempt amount and the $1-for-$2 adjustment would apply to his earnings in the year up to the month in which he attains age 72. (Under present law, earnings after the month a beneficiary attains age 72, but in the same year, must be included in determining whether any benefits are to be withheld for months before attainment of age 72.)

The changes in the retirement test would become effective generally on January 1, 1971.

Parent's benefits

The bill provides benefits for the dependent aged parents of retired or disabled workers. Under present law, benefits are provided only for the dependent parents of deceased workers. The benefit amounts for the parent of a living worker would be equal to 50 percent of the worker's primary insurance amount (like a husband's or wife's benefit under present law), actuarially reduced if taken at age 62-65. The benefit amount for parents of deceased workers would continue to be 82 1/2 percent of the primary insurance amount, or 75 percent of that amount, depending on whether one or more parents were entitled to benefits.

Childhood disability benefits

The bill provides childhood disability benefits for a disabled son or daughter of an insured deceased, disabled, or retired worker if the son or daughter became totally disabled after age 18 and before reaching age 22. Under present law, a person must have become totally disabled before age 18 to qualify for childhood disability benefits.

Military service credits

The bill provides noncontributory wage credits ($100 for each month of military service) for individuals who served on active duty in the military services from January 1957 through December 1967. These credits, reflecting wages-in-kind received by servicemen, would be in
addition to credits for service basic pay, which has been subject to contributory coverage since January 1, 1957. Present law provides similar $100-a-month noncontributory credits for military service after 1967, and $160-a-month noncontributory credits for service from September 1940 through December 1956.

Financing
Under the most recent of the periodic actuarial reevaluations of the cash benefits part of the social security program, income over the long-range future exceeds long-range outgo by 1.16 percent of taxable payroll. The excess of long-range income over outgo as shown in the last preceding evaluation was 0.53 percent of taxable payroll. The larger excess shown in the most recent estimates results from taking into account 1969 (as against 1968) earnings levels, the higher interest rates now being earned by the trust funds, and increased labor-force participation of both men and women. Preliminary results of the latest reevaluation of the hospital insurance program indicate that the long-range income of the program will be less than long-range outgo by 0.77 percent of taxable payroll.

A large part of the cost of the proposed improvement in the cash benefits program will be covered by the long-range excess of income over outgo in that part of the social security program. The proposed increase in the contribution and benefit base to $9,000 will also help to meet part of the cost of the improvements, since income from the increase in the base will exceed the cost of the additional benefits that will be paid on earnings above the present $7,800 ceiling.

Automatic increases in the contribution and benefit base in line with increases in wage levels will provide additional income sufficient to meet fully the cost of the additional benefit payments that will result from automatic adjustment of benefits in line with increases in the cost of living and from automatic adjustment of the retirement test. In summary, the cash benefits part of the social security program, with the recommended improvements, will be adequately financed; and, in fact, the rate increases scheduled in present law for the cash benefits part of the program can be put into effect considerably later than scheduled in present law.

The contribution rate for cash benefits, now scheduled to rise to 5 percent each for employees and employers in 1973 and thereafter, would not reach 5 percent under the bill until 1987. The delay in the scheduled increases in the contribution rates for cash benefits will prevent unnecessary, large-scale increases in the cash benefits trust funds.

The contribution rates for hospital insurance would rise under the bill from 0.6 percent each for employees and employers to 0.9 percent each in 1971 and thereafter, as against rising to the 0.9 level in 1987 and thereafter as under present law. The revision in the contribution rates scheduled for hospital insurance and the increases in the contribution and benefit base to $9,000 in 1972, with automatic adjustment thereafter, will leave the hospital insurance trust fund with an actuarial balance of 0.06 percent of payroll under the bill, as against a minus balance of 0.77 percent under present law.

Under the proposed revisions in the contribution rate schedules, the combined rates for cash benefits and hospital insurance will be lower than in present law for 1971 through 1976 and will be the same as in present law for 1977 and thereafter.
The contribution rate schedules under present law and the bill are shown in the following table.

### CONTRIBUTION RATES FOR EMPLOYEES AND EMPLOYERS, EACH, UNDER PRESENT LAW AND UNDER PROPOSAL

<table>
<thead>
<tr>
<th>Year</th>
<th>Present Law</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash benefits</td>
<td>Hospital insurance</td>
</tr>
<tr>
<td>1970</td>
<td>4.20</td>
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<td>1971-72</td>
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<td>1980-81</td>
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### CONTRIBUTION RATES FOR THE SELF-EMPLOYED UNDER PRESENT LAW AND UNDER PROPOSAL

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<th>Year</th>
<th>Present Law</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>Cash benefits</td>
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</tr>
<tr>
<td>1970</td>
<td>6.30</td>
<td>0.60</td>
</tr>
<tr>
<td>1971-72</td>
<td>6.90</td>
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</tr>
<tr>
<td>1973-74</td>
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</tr>
<tr>
<td>1975</td>
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</tr>
<tr>
<td>1981-82</td>
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<td>1.00</td>
</tr>
</tbody>
</table>
SECTION-BY-SECTION ANALYSIS OF THE PROPOSED
SOCIAL SECURITY AMENDMENTS OF 1969

Section 1. Short title

This section specifies that the bill may be cited as the “Social Security Amendments of 1969”.

Section 2. Increase in old-age, survivors, and disability insurance benefits

This section provides a general benefit increase for current and future beneficiaries. Benefits are increased across the board by 10 percent, with a minimum benefit of $61 instead of the present $55. The maximum retirement benefit for a worker alone is increased from the present $218 to $250. Maximum family benefits payable for the future will range from $91.50 to $480 a month compared with the present range of $82.50 to $434.40. The general benefit increase becomes effective with benefits for March 1970 payable in April.

Section 3. Increase in special payments for certain people age 72 and over

Under this section there will be a 10-percent increase in the amounts of benefits payable to certain people age 72 and over who either have not worked at all under social security or have not worked in covered employment long enough to meet the regular insured status requirements. The increased benefits will be $44 for an individual and $66 for a couple, instead of $40 and $60 as under present law. This increase becomes effective with benefits for March 1970.

Section 4. Automatic adjustment of benefits

This section provides for automatic cost-of-living increases in social security cash benefits. The automatic increases in benefits would not be made more often than once a year.

The calculation of the increase in the cost of living would be based on the Consumer Price Index prepared by the Department of Labor. Under the first such calculation, the monthly average of the Consumer Price Index for the third calendar quarter of 1970 would be compared with the monthly average of the Consumer Price Index for the third calendar quarter of 1969. If the monthly average of the Consumer Price Index for the third calendar quarter of 1970 exceeded the monthly average of the Consumer Price Index for the third calendar quarter of 1969 by at least 3 percent, monthly benefits for people who are then and who later become entitled to benefits would be increased, effective for benefits paid for January 1971, by the percentage increase (rounded to the nearest one-tenth of 1 percent) by which the Consumer Price Index had increased. (Lump-sum death payments would be increased for deaths occurring after November 1971.)

A similar calculation would be made in each subsequent calendar year, with the monthly average of the Consumer Price Index for the third quarter of that year being compared with the average of the
Consumer Price Index for the third quarter of the most recent year that necessitated a cost-of-living increase.

The cost-of-living increases provided by this section would apply not only to individual benefits but also to the maximum family benefit amounts.

Section 5. Liberalization of the earnings test for retirement purposes

This section makes four changes in the social security retirement test. Under present law, full social security benefits are payable to a beneficiary under age 72 whose earnings do not exceed $1,680 for a year. If he has earnings of more than $1,680, $1 in benefits is withheld for each $2 between $1,680 and $2,880, but there is a dollar-for-dollar reduction for earnings above $2,880. (However, benefits are not withheld for a month if in that month the beneficiary's wages are not more than $140 or substantial services are not rendered in self-employment.)

The bill will:

(a) Increase the annual exempt amount of earnings from $1,680 to $1,800 (and the monthly earnings test from $140 to $150);

(b) Provide for reduction in benefits of $1 for each $2 of all earnings in excess of the exempt amount of $1,800;

(c) Provide for automatic upward adjustment of the annual exempt amount (and the monthly earnings test) in relation to future increases in average earnings levels;

(d) Provide that in the year a beneficiary reaches age 72 earnings beginning with the month he attains age 72 would not be considered in computing the amount of annual earnings exempt for retirement test purposes. The annual exempt amount and the $1 for $2 adjustment would apply to his earnings in the year up to the month in which he attains age 72. (Under present law, earnings after the month a beneficiary attains age 72, but in the same year, must be included in determining whether any of an individual's benefits are to be withheld for months in the year before he attained age 72.)

The changes in the retirement test would become effective generally on January 1, 1971.

Section 6. Increase in earnings counted for benefit and contribution purposes

This section provides for an increase in the contribution and benefit base—the maximum amount of annual earnings that are subject to social security contributions and creditable toward social security benefits. The base would be increased from the present $7,800 to $9,000, effective on January 1, 1972.

Section 7. Automatic adjustment of the contribution and benefit base

This section provides for automatic adjustments of the contribution and benefit base to future increases in average wage levels beginning with 1974. On or before October 1, 1972, and of each even-numbered year thereafter, the Secretary of Health, Education, and Welfare will determine and publish in the Federal Register the contribution and benefit base for the 2 calendar years beginning January 1 of the next even-numbered year. The base for a particular year is to be the product of $9,000 and the ratio of (A) the average covered wages of all persons for whom taxable wages were reported for the first calendar quarter
of the year in which the determination is being made to (B) the average covered wages of all persons for whom taxable wages were reported for the first calendar quarter of 1971. That product, if not a multiple of $600, is to be rounded to the nearest multiple of $600. If the base so determined is smaller than the base already in effect, the base that is in effect will continue in effect for 2 more years. The section also provides formula for determining benefit amounts and maximum family benefits for average monthly earnings above $750 ($9,000 a year).

Section 8. Changes in contribution rate

Under this section, the contribution rates for both the cash benefits and the hospital insurance parts of the program will be revised. The contribution rate schedules under present law and under the bill are shown in the following tables.

CONTRIBUTION RATES FOR EMPLOYEES AND EMPLOYERS, EACH, UNDER PRESENT LAW AND UNDER THE BILL

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CONTRIBUTION RATES FOR THE SELF-EMPLOYED UNDER PRESENT LAW AND UNDER THE BILL

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Section 9. Age 62 computation point for men

This section provides that the ending point of the period that is used to determine insured status for men and the ending point of the period that is used to determine the number of years over which a man's average monthly earnings must be calculated, will be the beginning of the year in which he reaches age 62, instead of age 65 as is provided under present law. The ending point for men would thus be the same as it is for women under present law. One effect of the proposed change is that a man's average monthly earnings in retirement cases could be figured over 3 fewer years than they are under present law.
law, resulting in most cases in higher average monthly earnings for him and thus higher benefits for him and his family.

The change is effective with benefits for January 1971, and will be applicable both to people already on the benefit rolls and to those who will come on in the future.

Section 10. Entitlement to child’s insurance benefits based on disability which began between 18 and 22

This section provides childhood disability benefits for a son or daughter of an insured deceased, disabled, or retired worker if the son or daughter became totally disabled after age 18 and before reaching age 22, and continues to be totally disabled. Under present law, a person must have been totally disabled since before age 18 to qualify for childhood disability benefits. This change would be applicable to monthly benefits for months after December 1970.

Section 11. Disability insurance trust fund

This section would increase the percentage of taxable wages appropriated to the disability insurance trust fund—now 0.95 of 1 percent of payroll—to 1.05 percent, and would increase the percentage of income from self-employment appropriated to the disability insurance trust fund—now 0.7125 of 1 percent—to 0.7875 of 1 percent, effective for 1970.

Section 12. Wage credits for members of the uniformed services

This section provides noncontributory earnings credits of $300 for each calendar quarter of military service after December 1956 and before January 1968. These credits, designed to give social security credit for wages in kind received by servicemen, would supplement credit for military service basic pay, which has been subject to contributory social security coverage since January 1, 1957. Present law provides similar noncontributory wage credits for military service after 1967 and $160-a-month noncontributory wage credits for service from September 1940 through December 1956. The new wage credits, like the previously provided noncontributory wage credits, would be financed from general revenues. The new credits would be used in computing monthly benefits for months after December 1970 and lump-sum death payments in the case of deaths after 1970.

Section 13. Parent’s insurance benefits

This section would provide for the payment of benefits to aged dependent parents of retired and disabled workers, effective for January 1971. Such benefits are now provided for dependent parents of deceased workers. The benefits for the dependent parent of a retired or disabled individual would be equal to 50 percent of that individual’s benefit, except that it would be actuarially reduced if taken before age 65. The benefit for a parent of a deceased worker would continue as in present law to be 82½ percent of the worker’s benefit if there is one parent and 75 percent each if there are two.

Section 14. Increase in widow’s insurance benefits

This section increases benefits for widows, and widowers, who came on the benefit rolls, and those who come on in the future, after age 62. For a widow becoming entitled to benefits at or after age 65, the benefit would be equal to 100 percent of the amount of her husband’s benefit
at age 65, rather than 82½ percent as under present law. For widows coming on the rolls between age 62 and 65, benefit amounts would range from the 82½ percent payable at age 62 under present law and under the bill to the 100 percent payable at age 65 under the bill. For example, the benefit amount for a widow becoming entitled to widow's benefits at age 63 would be 88⅔ percent of her husband's age 65 benefit; for a widow becoming entitled at age 64, the amount would be equal to 94⅔ percent of her husband's benefit. The increase in widow's benefits would become effective with benefits payable for January 1971.
PROPOSED SOCIAL SECURITY AMENDMENTS OF 1969

A BILL To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance program, provide for automatic benefit increases thereafter in the event of future increases in the cost of living, provide for future automatic increases in the earnings and contribution base, 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 may be cited as the “Social Security Amendments of 1969”.

TABLE OF CONTENTS

Sec. 1. Short Title.
Sec. 2. Increase in OASDI Benefits.
Sec. 3. Increase in Benefits for Certain Individuals Age 72 and Over.
Sec. 4. Automatic Adjustment of Benefits.
Sec. 5. Liberalization of Earnings Test.
Sec. 6. Increase of Earnings Counted for Benefit and Tax Purposes.
Sec. 7. Automatic Adjustment of Earnings Base.
Sec. 8. Changes in Tax Schedules.
Sec. 9. Age-62 Computation Point for Men.
Sec. 10. Entitlement to Child’s Insurance Benefits Based on Disability Which Began Between 18 and 22.
Sec. 11. Allocation to Disability Insurance Trust Fund.
Sec. 12. Wage Credits for Members of the Uniformed Services.
Sec. 13. Parent's Insurance Benefits in Case of Retired or Disabled Worker.

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Sec. 2. (a) Section 215 (a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

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<td>(Primary insurance amount under 1967 act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
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<td>Or his primary insurance amount (as determined under 1967 act) is—</td>
<td>Or his average monthly wage (as determined under subsec. (b)) is—</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
<td>And the maximum amount of benefits payable (as provided in sec. 206(a)) on the basis of his wages and self-employment income shall be—</td>
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| If an individual's primary insurance benefit (as determined under subsec. (d) is— | Or his primary insurance amount (as determined under subsec. (c) is— | Or his average monthly wage (as determined under subsec. (c) is— | The amount referred to in the preceding paragraphs of this subsection shall be— | And the maximum amount of benefits payable (as provided in sec. 206(d)) on the basis of his wages and self-employment income shall be— |
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| $25.61 | 25.00 | 73.90 | 103 | 104 | 81.70 | 121.80 |
| $25.75 | 25.48 | 75.10 | 105 | 106 | 82.70 | 124.10 |
| $26.49 | 25.92 | 76.30 | 107 | 107 | 84.90 | 126.00 |
| $26.93 | 26.40 | 77.50 | 108 | 109 | 85.30 | 128.00 |
| $27.95 | 26.94 | 78.70 | 110 | 113 | 86.60 | 129.90 |
| $27.40 | 26.09 | 79.90 | 114 | 118 | 87.30 | 131.30 |
| $28.01 | 27.60 | 81.10 | 119 | 122 | 88.30 | 134.00 |
| $28.69 | 28.25 | 82.30 | 123 | 127 | 88.80 | 135.50 |
| $29.26 | 28.68 | 83.60 | 126 | 132 | 89.00 | 138.00 |
| $29.79 | 28.68 | 84.70 | 133 | 136 | 89.20 | 138.00 |
| $30.37 | 29.30 | 85.80 | 137 | 141 | 90.50 | 138.00 |
| $30.93 | 30.92 | 87.10 | 142 | 145 | 90.90 | 138.00 |
| $31.37 | 31.90 | 88.40 | 147 | 150 | 91.80 | 138.00 |
| $32.01 | 32.60 | 89.50 | 151 | 155 | 92.80 | 138.00 |
| $32.14 | 32.20 | 91.00 | 161 | 164 | 99.90 | 148.90 |
| $33.82 | 33.40 | 93.20 | 167 | 170 | 100.90 | 149.90 |
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| $35.84 | 35.40 | 96.80 | 184 | 188 | 103.90 | 137.70 |
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| $44.95 | 44.88 | 112.40 | 240 | 244 | 115.90 | 137.70 |
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TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued
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<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
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19
Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for March 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for February 1970 on the basis of such wages and self-employment income, such total of benefits for March 1970 or any subsequent month shall not be reduced to less than the larger of—

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

(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 224(b), section 202(q), and subsection (b), (c), and (d) of this section), as in effect prior to March 1970, for each such person for such month, by 110 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 2202(k)(2)(A) was applicable in the case of any such benefits for March 1970, and ceases to apply after such months, the provisions of subparagraph (B) shall be applied, for and after the month in which section 2202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for March 1970, or".

Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "February 1970".

Section 215(c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1967 Act

(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

(2) The provision of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before March 1970, or who died before such month.

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970 and with respect to lump-sum death payments under such title in the case of deaths occurring after February 1970.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for February 1970 and became entitled to old-age insurance benefits under section 202(a) of such Act for March 1970, or he died in such month, then, for purposes of section 215(c)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(c) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as deter-
mined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 3. (a) (1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$44," and by striking out "$20" and inserting in lieu thereof "$22."

(2) Section 227(b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$44."

(b) (1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44."

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44," and by striking out "$20" and inserting in lieu thereof "$22."

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970.

AUTOMATIC ADJUSTMENT OF BENEFITS

SEC. 4. (a) Section 215 of the Social Security Act is amended by adding after subsection (h) the following new subsection:

"Cost-of-Living Increases in Benefits

"(i) (1) For purposes of this subsection—

"(A) the term 'base quarter' shall mean the period of three consecutive calendar months ending on September 30, 1969, and the period of 3 consecutive calendar months ending on September 30 of each year thereafter.

"(B) the term 'cost-of-living computation quarter' shall mean the base quarter in which the monthly average of the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, the monthly average of such Index in the later of: (i) the 3 calendar-month period ending on September 30, 1969 or (ii) the base quarter which was most recently a cost-of-living computation quarter.

"(2) (A) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall, effective for January of the next calendar year, increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228 and the primary insurance amount of each individual, specified in subparagraph (B) of this paragraph, by an amount derived by multiplying such amount of each such individual (including each such individual’s primary insurance amount or benefit amount under section 227 or 228 as previously increased under this subparagraph) by the same per centum (rounded by the nearest one-tenth of 1 per centum) as the monthly average of the Consumer Price
Index for such cost-of-living computation quarter exceeds the monthly average of such Index for the base quarter determined after the application of clauses (i) and (ii) of paragraph (1) (B). Such increased primary insurance amount shall be considered such individual's primary insurance amount for purposes of this subsection, section 202, and section 223.

(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply in the case of monthly benefits under this title for months after December of the calendar year in which occurred such cost-of-living computation quarter, based on the wages and self-employment income of an individual who became entitled to monthly benefits under section 202, 223, 227, or 228 (without regard to section 202(j)(1) or section 223(b)), or who died, in or before December of the calendar year in which occurred such cost-of-living computation quarter.

(C) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register on or before December 1 of such calendar year a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time a revision of the benefit table contained in subsection (a), as it may have been revised previously, pursuant to this subparagraph. Such revision shall be determined as follows:

(i) The amount of each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table in effect before this revision.

(ii) The amount of each line of column IV shall be increased from the amount shown in the table in effect before this revision by increasing such amount by the per centum specified in subparagraph (A) of paragraph (2), raising each such increased amount, if not a multiple of $0.10, to the next higher multiple of $0.10.

(iii) If the contribution and benefit base (as defined in section 230(b)) for the calendar year in which such benefit table is revised is lower than such base for the following calendar year, columns III, IV, and V shall be extended. The amount in the first additional line in column IV shall be the amount in the last line of such column as determined under clause (ii), plus $1.00, rounding such increased amount to the nearest multiple of $1.00. The amount of each succeeding line of column IV shall be the amount on the preceding line increased by $1.00, until the amount on the last line of such column shall be equal to 1/2 of the contribution and earnings base for the calendar year succeeding the calendar year in which such benefit table is revised, rounding such amount, if not a multiple of $1.00, to the nearest multiple of $1.00. The amount in each additional line of column III shall be determined so that the second figure in the last line of column III shall be 1/2 of the contribution and earnings base for the calendar year following the calendar year in which such benefit table is revised, and the remaining figures in column III shall be determined in consistent mathematical intervals from column IV. The second figure in the last line of column III before the extension of the column shall be increased to a figure mathematically consistent with the figures determined in accordance with the preceding sentence. The amount on each line of column V shall be increased, to the extent
necessary, so that each such amount shall be equal to 40 per centum of the second figure in the same line of column III, plus 40 per centum of the smaller of (I) such second figure or (II) the larger of $450 or 50 per centum of the largest figure in column III.

(iv) The amount on each line of column V shall be increased, if necessary, so that such amount shall be at least equal to $41 times the amount shown on the corresponding line in column IV. Any such increased amount that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10."

(b) Section 203(a) of such Act is amended by striking out the period at the end of the first sentence and inserting in lieu thereof, "or" and adding the following new paragraph:

"(4) when two or more persons are entitled (without the application of section 202(j) (1) and section 223(b)) to monthly benefits under section 202 or 223 for December in the calendar year in which occurs a cost-of-living computation quarter (as defined in section 215(i) (1)) on the basis of the wages and self-employment income of such insured individual, such total of benefits for the month immediately following shall be reduced to not less than the amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section) as in effect for December for each such person by the same per centum increase as such individual's primary insurance amount (including such amount as previously increased under section 215(i) (2)) is increased and raising each such increased amount, if not a multiple of $0.10, to the next higher multiple of $0.10."

(c) (1) Section 202(a) of such Act is amended by striking out "(as defined in section 215(a))".

(2) Section 215(f) (4) of such Act is amended by adding at the end before the period the following: "(including a primary insurance amount as increased under subsection (i) (2))

(3) Section 215(g) of such Act is amended by striking out "primary insurance amount" and inserting in lieu thereof "primary insurance amount (including a primary insurance amount as increased under subsection (i) (2))"

**LIBERALIZATION OF EARNINGS TEST**

Sec. 5. (a) (1) Paragraphs (1) and (4) (B) of section 203(f) of the Social Security Act are each amended by striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)"

(2) Paragraph (1) (A) of section 203(h) of such Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)"

(3) Paragraph (3) section 203(f) of such Act is amended to read as follows:

"(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be 50 per centum of his earnings for such in excess of the product of $150 or the exempt amount as determined under paragraph (8) multiplied by the number of months in such year. The excess earnings as derived under the pre-
ceding sentence, if not a multiple of $1, shall be reduced to the next lower multiple of $1."

(b) Subsection (f) of section 203 of such Act is amended by adding at the end thereof the following new paragraph:

"(8) (A) On or before October 1 of 1972 and of each even-numbered year thereafter, the Secretary shall determine and publish in the Federal Register the exempt amount as defined in subparagraph (b) for each month in the two taxable years which end after the calendar year following the year in which such determination is made.

"(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger:

"(i) the product of $150 and the ratio of (I) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subparagraph (A) is made for each such month of such particular taxable year to (II) the average of the taxable wages of all persons for whom wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $10, shall be rounded to the nearest multiple of $10, or

"(ii) the exempt amount for each month in the taxable year preceding such particular taxable year: except that the provisions in clause (i) shall not apply with respect to any taxable year unless the contribution and earnings base for such year is determined under section 230(b) (1)."

(c) Clause (B) of Section 203(f) (1) of the Social Security Act is amended to read as follows:

"(B) in which such individual was age 72 or over, excluding from such excess earnings the earnings of an individual in or after the month in which he was age 72 in the year in which he attained age 72, with the amount (if any) of an individual's self-employment income in such year being prorated in an equitable manner under regulations prescribed by the Secretary.".

(d) The amendments made by this section shall apply with respect to taxable years ending after December 1970.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

Sec. 6. (a) (1) (A) Section 209(a) (5) of the Social Security Act is amended by inserting "and prior to 1972" after "1967".

(B) Section 209(a) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(6) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $9,000 with respect to employment has been paid to an individual during any calendar year after 1971 and prior to 1974, is paid to such individual during such calendar year;

"(7) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to the contribution and earnings base (determined under section 230) with respect to employment paid to an individual during the calendar year with respect to which such contribution and earnings base was effective, is paid to such individual during such calendar year;"
(2) (A) Section 211(b)(1)(E) of such Act is amended by inserting “and prior to 1972” after “1967”, by striking out “; or” and inserting in lieu thereof “; and”.

(B) Section 211(b)(1) of such Act is further amended by adding at the end thereof the following new subparagraphs:

“(F) For any taxable year ending after 1971 and prior to 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

“(G) For any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230) effective for such calendar year, minus (ii) the amount of the wages to such individual during such taxable year; or”.

(3) (A) Section 213(a)(2)(ii) of such Act is amended by striking out “after 1967” and inserting in lieu thereof “after 1967 and before 1972, or $9,000 in the case of a calendar year after 1971 and before 1974, or an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year with respect to which such contribution and earnings base was effective”.

(B) Section 213(a)(2)(iii) of such Act is amended by striking out “after 1967” and inserting in lieu thereof “after 1967 and prior to 1972, or $9,000 in the case of a taxable year ending after 1971 and prior to 1974 or the amount equal to the contribution and earnings base, (as determined under section 230) in the case of any taxable year ending in any calendar year after 1973, effective for such calendar year”.

(4) Section 215(e)(1) of such Act is amended by striking out “and the excess over $7,800 in the case of any calendar year after 1967” and inserting in lieu thereof “the excess over $7,800 in the case of any calendar year after 1967 and before 1972, the excess over $9,000 in the case of any calendar year after 1971 and before 1974, and the excess over an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year after 1973 with respect to which such contribution and earnings base was effective”.

(b) (1) (A) Section 1402(b)(1)(E) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting “and before 1972” after “1967”, and by striking out “; or” and inserting in lieu thereof “; and”.

(B) Section 1402(b)(1) of such Code is further amended by adding at the end thereof the following new subparagraphs:

“(F) for any taxable year ending after 1971 and before 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

“(G) for any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or”.

(2) (A) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out “$7,800” each place it appears and inserting in lieu thereof “$9,000”.

(B) Effective with remuneration paid after 1973, section 3121(a)(1) of such Code is amended by (1) striking out “$9,000” each place it appears and inserting in lieu thereof “the contribution and earnings base (as determined under section 230 of the Social Security Act)”; and (2) striking out “by an employer during any calendar year”, and in-
serting in lieu thereof “by an employer during the calendar year with respect to which such contribution and earnings base was effective”.

(3) (A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out “$7,800” and inserting in lieu thereof “$9,000”.

(B) Effective with remuneration paid after 1973, the second sentence of section 3122 of such Code is amended by striking out “$9,000” and inserting in lieu thereof “the contribution and earnings base”.

(4) (A) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out “$7,800” where it appears in subsections (a), (b), and (c) and inserting in lieu thereof “$9,000”.

(B) Effective with remuneration paid after 1973, the second sentence of section 3125 of such Code is amended by striking out “$9,000” where it appears in subsections (a), (b), and (c) and inserting in lieu thereof “the contribution and earnings base”.

(5) Section 6413(c) (1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting “and prior to the calendar year 1972” after “after the calendar year 1967”.

(B) by inserting after “exceed $7,800” the following: “or (E) during any calendar year after the calendar year 1971 and prior to the calendar year 1974, the wages received by him during such year exceed $9,000, or (F) during any calendar year after 1973, the wages received by him during such year exceed the contribution and earnings base (as determined under section 230 of the Social Security Act) effective with respect to such year,” and

(C) by inserting before the period at the end thereof the following: “and before 1972, or which exceeds the tax with respect to the first $9,000 of such wages received in such calendar year after 1971 and before 1974, or which exceeds the tax with respect to the first amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) of such wages received in the calendar year after 1973 with respect to which such contribution and earnings base was effective”.

(6) Section 6413(c) (2) (A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by—

(A) striking out “or $7,800 for any calendar year after 1967” and inserting in lieu thereof “$7,800 for the calendar year 1968, 1969, 1970 and 1971, or $9,000 for the calendar year 1972 or 1973, or an amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) for any calendar year after 1973 with respect to which such contribution and earnings base was effective”.

(c) The amendments made by subsections (a)(1) and (a)(3)(A), and the amendments made by subsection (b) (except paragraph (1) thereof), shall apply only with respect to remuneration paid after December 1971. The amendments made by subsections (a)(2), (a)(3)(B), and (b)(1) shall apply only with respect to taxable years ending after 1971. The amendment made by subsection (a)(4) shall apply only with respect to calendar years after 1971.

AUTOMATIC ADJUSTMENT OF EARNINGS BASE

Sec. 7. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:
"AUTOMATIC ADJUSTMENT OF EARNINGS BASE"

"Sec. 230. (a) On or before October 1 of 1972, and each even-numbered year thereafter, the Secretary shall determine and publish in the Federal Register the contribution and earnings base (as defined in subsection (b)) for the two calendar years succeeding the calendar year following the year in which the determination is made.

(b) The contribution and earnings base for a particular calendar year shall be whichever of the following is the larger.

(1) the product of $9,000 and the ratio of (A) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subsection (a) is made for such particular calendar year to (B) the average of the taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $600, shall be rounded to the nearest multiple of $600, or

(2) the contribution and earnings base for the calendar year preceding such particular calendar year."

(b) That part of section 215(a) of the Social Security Act which precedes the table is amended by striking out "or" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof "or the amount equal to his primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (5); or", and by inserting after paragraph (4) the following:

(5) If such insured individual's average monthly wage (as determined under subsection (b)) exceeds $750, the amount equal to the sum of (A) $54.48 and (B) 28.47 per centum of such average monthly wage; such sum, if it is not a multiple of $1, shall be rounded to the nearest multiple of $1."

(c) So much of section 203(a) as precedes paragraph (2) is amended to read as follows:

"Sec. 203(a) Whenever the total of monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an insured individual exceeds the larger of: (I) the amount appearing in column V of the table in section 215(a) on the line on which appears in column IV such insured individual's primary insurance amount, and (II) the amount which is equal to the sum of $180.00 and 40 per centum of the highest average monthly wage (as determined under section 215(b)), which will produce the primary insurance amount of such individual (as determined under section 215(a)(5)), such total of monthly benefits to which such individuals are entitled shall be reduced to the larger amount determined under (I) or (II) above, whichever is applicable; except that—

(1) when any 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 benefits shall not be reduced to less than the larger of:

(A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, but not more than the last
figure in column V of the table appearing in section 215(a), and
"(B) the amount determined under clause (II) for the highest primary insurance amount of any such insured individual (if such primary insurance amount is determined under section 215(a)(15))."

(d) (1) Section 201(c) of the Social Security Act is amended by inserting before the last sentence the following sentence:
"The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated income in relationship to the estimated outgo of the Trust Funds during such year."

(2) Section 1817(b) of such Act is amended by inserting before the last sentence the following sentence:
"The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated income in relationship to the estimated outgo of the Trust Fund during such year."

(e) The amendments made by subsections (b) and (c) shall apply with respect to monthly benefits for months after December 1973 and with respect to lump-sum death payments under such title in the case of deaths occurring after 1973.

CHANGES IN TAX SCHEDULES

Sec. 8. (a) (1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:
"(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1975, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;
"(2) in the case of any taxable year beginning after December 31, 1974, and before January 1, 1977, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and
"(3) in the case of any taxable year beginning after December 31, 1976, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:
"(1) with respect to wages received during the calendar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;
"(2) with respect to wages received during the calendar years 1975 and 1976, the rate shall be 4.6 percent;
"(3) with respect to wages received during the calendar years 1977, 1978, and 1979, the rate shall be 4.8 percent;
“(4) with respect to wages received during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and
“(5) with respect to wages received after December 31, 1986, the rate shall be 5.0 percent.”

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:
“(1) with respect to wages paid during the calendar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;  
“(2) with respect to wages paid during the calendar years 1975 and 1976, the rate shall be 4.6 percent;  
“(3) with respect to wages paid during the calendar years 1977, 1978, and 1979, the rate shall be 4.8 percent;  
“(4) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and  
“(5) with respect to wages paid after December 31, 1980, the rate shall be 5.0 percent.”

(b) (1) Section 1401(b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:
“(1) in the case of any taxable year beginning after December 31, 1960, and before January 1, 1971, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year; and
“(2) in the case of any taxable year beginning after December 31, 1970, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year.”

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:
“(1) with respect to wages received during the calendar year 1970, the rate shall be 0.60 percent; and
“(2) with respect to wages received after December 31, 1970, the rate shall be 0.90 percent.”

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:
“(1) with respect to wages paid during the calendar year 1970, the rate shall be 0.60 percent; and
“(2) with respect to wages paid after December 31, 1970, the rate shall be 0.90 percent.”

(c) The amendments made by subsections (a) (1) and (b) (1) shall apply only with respect to taxable years beginning after December 31, 1969. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1969.
AGE-62 COMPUTATION POINT FOR MEN

SEC. 9. (a) Section 214(a)(1) of the Social Security Act is amended by striking out "before—" and by striking out all of subparagraphs (A), (B), and (C) and by inserting in lieu thereof "before the year in which he died or (if earlier) the year in which he attained age 62."

(b) Section 215(b)(3) of such Act is amended by striking out "before—" and all of subparagraphs (A), (B), and (C) and by inserting in lieu thereof "before the year in which he died or, if it occurred earlier but after 1960, the year in which he attained age 62."

(c) Section 215(f) of such Act is amended by striking out paragraph (5) and inserting in lieu thereof the following:

"(5) In the case of an individual who is entitled to monthly benefits for a month after December 1970, on the basis of the wages and self-employment income of an insured individual who prior to January 1971 became entitled to benefits under section 202(a), became entitled to benefits under section 223 after the year in which he attained age 62, or died in a year after the year in which he attained age 62, the Secretary shall, notwithstanding paragraphs (1) and (2), recompute the primary insurance amount of such insured individual. Such recomputation shall be made under whichever of the following alternative computation methods yields the higher primary insurance amount:

"(A) the computation methods of this section, as amended by the Social Security Amendments of 1969, which would be applicable in the case of an insured individual who attained age 62 after December 1970, or

"(B) under the provisions in subparagraph (A) (but without regard to the limitation, "but after 1960" contained in paragraph (3) of subsection (b)), except that for any such recomputation, when the number of an individual's benefit computation years is less than 5, his average monthly wage shall, if it is in excess of $400, be reduced to such amount."

(d) Section 223(a)(2) of such Act is amended by—

(1) striking out "(if a woman) or age 65 (if a man)",

(2) striking out "in the case of a woman" and inserting in lieu thereof "in the case of an individual", and

(3) striking out "she" and inserting in lieu thereof "he".

(e) Section 223(c)(1)(A) is amended by striking out "(if a woman) or age 65 (if a man)".

(f) The amendments made by the preceding subsections of this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1970 and with respect to lump-sum death payments made in the case of an insured individual who died after such month.

(g) Sections 209(i), 216(i)(3)(A), and 213(a)(2) of the Social Security Act are amended by striking out "(if a woman) or age 65 (if a man)".

ENTITLEMENT TO CHILD'S INSURANCE BENEFITS BASED ON DISABILITY WHICH BEGAN BETWEEN 18 AND 22

SEC. 10. (a) Clause (ii) of section 202(d)(1)(B) of the Social Security Act is amended by striking out "which began before he attained the age of 18" and inserting in lieu thereof "which began before he attained the age of 22".
(b) Subparagraphs (F) and (G) of section 202(d) (1) of such Act are amended to read as follows:

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22, but only if he was not under a disability (as so defined) in such earlier month; or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at or prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22, but only if he was not under a disability (as so defined) in such earlier month."

(c) Section 202(d) (1) of such Act is further amended by adding at the end thereof the following new sentence: "No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223(d) except for paragraph (1) (B) thereof for any month in which he engages in substantial gainful activity."

(d) Paragraph (6) of section 202(d) is amended by striking out "in which he is a full-time student and has not attained the age of 22" and all that follows and inserting in lieu thereof "in which he—

"(A) (i) is a full-time student or (ii) is under a disability (as defined in section 223(d)), and

"(B) had not attained the age of 22, but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

"(C) the first month in which an event specified in paragraph (1)(D) occurs; or

"(D) the earlier of (i) the first month during no part of which he is a full-time student or (ii) the month in which he attains the age of 22, but only if he is not under a disability (as so defined) in such earlier month; or

"(E) if he was under a disability (as so defined), the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

(e) Section 202(s) of such Act is amended—

(1) by striking out "before he attained such age" in paragraph (1) and inserting in lieu thereof "before he attained the age of 22"; and

(2) by striking out "before such child attained the age of 18" in paragraphs (2) and (3) and inserting in lieu thereof "before such child attained the age of 22".
(f) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under section 202 of the Social Security Act for months after December 1970, except that in the case of an individual who was not entitled to a monthly benefit under such section for December 1970, such amendments shall apply only on the basis of an application filed after September 30, 1970.

**Allocation to Disability Insurance Trust Fund**

**Sec. 11.** (a) Section 201(b)(1) of the Social Security Act is amended by—

1. Striking out "and" at the end of clause (B);
2. Striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.05 per centum of the wages (as so defined) paid after December 31, 1969, and so reported;"

(b) Section 201(b)(2) of such Act is amended by—

1. Striking out "and" at the end of clause (B);
2. Striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.7875 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969.

**Wage Credits for Members of the Uniformed Services**

**Sec. 12.** (a) Subsection 229(a) of such Act is amended by—

2. Striking out "after 1967" and inserting in lieu thereof "after 1956"; and
3. Striking out all of paragraphs (1), (2), and (3), and inserting in lieu thereof "$300".

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1970, and with respect to lump-sum death payments in the case of deaths occurring after December 1970, except that, in the case of any individual who is entitled, on the basis of the wages and self-employment income of any individual to whom section 229 applies, to monthly benefits under title II of such Act for December 1970, such amendments shall apply (A) only if an application for recomputation by reason of such amendments is filed by such individual, or any other individual, entitled to benefits under such title II on the basis of such wages and self-employment income, and (B) only with respect to such benefits for months after whichever of the following is later: December 1970 or the twelfth month before the month in which such application was filed. Recomputations of benefits as required to carry out the provisions of this paragraph shall be made notwithstanding the provisions of section 215(f)(1) of the Social Security Act; but no such recomputation shall be regarded as a recomputation for purposes of section 215(f) of such Act.

**Parent's Insurance Benefits in Case of Retired or Disabled Worker**

**Sec. 13.** (a) Paragraphs (1) and (2) of section 202(h) of the Social Security Act are amended to read as follows:
“(1) Every parent (as defined in this subsection) of an individual entitled to old-age or disability insurance benefits, or of an individual who died a fully insured individual, if such parent—

“(A) has attained age 62,

“(B) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual—

“(i) if such individual is entitled to old-age or disability insurance benefits, at the time he became entitled to such benefits,

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

“(iii) if such individual had a period of disability which continued until he became entitled to old-age or disability insurance benefits, or (if he had died) until the month of his death, at the beginning of such period of disability, and has filed proof of such support within two years after the month in which such individual filed application with respect to such period of disability, became entitled to such benefits, or died, as the case may be,

“(C) is not entitled to old-age or disability insurance benefits, or is entitled to such benefits, each of which is (i) less than 50 percent of the primary insurance amount of such individual if such individual is entitled to old-age or disability insurance benefits, or (ii) less than 82 1/2 percent of the primary insurance amount of such individual if such individual is deceased, and if the amount of the parent’s insurance benefit for such month is determinable under paragraph (2) (A) (or 75 percent of such primary insurance amount in any other case),

“(D) has not married since the time with respect to which the Secretary determines, under subparagraph (B) of this paragraph, that such parent was receiving at least one-half of his support from such 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 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—

“(F) such parent dies or marries, or

“(G) (i) if such individual is entitled to old-age or disability insurance benefits, such parent becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or (ii) if such individual has died, such parent becomes entitled to an old-age or disability insurance benefit which is equal to or exceeds 82 1/2 percent of the primary insurance amount of such deceased individual if the amount of the parent’s insurance benefit for such month is determinable under paragraph (2) (A) (or 75 percent of such primary insurance amount in any other case), or

“(H) such individual, if living, is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

“(2) (A) Except as provided in subparagraphs (B) and (C), such parent’s insurance benefit for each month shall be equal to—
(i) if the individual on the basis of whose wages and self-employment income the parent is entitled to such benefit has not died prior to the end of such month, one-half of the primary insurance amount of such individual for such month, or

(ii) if such individual has died in or prior to such month, 82½ percent of the primary insurance amount of such deceased individual;

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

(C) In any case in which—

(i) any parent is entitled to a parent's insurance benefit for a month on the basis of the wages and self-employment income of an individual who died in or prior to such month, and

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

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

(b) Section 202(q) of such Act is amended by—

(1) inserting in paragraph (1) after "husband's," the following: "parent's," and by striking out in such paragraph (1) "or husband's" and inserting in lieu thereof "husband's, or parent's";

(2) inserting in paragraph (3) after "husband's," wherever it appears the following: "parent's" and by striking out in such paragraph (3) "or husband's" wherever it appears and inserting in lieu thereof "husband's, or parent's";

(3) inserting in paragraph (6) after "husband's," wherever it appears the following: "parent's," and by striking out in such paragraph (6) "or husband's" wherever it appears and inserting in lieu thereof "husband's, or parent's";

(4) inserting in paragraph (7) after "husband's," the following: "parent's," and by striking out "or husband's" and inserting in lieu thereof "husband's, or parent's"; and

(5) adding at the end thereof the following new paragraph:

(10) For purposes of this subsection, "parent's insurance benefits" means benefits payable under this section to a parent on the basis of the wages and self-employment income of an individual entitled to old-age insurance benefits or disability insurance benefits.

(c) Section 202(r) of such Act is amended—

(1) by striking out "or Husband's" in the heading and inserting in lieu thereof, "Husband's, or Parent's"; and
(2) by striking out "or husband's" each time it appears in paragraphs (1) and (2) and inserting in lieu thereof, "husband's, or parent's".

d) Section 203(d) (1) of such Act is amended by striking out "or child's" wherever it appears and inserting in lieu thereof "child's, or parent's" and by striking out "or child" and inserting in lieu thereof "child, or parent".

e) Subparagraph (C) of section 202(q) (7) of such Act is amended—

(1) by striking out "wife's or husband's insurance benefits" and inserting in lieu thereof "wife's, husband's, or parent's insurance benefits"; and

(2) by striking out "the spouse" and inserting in lieu thereof "the individual".

(f) Section 222(b) (3) of such Act is amended—

(1) by striking out "husband's, or child's" wherever it appears and inserting in lieu thereof "husband's, parent's, or child's", and

(2) by striking out "husband, or child" and inserting in lieu thereof "husband, parent, or child".

(g) Where—

(1) one or more persons were entitled (without the application of section 202(j) (1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for December 1970 on the basis of the wages and self-employment income of an individual, and

(2) one or more persons are entitled to monthly benefits for January 1971 solely by reason of this section on the basis of such wages and self-employment income, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment income for January 1971 is reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced), then the amount of the benefit to which each person referred to in paragraph (1) of the subsection is entitled for months after December 1970 shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph (2).

(h) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under Section 202 of the Social Security Act for months after December 1970 and only on the basis of an application filed after September 30, 1970.

(i) The requirement in section 202(h) (1) (B) of the Social Security Act that proof of support be filed within two years after a specified date in order to establish eligibility for parent's insurance benefits shall, insofar as such requirement applies to cases where applications under such subsection are filed by parents on the basis of the wages and self-employment income of an individual entitled to old-age or disability insurance benefits, not apply if such proof of support is filed within two years after the date of enactment of this Act.

INCREASED WIDOW'S AND WIDOWER'S INSURANCE BENEFITS

SEC. 14. (a) Subsection (e) of section 202 of the Social Security Act is amended as follows:
(1) Paragraphs (1) and (2) of such subsection are amended by striking out "82 1/2 per cent of" wherever it appears.

(2) Paragraph (5) of such subsection is amended by striking out "60" and inserting in lieu thereof "65."

(b) Subsection (f) of section 202 of such Act is amended as follows:

(1) Paragraphs (1) and (3) of such subsection are amended by striking out "82 1/2 percent of" wherever it appears.

(2) Paragraph (6) of such subsection is amended by striking out "62" and inserting in lieu thereof "65."

(c) (1) The last sentence of subsection (c) of section 203 of such Act is amended by striking out all that follows the semicolon and inserting in lieu thereof the following: "nor shall any deduction be made under this subsection from any widow’s insurance benefit for any month in which the widow or surviving divorced wife is entitled and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or from any widower’s insurance benefit for any month in which the widower is entitled and has not attained age 65 (but only if he became so entitled prior to attaining age 62)."

(2) Subparagraph (D) of section 203(f)(1) of such Act is amended to read as follows:

"(D) for which individual is entitled to widow’s insurance benefits and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or widower’s insurance benefits and has not attained age 65 (but only if he became so entitled prior to attaining age 62), or"

(d) Subsection (q) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) That part of paragraph (1) of such subsection which precedes subparagraph (C) is amended to read as follows:

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

"(A) for each month of such entitlement within the 36-month period immediately preceding the month in which such individual attains retirement age, by

"(i) 5/9 of 1 percent of such amount if such benefit is an old-age insurance benefit, 25/36 of 1 percent of such amount if such benefit is a wife’s, husband’s, or parent’s insurance benefit, or 35/72 of 1 percent of such amount if such benefit is a widow’s or widower’s insurance benefit, multiplied by

"(ii) the number of such months in (I) the reduction period for such benefit (determined under paragraph (6) (A)), if such benefit is for a month before the month in which such individual attains retirement age, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter, and—

"(B) for each month of the 24-month period for which a widow, or widower, is entitled to a widow’s or widower’s insurance benefit immediately preceding the month in which such individual attains age 62, the amount of such individual’s widow’s
or widower’s benefit as reduced under subparagraph (A) shall be further reduced by—

“(i) % of 1 percent of such reduced benefit, multiplied by

“(ii) the number of such months in (I) the reduction period for such benefit, if such benefit is for a month before the month in which such individual attains age 62, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter.

“A widow’s or widower’s insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—”

(2) Paragraph (2) of such subsection is amended by striking out “paragraphs (1) and (4)” and inserting in lieu thereof “paragraphs (1), (3), and (4)”.

(3) Paragraph (3) of such subsection is amended by—

(A) striking out subparagraph (F), and

(B) redesignating subparagraph (G) as subparagraph (F), striking out of such subparagraph “(when such first month occurs before the month in which such individual attains the age of 62)”, and striking out “age 62” and inserting in lieu thereof “age 65”.

(4) Paragraph (9) of such subsection is amended to read as follows:

“(9) For purposes of this subsection, the term ‘retirement age’ means age 65.”.

(e) Subsection (r) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) by striking out “Husband’s, or Parent’s” in the heading and inserting in lieu thereof “Husband’s, Parent’s, Widow’s, or Widower’s”; and

(2) by striking out “husband’s, or parent’s” each time it appears in paragraphs (1) and (2) and inserting in lieu thereof “husband’s, parent’s, widows, or widower’s.”.

(f) In the case of an individual who is entitled (without the application of section 202(j)(1) and 223(b)) to widow’s or widower’s insurance benefits for the month of December 1970, if such individual’s entitlement to such benefits began with a month after the month he attained age 62, the Secretary shall redetermine the amount of such benefits under the provisions of this section as if these provisions had been in effect for the first month of such individual’s entitlement to such benefits.

(g) The amendments made by this section shall be effective for monthly benefits for months after December 1970.
COST ESTIMATES

September 25, 1969.

Memorandum.
To: Mr. Robert M. Ball, Commissioner of Social Security.
From: Robert J. Myers, Chief Actuary.
Subject: Summary results of new cost estimates for present OASDI and HI systems and for President’s proposal.

This memorandum will summarize the results of the new cost estimates for the old-age, survivors, and disability insurance system that have just now been completed. At the same time, it is essential that the current actuarial situation of the Hospital Insurance system should be considered simultaneously. Although the revision of the HI cost estimates has not yet been completed, preliminary estimates have been made, and these should be close to the final results that will be produced subsequently. Information will also be presented as to the cost aspects of the proposal just made by President Nixon.

It will be recalled that the cost estimates for the OASDI system which were contained in the 1969 Trustees Report showed a positive long-range actuarial balance (that is, a financial surplus) of 53 percent of taxable payroll. The new cost estimates show that this positive balance is increased to 1.16 percent of taxable payroll. The principal reasons for this change, and the amount that each contributes to the increase of .63 percent of taxable payroll in the financial surplus, are as follows:

1. The use of a higher earnings-level assumption (namely, 1969 earnings as against 1968 earnings)—.22 percent of taxable payroll.
2. The use of a higher interest-rate assumption (namely, 43/4 percent as against 41/4 percent)—.11 percent of taxable payroll.
3. The use of higher labor-force participation rates for both men and women (based on recent actual experience), which, because of the weighted benefit formula and the provision preventing, in essence, receipt of benefits on more than one earnings record, results in a greater increase in estimated income than in estimated outgo—.23 percent of taxable payroll.
4. Update of other factors—.07 percent of taxable payroll.

Now, turning to the cost estimates for the HI system, it will be recalled that the estimates contained in the 1969 Trustees Report showed a negative long-range actuarial balance (that is, a financial deficit) of .29 percent of taxable payroll. The preliminary new cost estimates show that this negative balance has become larger—namely, —.77 percent of taxable payroll. The principal reasons for this change are as follows:

1. The use of higher hospital utilization rates as the initial 1969 base and the introduction of an assumption that these rates will increase gradually over the next decade (at an average annual rate of about 1 percent), both of which assumptions are
based on an extensive analysis of recent operating experience.

(2) The use of higher assumed increases in hospital per diem costs than previously assumed (namely, 15 percent for 1969, 14 percent for 1970, 13 percent for 1971, grading down to 4 percent after 1977, as compared with the previous assumption of 12 percent for 1969, 9 percent for 1970, 7 1/2 percent for 1971, grading down to 3 1/2 percent after 1974), which assumption is based on analysis and projection of recent operating and other experience.

Offsetting slightly the foregoing increased-cost assumptions for the HI cost estimates are several other changed assumptions, including the following:

(1) The use of a higher interest rate (namely, 5 percent as against 4 1/2 percent).

(2) A reduction in the estimated cost of the extended care facility benefits (since the previous estimate seems to have included the assumption of too rapid an increase in the utilization of such benefits).

(3) As in the OASDI estimates, higher labor-force participation rates and a higher initial payroll-tax base and higher assumed increases in future earnings levels (for example, ultimately, 4 percent per year as against 3 1/2 percent used previously).

Finally, I might point out that an increase in the taxable earnings base from the present $7,800 per year would have a favorable effect on the financing of both the OASDI and HI systems. For example, a change to $9,000 would increase the positive actuarial balance of the OASDI system by .23 percent of taxable payroll and would decrease the negative actuarial balance of the HI system of .17 percent of taxable payroll.

President Nixon has proposed that the benefit provisions of the OASDI system should be changed in the following manner:

(1) An across-the-board benefit increase of 10 percent.

(2) A modification of the retirement test, so that the annual exempt amount would be increased from $1,680 to $1,800, and the "$1 for $2" reduction would apply to all earnings in excess of the annual exempt amount (instead of only to the first $1,200 above the normal exempt amount, as in present law).

(3) Payment of dependent parent's benefits with respect to old-age beneficiaries and disability beneficiaries.

(4) Increase from age 18 to age 22 the limit before which adult children must have been disabled in order to receive child's benefits.

(5) Modify the retirement test as it applies to the year of attainment of age 72, so that earnings in and after the month of attainment are not counted against the annual test.

(6) Have an age-62 computation point for men, instead of age 65 (that is, having the same point for men that women have under present law).

(7) Pay widow's benefits of 100 percent of the PIA when first payable at or after age 65, graded down to 82 1/2 percent when first claimed at age 62.
(8) Increase in the taxable earnings base from $7,800 to $9,000, effective for 1972; thereafter, automatic adjustment of the earnings base in accordance with changes in the level of wages in covered employment.

(9) Automatic adjustment of the OASDI benefits in accordance with changes in the cost of living and automatic adjustment of the annual exempt amount of the retirement test in accordance with changes in the level of wages in covered employment; insofar as the OASDI system is concerned, the cost of these benefit changes would be financed by the automatic adjustment of the earnings base, while insofar as the HI system is concerned, the additional financing due to the automatic adjustment of the earnings base would have a significant effect on its actuarial status.

(10) Changes in the contribution schedules, as shown in table 1.

Under the President's proposal, the long-range actuarial balance of the OASDI system is estimated to be -.09 percent of taxable payroll, while the corresponding figure for the HI program is +.06 percent of taxable payroll. Both of these relatively small balances are within the limits generally acceptable, and so the proposal is in actuarial balance.

Table 2 shows the progress of the combined OASI and DI trust funds and of the HI trust fund for fiscal years 1970–73 under present law. Table 3 gives similar data for the President's proposal.

ROBERT J. MYERS.

### Table 1: Comparison of Present and Proposed Contribution Schedules

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<td>1980-86</td>
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<td>1987 and after</td>
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</table>
TABLE 2.—ESTIMATED SHORT-RANGE PROGRESS OF TRUST FUNDS UNDER PRESENT LAW

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Contribution income</th>
<th>Other income 1</th>
<th>Benefit outgo</th>
<th>Other outgo 2</th>
<th>Net income</th>
<th>Fund at end of year</th>
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<tbody>
<tr>
<td>OASDI trust funds:</td>
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<td></td>
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<tr>
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<td>8.5</td>
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</table>

1 Interest income, payments from general fund for noninsured persons and military service wage credits, and (for HI) payments from railroad retirement system.

2 Administrative expenses and (for OASDI) payments to railroad retirement system.

TABLE 3.—ESTIMATED SHORT-RANGE PROGRESS OF TRUST FUNDS UNDER PROPOSAL

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Contribution income</th>
<th>Other income 1</th>
<th>Benefit outgo</th>
<th>Other outgo 2</th>
<th>Net income</th>
<th>Fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>OASDI trust funds:</td>
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<td></td>
<td></td>
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<tr>
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<td>50.6</td>
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<tr>
<td>HI trust fund:</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>1970</td>
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<td>0.8</td>
<td>5.2</td>
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<tr>
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<tr>
<td>1973</td>
<td>8.6</td>
<td>1.0</td>
<td>8.5</td>
<td>1.1</td>
<td>-1.0</td>
<td>5.2</td>
</tr>
</tbody>
</table>

1 Interest income, payments from general fund for noninsured persons and military service wage credits, and (for HI) payments from railroad retirement system.

2 Administrative expenses and (for OASDI) payments to railroad retirement system.
Explanation of the Bill

STATEMENT OF SECRETARY OF HEALTH, EDUCATION, AND WELFARE
ROBERT H. FINCH IN EXPLANATION OF THE PROPOSED FAMILY ASSISTANCE ACT OF 1969

The family assistance plan is a revolutionary effort to reform a welfare system in crisis. With this program and the administration's proposed food stamp plan, the Federal Government launches a new strategy—an income strategy—to deal with our most critical domestic problems. For those among the poor who can become self-supporting, this strategy offers an avenue to greater income through expanded work incentives, training, and employment opportunities. For those who cannot work, there is a more adequate level of Federal support.

If the family assistance and food stamp proposals are enacted, we will have reduced the poverty gap in this country by some 59 percent. In other words, these two programs taken together will cut by almost 60 percent the difference between the total income of all poor Americans and the total amount they would have to earn in order to rise out of poverty. In one particular category of the poor, that of couples over 65 years of age, the family assistance plan will in fact raise recipients' incomes above the poverty line altogether. This income strategy includes an administration proposal for a 10-percent increase in social security benefits, coupled with an automatic cost of living escalator. This is a real war on poverty and not just a skirmish.

I. THE FAILURE OF WELFARE

In August 8 the President addressed the Nation and called the present welfare system a failure. He said:

"Whether measured by the anguish of the poor themselves, or by the drastically mounting burden on the taxpayer, the present welfare system has to be judged a colossal failure. *

* What began on a small scale in the depression 1930's has become a huge monster in the prosperous 1960's. And the tragedy is not only that it is bringing States and cities to the brink of financial disaster, but also that it is failing to meet the elementary human, social, and financial needs of the poor."

The failure of the system is most evident in the recent increases in welfare costs and caseloads. In this decade alone, total costs for the four federally aided welfare programs have more than doubled, to a level now of about $6 billion.

In the aid for families with dependent children program (AFDC), costs have more than tripled since 1960 (to about $4 billion at the present time) and the number of recipients has more than doubled (to some 6.2 million persons). Even more disturbing is the fact that the proportion of persons on AFDC is growing. In the 15 years since 1955, the proportion of children receiving assistance has doubled—from 30 children per 1,000 to about 60 per 1,000 at present.
Prospects for the future show no likelihood for relief from the present upward spiral. By conservative estimates, AFDC costs will double again by fiscal year 1975, and caseloads will increase by 50 to 60 percent. Yet, the great irony is that despite these crushing costs, benefits remain below adequate levels in most States.

Moreover, the present AFDC program is built to fail. It embodies a set of inequities which help to cause its own destruction. First, it is characterized by unjustifiable discrepancies as between regions of the country. With no national standards for benefit levels and eligibility practices, AFDC payments now vary from an average of $39 per month for a family of four in Mississippi to $263 for such a family in New Jersey.

Second, it is inequitable in its treatment of male-headed families as opposed to those headed by a female. In no State is a male-headed family, where the mother is also in the home and the father is working full time for poverty wages, eligible for AFDC. In half the States, even families headed by unemployed males are still not eligible under the AFDC–UF program. On the other hand, families in poverty headed by women working full or part time are almost universally covered. The result of this unfortunate discrimination is the creation of a powerful economic incentive for the father to leave home so that the State may better support his family than he can. For example, if a father employed full time in a low wage job is able to earn only $2,000 per year, and welfare in the State would pay a fatherless family $3,000 per year, his wife and children are financially 50 percent better off if he leaves home. And this financial incentive has taken its toll. In 1940, only 30 percent of the families on AFDC had absent fathers, but today the figure stands at over 70 percent.

Third, AFDC imposes inequities between those who work and those who do not. Because families in poverty headed by working men are not covered, it is easily possible for such a working family to be less well off than the welfare family. And what could be more debilitating to the motivation to work to see the opportunity for one's family to be better off on welfare? Moreover, the present system further undercuts the incentive to work by reducing welfare payments too rapidly and by too much as the head of the household begins to work.

II. THE FAMILY ASSISTANCE PLAN

This administration began its formal inquiries into welfare reform even before the inauguration. From the report of the transition task force on welfare to the present time, a number of reform proposals have been considered. The final result reflects the best efforts of many different people in and out of government and in different Federal agencies.

This analysis led us to the conclusion that revolutionary structural reform in the system is required. The first priority of the family assistance plan has been to remove, or at least minimize the inequities of present welfare policies. It is designed to strengthen family life and incentives for employment. This strategy may not pay off immediately, but unless this investment is made now, fundamental reform will be even more expensive in the future.

The family assistance plan provides fiscal relief for hard-pressed States and at the same time raises benefit levels for recipients in those
areas where they are lowest. Of the $2.9 billion made available in new funds under the plan for benefits to families and to aged, blind and disabled adults, an estimated $700 million will have the effect of providing fiscal relief for the States and about $300 million will be for benefit increases for present recipients. But these goals, it must be said, cannot be our first priority at the present time. There are others who would invest more of our available resources in benefit increases or in a federalization of the program designed to provide maximum fiscal relief to the States. These are not easy priorities to weigh and balance, but we have concluded that—while those other approaches might be politically more popular in many respects—they only pour more Federal money into a system doomed to failure. The system must be changed, not just its payment levels or the division of labor between the Federal and State governments within it.

The technical operation of the family assistance plan is described in the attached summary. This memorandum will review its major purposes.

First, it combines powerful work requirements and work incentives for employable recipients. By including the working poor—families in poverty headed by men working full time—the new plan much reduces and in many cases eliminates the inequity of treatment between those who work and those who do not. Second, by making it possible for a family to earn $60 per month without any reduction of benefits, a recipient will have a strong financial incentive to enter employment and will be able to recoup his expenses of going to work without a drop in total income. Third, the program includes a strong work requirement: those able-bodied persons who refuse a training or suitable job opportunity lose their benefits. For this reason, the program is not a guaranteed annual income. It does not guarantee benefits to persons regardless of their attitudes; its support is reserved to those who are willing to support themselves. The work requirement is made effective by a new obligation of work registration. In order to be eligible for benefits, applicants must first register with their employment service office so that training and job opportunities can be efficiently communicated to them. Mothers with children under 6 are, however, exempted from this requirement of work and work registration and may elect to stay at home with their children without any loss in benefits.

Second, the family assistance plan treats male and female-headed families equally. All families with children, whether headed by a male or female, will receive benefits if family income and resources are below the national eligibility levels. From this structural change in coverage flows one of the key advantages of the program in terms of family stability. No longer would an unemployed father have to leave the home for his family to qualify for benefits. In fact, the family is better off with him at home since its benefits are increased by his presence. And for employed men, the system greatly reduces and in some cases reverses the financial incentive to desert. In the example cited above of the father earning $2,000 in a State where his family would receive $3,000 on welfare, the family assistance plan would supplement his wages by $960, giving the family $2,960 in income and eliminating the financial incentive for the father to leave home.
Third, the program establishes a national minimum payment and national eligibility standards and methods of administration. For a dependent family of four, the Federal benefit floor will be $1,600 per year. When benefits under the President's food stamp proposal are also taken into account, the assistance package for such a family is about $2,350 per year, or more than two-thirds of the poverty line as it has been most recently redefined. This is not, of course, a sufficient amount to sustain an adequate level of life for those who have no other income; it is, nevertheless, a substantial improvement and can be made more adequate as budget conditions permit. As a result of the establishment of the Federal benefit floor of $1,600, payment levels will be raised in 10 States and for about 20 percent of present recipients.

For the aged, blind, and disabled, a nationwide income floor would be set at $90 per month per person of benefits plus other income. This comes on a yearly basis to $2,160 for two persons, an amount which is actually above the poverty line for an aged couple. This represents an important change which we have made in the program since the President announced it on August 8, when the minimum for the adult categories was set at $63.

Perhaps at least as important as the establishment of national minimum benefit levels, however, is the provision of national eligibility standards and administrative procedures to govern the family assistance and State supplementary payment programs. For the first time, a single set of rules will apply throughout the Nation, although the States will remain free to administer their supplementary payment programs under these uniform rules if they so desire. (The preexisting State standards of need and payment levels will still continue to control in the supplementary payment programs with regard to eligibility and amount of benefits.)

States will be given the option, for both the supplementary payment and the adult category programs, to contract with the Social Security Administration for Federal assumption of some or all of the administrative burdens under these programs. In this way, we should be able to move toward a single administrative mechanism for transfer payments, taking advantage of all the economies of scale which such an automated and nationally administered system can have. The eventual transfer of the food stamp program to the Department of Health, Education, and Welfare—as previously proposed by the administration—should further enhance this administrative simplification.

Fourth, the plan includes over $600 million for a major expansion of training and day care opportunities. Some 150,000 new training opportunities will be funded under the legislation, which, when combined with the proposed Manpower Training Act in a simplified and decentralized framework, should greatly broaden the opportunities for self-support for recipients. Some 450,000 quality child care positions are also funded in a new and flexible program which further extends the administration's commitment to the first 5 years of life.

Fifth, the family assistance plan provides major fiscal relief for the States. An estimated $700 million of the $2.9 billion in new Federal money being made available for expanded cash assistance will go to the States in the form of savings on their existing welfare costs. For
5 years from the date of enactment, every State is assured fiscal relief at least equal to 10 percent of what its costs would have been under the old welfare program. When these savings are combined with the new money going to the States through the training and child care components and through the separate revenue sharing program, major relief for State governments is produced. In particular, by including the working poor within the family assistance plan, we are establishing a wholly Federal responsibility for a category of potential recipients which an increasing number of States are beginning to assist at their own initiative. Some seven States now have statewide programs of relief for the working poor and another eight States have local or experimental programs directed to these people—all entirely at State expense. By establishing a Federal program to cover the working poor, we are relieving the States of what seems to be the next likely increase in costs and coverage.

III. IMPACT ON OTHER PROGRAMS

The family assistance plan has a major impact on several other Federal programs bearing on the poor.

First, we have changed the treatment of unearned income compared to the present welfare system so that the recipient of family assistance benefits loses only 50 cents from his benefit for each dollar of unearned income received. This results in the elimination of an important inequity which, for example, would make a female-headed family of four ineligible for family assistance benefits if it received $1,700 per year in alimony or support payments, but would pay that family a benefit if the husband were at home and earning $1,700 per year. It also has an important impact on other Federal programs such as Old Age, Survivors and Disability Insurance, and Unemployment Insurance by eliminating the dollar-for-dollar loss in benefits under welfare as income from these other programs is received.

Second, this legislation amends title XIX (medicaid) to extend mandatory coverage under that program to the AFDC-UF category. It is not possible at this time to include the working poor adults in medicaid even though they are added to public assistance coverage under family assistance.

Third, family assistance has been carefully harmonized with the food stamp program. As has already been stated, the benefits under these two programs are additive, so that a family of four receives a package of family assistance and food stamp subsidies totaling about $2,350. Moreover, the eligibility ceilings have been set at virtually the same point—$4,000 for a family of four—and both programs would now extend coverage to the working poor.

Finally, certain changes in the programs of services for AFDC recipients under title IV of the Social Security Act are necessitated as a result of the family assistance plan. The Department of Health, Education, and Welfare will be submitting more comprehensive amendments on the service program shortly. These amendments will include an expanded program of assistance to the States for foster care.

In the meantime, however, we are leaving the present AFDC services provisions intact and retaining the 75 percent Federal matching for the financing of these programs.
Summary of the Bill

SUMMARY OF PROPOSED FAMILY ASSISTANCE ACT OF 1969

TITLE I—FAMILY ASSISTANCE PLAN

ESTABLISHMENT OF PLAN

Section 101 of the bill adds new parts D, E, and F to title IV of the Social Security Act, establishing a new family assistance plan providing for payment of family assistance benefits by the Secretary of Health, Education, and Welfare and supplementary payments by the States.

Eligibility and amount

The new part D of title IV of the Social Security Act authorizes benefits to families with children payable at the rate of $500 per year for each of the first two members of a family plus $300 for each additional member.

The family assistance benefit would be reduced by nonexcluded income, so that families with more nonexcludable income than these benefits ($1,600 for a family of four) would not be eligible for any benefits.

A family with more than $1,500 in resources, other than the home, household goods, personal effects, and other property essential to the family's capacity for self-support, would also not be eligible.

Countable income would include both earned income (remuneration for employment and net earnings from self-employment) and unearned income.

In determining income the following would be excluded (subject, in some cases, to limitations by the Secretary):

1. All income of a student;
2. Inconsequential or infrequent or irregular income;
3. Income needed to offset necessary child care costs while in training or working;
4. Earned income of the family at the rate of $720 per year plus one-half the remainder;
5. Food stamps and other public assistance or private charity;
6. Special training incentives and allowances;
7. The tuition portion of scholarships and fellowships;
8. Home produced and consumed produce;
9. One-half of other unearned income.

Veterans pensions, farm price supports, and soil bank payments would not be excludable income to any extent and would, therefore, result in reduction of benefits on a dollar-for-dollar basis.

Eligibility for and amount of benefits would be determined quarterly on the basis of estimates of income for the quarter, made in the light of the preceding period's income as modified in the light of changes in circumstances and conditions.

(47)
Definition of family and child

To qualify for family assistance plan benefits a family must consist of two or more related individuals living in their own home and residing in the United States and one must be an unmarried child (i.e., under the age of 18, or under the age of 21 and regularly attending school).

Payment of benefits

Payment may be made to any one or more members of the qualified family. The Secretary would prescribe regulations regarding the filing of applications and supplying of data to determine eligibility of a family and the amounts for which the family is eligible. Beneficiaries would be required to report events or changes of circumstances affecting eligibility or the amount of benefits.

When reports by beneficiaries are delayed too long or are too inaccurate, part or all of the resulting benefit payments could be treated as recoverable overpayments.

Registration for work and referral for training

Eligible adult family members would be required to register with public employment offices for manpower services and training or employment unless they belong to specified excepted groups. However, a person in an excepted group may register if he wishes.

The exceptions are: (1) ill, incapacitated, or aged persons; (2) the caretaker relative (usually the mother) of a child under six; (3) the mother or other female caretaker of the child if an adult male (usually the father) who would have to register is there; (4) the caretaker for an ill household member; and (5) full-time workers.

Where the individual is disabled, referral for rehabilitation services would be made. Provision is also made for child care services to the extent the Secretary finds necessary in case of participation in manpower services, training, or employment.

Denial of benefits

Family assistance benefits would be denied with respect to any member of a family who refuses without good cause to register or to participate in suitable manpower services, training, or employment. If the member is the only adult, he would be included as a family member but only for purposes of determining eligibility of the family. Also, in appropriate cases, the remaining portion of the family assistance benefit would be paid to an interested person outside the family.

On-the-job training

The Secretary would transfer to the Department of Labor funds which would otherwise be paid to families participating in employer-compensated on-the-job training if they were not participating. These funds would be available to pay the training costs involved.

STATE SUPPLEMENTATION OF FAMILY ASSISTANCE BENEFITS

Required supplementation

The individual States would have to agree to supplement the family assistance benefits under a new part E of title IV of the Social Se-
curity Act wherever the family assistance benefit level is below the previously existing Aid to Families with Dependent Children (AFDC) payment level. This supplementation is a condition which the State must meet in order to continue to receive Federal payments with respect to maternal and child health and crippled children's services (title V) and with respect to their State plans for aid to the aged, blind, and disabled (title XVI), medical assistance (title XIX), and services to needy families with children (part A of title IV). Such "supplementation" would be required to families eligible for family assistance benefits other than families where both parents are present, neither is incapacitated, or the father is not unemployed. The States would thus be required to supplement in the case of individuals eligible under the old AFDC and AFDC-UF provisions; they would not have to supplement in case of the working poor.

Amount of supplementation

Except as indicated below and, except for use of the State standard of need and payment maximums, eligibility for and amount of supplementary payments would be determined by use of the rules applicable for family assistance benefits.

In applying the family assistance rules to the disregarding of income under the supplementary payment program—

(1) in the case of earned income of the family, the State would first disregard income at the rate of $720 per year, and would then be permitted to reduce its supplementary payment by 16\(\frac{2}{3}\) cents for every dollar of earnings over the range of earnings between $720 per year and the cutoff point for family assistance (i.e., $3,920 for a family of four), and could further reduce its supplementary payments by an amount equal to not more than 80 cents for every dollar of earnings beyond that family assistance cutoff point.

(2) in the case of unearned income, these same percentage reductions would apply, although the initial $720 exclusion would not apply.

Requirements for agreements

Some of the State plan requirements now applicable in the case of Aid and Services to Needy Families with Children would be made applicable to the agreement. These include the requirements relating to:

(1) statewideness;
(2) administration by a single State agency;
(3) fair hearing to dissatisfied claimants;
(4) methods of administration needed for proper and efficient operation, including personnel standards, training, and effective use of subprofessional staff;
(5) reporting to Secretary as required;
(6) confidentiality of information relating to applicants and recipients;
(7) opportunity to apply for and prompt furnishing of supplementary payments.

Payments to States

A State agreeing to make the supplementary payments would be guaranteed that its expenditures for the first 5 full fiscal years after
enactment would be no more than 90 percent of the amount they would have been if the family assistance plan amendments had not been enacted. This would be accomplished by Federal payment to each State, for each year, of the excess of—

1. the total of its supplementary payments for the year plus the State share of its expenditures called for under its existing State plan approved under title XVI plus the additional expenditures required by the new title XVI, over

2. 90 percent of the State share of what its expenditures would have been in the form of maintenance payments for such year if the State's approved plans under titles I, IV (A), X, XIV, and XVI had continued in effect (assuming in the case of the part A of title IV plan, payments for dependent children of unemployed fathers).

On the other hand, any State spending less than 50 percent of the State share, referred to in clause (2) above, for supplementary payments and its title XVI plan would be required to pay the amount of the deficiency to the Federal treasury.

A State would also receive one-half of its cost of administration under its agreement.

**Administration**

**Agreements with States**

Sufficient latitude is provided to deal with the individual administrative characteristics of the States. Provision is made under which the Secretary can agree to administer and disburse the supplementary payments on behalf of the States. Similarly the States can agree to administer portions of the family assistance plan on behalf of the Secretary, with respect to all or specified families in the States.

**Evaluation, research, training**

The Secretary would make an annual report to Congress on the new family assistance plan, including an evaluation of its operation. He would also have authority to make periodic evaluations of its operation and to use part of the program funds for this purpose.

Research into and demonstrations of better ways of carrying out the purposes of the new plan, as well as technical assistance to the States and training of their personnel who are involved in making supplementary payments, would also be authorized.

**Special provisions for Puerto Rico, the Virgin Islands, and Guam**

There are special provisions for these areas under which the amount of family assistance benefits, the $720 of earned income to be disregarded, and several other amounts under the family assistance plan and the new title XVI of the Social Security Act (aid to the aged, blind, and disabled) would be reduced to the extent that the per capita income of these areas is below that of that one of the 50 States which had the lowest per capita income.

**Training, Employment, and Day-Care Programs**

Section 102 of the administration bill would replace part C of title IV of the Social Security Act in its entirety.

**Purpose**

The purpose of the revised part C is to provide manpower services, training, and employment, and child care and related services for in-
individuals eligible for the new family assistance plan benefits (new part D) or State supplementary payments (new part E) to help them secure or retain employment or advancement in employment. The intent is to do this in a manner which will restore families with dependent children to self-supporting, independent, and useful roles in the community.

Operation

The Secretary of Labor is required to develop an employability plan for each individual required to register under the new part D or receiving supplementary payments pursuant to the new part E. The plan would describe the manpower services, training, and employment to be provided and needed to enable the individual to become self-supporting or attain advancement in employment.

Allowances

The Secretary of Labor would pay an incentive training allowance of $30 per month to each member of a family participating in manpower training. Where training allowances for a family under another program would be larger than their benefits under the family assistance plan and supplementary State payments, the incentive allowances for the family would be equal to the difference, or $30 per member, whichever is larger.

Allowances for transportation and other expenses would also be authorized.

These incentive and other allowances would be in lieu of allowances under other manpower training programs.

Allowances would not be payable to individuals participating in employer compensated on-the-job training.

Denial of allowances

Allowances would not be payable to an individual who refuses to accept manpower training without good cause. The individual would receive reasonable notice and have an opportunity for a hearing if dissatisfied with the denial.

Utilization of other programs

In order to avoid the creation of duplicative programs, maximum use of authorities under other acts would be made by the Secretary of Labor in providing the manpower training and related services under the revised part C, but subject to all duties and responsibilities under such other programs. Part C appropriations could be used to pay the cost of services provided by other programs and to reimburse other public agencies for services they provided to persons under part C.

The emphasis is on an integrated and comprehensive manpower training program involving all sectors of the economy and all levels of government to make maximum use of existing manpower and manpower-related programs.

Appropriations and administration

Appropriations to the Secretary of Labor would be authorized for carrying out the revised part C, including payment of up to 90 percent of the cost of training and employment services provided individuals registered under the family assistance plan. The Secretary would seek to achieve equitable geographical distribution of these funds.
In developing policies and programs for manpower services, training and employment for individuals registered under the family assistance plan, the Secretary of Labor would have to first obtain the concurrence of the Secretary of Health, Education, and Welfare with regard to all programs under the usual and traditional authority of the Department of Health, Education, and Welfare.

Child care and support services

Appropriations to the Secretary of Health, Education, and Welfare would be authorized for grants and contracts for up to 90 percent of the cost of projects for child care and related services for persons registered under the family assistance plan and in manpower training or employment. The grants would go to any public or nonprofit private agency or organization, and the contracts could be with any public or private agency or organization. The cost of these services could include alteration, remodeling, and renovation of facilities, but no provision is made for wholly new construction. The Secretary of Health, Education, and Welfare could allow the non-Federal share of the cost to be provided in the form of services or facilities.

These provisions (unlike other provisions of the bill) would become effective on enactment of the bill.

Advance funding

To afford adequate notice of available funds, appropriations for 1 year to pay the cost of the program during the next year would be authorized.

Evaluation and research

A continuing evaluation of the program under part C and research for improving it are authorized.

Annual report and Advisory Council

The Secretary of Labor is required to report annually to Congress on the manpower training and related services.

Elimination of present provisions on cash assistance for families with dependent children

Section 102 of the bill revises part A of title IV of the Social Security Act which relates to cash assistance and services for needy families with children. The new part A is called services to needy families with children, reflecting the elimination of the provisions on cash assistance. The cash assistance part is no longer necessary because of the family assistance plan in the new part D of title IV.

The revised part A provides for continuation of the present program of services for these families. Foster care for children and emergency assistance, as included under existing law, are also continued.

Requirements for State plans

Section 402 of the Social Security Act which sets forth the requirements to be met by State plans before they are approved and qualify the State for Federal financial participation in expenditures, would be revised as appropriate in the light of the elimination of the cash assistance provisions.
Payments to States

The provisions on payments to States for expenditures under approved State plans remain the same as existing law with respect to services, emergency assistance, and foster care. The matching formulas continue to vary, as in existing law, according to the kinds of services involved.

Definitions

The definitions of “family services” and “emergency assistance to needy families with children” have not been substantially changed.

The definitions of “dependent child”, “aid to families with dependent children”, and “relative with whom any dependent child is living” have been replaced (as no longer applicable) by definitions of—

1. “child”—which refers to the definition in the new part D, establishing the family assistance plan; this in effect substitutes a requirement that the child be a member of a “family” (as defined in the new part D) instead of having to live with particularly designated relatives;
2. “needy families with children” (and “assistance to such families”)—this being defined as families receiving family assistance benefits under the new part D, if they are also receiving supplementary State payments pursuant to the new part E or would have been eligible for aid under the existing State plan for aid to needy families with children if it had continued in effect.

Foster care and emergency assistance

The provisions on payments for foster care of children and emergency assistance remain virtually the same as under existing law.

Assistance by Internal Revenue Service in locating parents

The provision on this subject remains the same and allows use of the master files of the Internal Revenue Service to locate missing parents in certain cases.

Title II—Aid to the Aged, Blind, and Disabled

This title revises the current title XVI of the Social Security Act and sets forth the revised title XVI in its entirety. One of the major changes is the removal of the provisions relating to medical assistance for the aged which, under existing law, would terminate at the end of calendar 1969. All medical assistance for which the Federal Government shares costs will now be provided under approved title XIX State plans.

Requirements for State plans

Few changes are made in this section (sec. 1602), aside from deleting the provisions relating to medical assistance for the aged. The section retains, without substantial change, the requirements relating to—

1. administration by a single State agency (except where a separate agency is permitted for the blind as under existing law);
2. financial participation by the State;
3. statewideness;
(4) opportunity for fair hearing;
(5) methods of administration, including personnel standards, training, and effective use of subprofessional staff;
(6) reporting to the Secretary as required;
(7) confidentiality of information relating to recipients;
(8) opportunity for application and furnishing of assistance with reasonable promptness;
(9) establishment and maintenance by the State of standards for institutions in which there are individuals receiving aid;
(10) description of services provided for self-support or self-care; and
(11) determination of blindness by an ophthalmologist or an optometrist.

The present prohibition against payment to persons in receipt of assistance under title I, IV, X, or XIV would be applicable instead to cases of receipt of family security benefits under the new part D of title IV.

The provision on inclusion of reasonable standards for determining eligibility and amount of aid would be replaced by one requiring a minimum benefit of $90 per month, less any other income, and by another requiring that the standard of need not be lower than the standard applied under the State plan approved under the existing title XVI or (in case the State had not had such a plan) the appropriate one of the standards of need applied under the plans approved under titles I, X, and XIV.

While the requirement relating to the determination of need and disregarding of certain income in connection therewith has been continued (although without the authorization to disregard $7.50 per month of any income, in addition to other income which may or must be disregarded), it has been expanded in a manner parallel to family assistance benefits to include disregarding as resources the home, household goods, personal effects, other property which might help to increase the family's ability for self-support, and, finally, any other personal or real property the total value of which does not exceed $1,500. There would also be a new requirement for not considering the financial responsibility of any other individual for the applicant or recipient unless the applicant is the individual's spouse or child under the age of 21 or blind or severely disabled, and a prohibition against imposition of liens on account of benefits correctly paid to recipients.

Other new requirements relate to provision for the training and effective use of social service personnel, provision of technical assistance to State agencies and local subdivisions furnishing assistance or services, and provision for the development, through research or demonstrations, of new or improved methods of furnishing assistance or services. Also added is a requirement for use of a simplified statement for establishing eligibility and for adequate and effective methods of verification thereof. Finally, there are new requirements for periodic evaluation of the State plan at least annually, with reports thereof being submitted to the Secretary together with any necessary modifications of the State plan; for establishment of advisory committees, including recipients as members; and for observing priorities and performance standards set by the Secretary in the administration of the State plan and in providing services thereunder.
The present prohibitions against any age requirement of more than 65 years and against any citizenship requirement excluding U.S. citizens would be continued.

In place of the present provision on residency, there is a new one which prohibits any residency requirement excluding any resident of the State. Also there would be new prohibitions against any disability or age requirement which excludes a severely disabled individual aged 18 or older, and any blindness or age requirement which excludes any person who is blind (determined under criteria by the Secretary).

Payments

In place of the present provision on the Federal share of expenditures under the approved State plan there is a new formula which provides for payment as follows with respect to expenditures under State plans for aid to the aged, blind, and disabled approved under the new title XVI:

With respect to cash assistance, the Federal Government will pay (1) 100 percent of the first $50 per recipient, plus (2) 50 percent of the next $15 per recipient, plus (3) 25 percent of the balance of the payment per recipient which does not exceed the maximum permissible level of assistance per person set by the Secretary (which may be lower in the case of Puerto Rico, the Virgin Islands, and Guam than for other jurisdictions).

With respect to services for which expenditures are made under the approved State plan, the Federal Government would pay the same percentages as are provided under existing law, that is, 75 percent in the case of certain specified services and training of personnel and 50 percent in the case of the remainder of the cost of administration of the State plan.

Payment by Federal Government to individuals

The revised title XVI includes authority for the Secretary to enter into agreements with any State under which the Secretary will make the payments of aid to the aged, blind, and disabled directly to individuals in the State who are eligible therefor. In that case, the State would reimburse the Federal Government for the State's share of those payments and for one-half the additional cost to the Secretary of carrying out the agreement, other than the cost of making the payments themselves.

Definition

The new title XVI defines aid to the aged, blind, and disabled as money payments to needy individuals who are 65 or older or are blind or are severely disabled.

Transitional and related provisions

Titles I, X, and XIV of the Social Security Act would be repealed. Provision is made for making adjustments under the new title XVI on account of overpayments and underpayments under the existing public assistance titles.

Provision is also made for according States a grace period during which they can be eligible to participate in the new title XVI without changing their tests of disability or blindness. The grace period would end for any State with the June 30 following the close of the first
regular session of its State legislature beginning after enactment of the bill.

Conforming amendments

The bill also contains a number of conforming amendments in other provisions of the Social Security Act in order to take account of the substantive changes made by the bill. Thus, the changes in the medicaid program (title XIX of the Social Security Act) would require the States to cover individuals eligible for supplementary State payments pursuant to the new part E of title IV or who would be eligible for cash assistance under an existing State plan for aid to families with dependent children if it continued in effect and included dependent children of unemployed fathers.

Effective date

The amendments made by the bill would become effective on the first January 1 following the fiscal year in which the bill is enacted. However, if a State is prevented by statute from making the supplementary payments provided for under the new part E of title IV of the Social Security Act, the amendments would not apply to individuals in that State until the first July 1 which follows the end of the State's first regular session of its legislature beginning after the enactment of the bill—unless the State certified before this date that it is no longer prevented by State statute from making the payments. In the latter case the amendments would become effective at the beginning of the first calendar quarter following the certification.

Also, in the case of a State which is prevented by statute from meeting the requirements in the revised section 1602 of the Social Security Act, the amendments made in that title would not apply until the first July 1 following the close of the State's first regular session of its legislature beginning after the enactment of the bill—unless the State submitted before this date a State plan meeting these requirements. In the latter case the amendments would become effective on the date of submission of the plan.

Another exception to this effective date provision is made in the case of the new authorization, in the revised part C of title IV of the Social Security Act, for provision of child care services for persons undergoing training or employment—which would be effective on enactment of the bill.
PROPOSED WELFARE REFORM BILL

A BILL To authorize a family assistance plan providing basic benefits to low-income families with children, to provide incentives for employment and training to improve the capacity for employment of members of such families, to achieve greater uniformity of treatment of recipients under the Federal-State public assistance programs and to otherwise improve such programs, 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 “Family Assistance Act of 1969”.

FINDINGS AND DECLARATION OF PURPOSE

Sec. 2. (a) The Congress hereby finds and declares that—

(1) the present federally assisted welfare program provides benefits which vary widely throughout the country and which are unconscionably low in many States;

(2) the program for needy families with children is often administered in ways which are costly, inefficient, and degrading to personal dignity, and is characterized by intolerable incentives for family breakup, by inadequate encouragements to and opportunities for those on the welfare rolls to enter job training and employment so that they may become self-supporting, and by the inequitable exclusion from assistance of working families in poverty, especially families headed by a male;

(3) the growth of the welfare rolls threatens the fiscal stability of the States and the Federal-State partnership; and

(4) in the light of the harm to individual and family development and well-being caused by lack of income adequate to sustain a decent level of life, and the consequent damage to the human resources of the entire Nation, the Federal Government has a positive interest and responsibility in assuring the correction of these problems.

(b) It is therefore the purpose of this Act to fulfill the responsibility of the Federal Government to expand the training and employment incentives and opportunities, including necessary child care services, for those public assistance recipients who are members of needy families with children and who can become self-supporting; to provide a more adequate level and quality of living through income support and services for dependent persons and families who, through no fault of their own, require public assistance; to provide this financial assistance in a manner designed to strengthen family life and to establish more nearly uniform national standards of eligibility and aid; and to move to greater assumption by the Federal Government of the financial burden of these activities.

(57)
TITLE I—FAMILY ASSISTANCE PLAN

ESTABLISHMENT OF FAMILY ASSISTANCE PLAN

Sec. 101. Title IV of the Social Security Act (42 U.S.C. 601, et seq.) is amended by adding after part C the following new parts:

"PART D—FAMILY ASSISTANCE PLAN"

"APPROPRIATIONS"

"Sec. 441. For the purposes of providing a basic level of financial assistance throughout the Nation to needy families with children, in a manner which will strengthen family life, encourage work training and self-support, and enhance personal dignity, there is authorized to be appropriated for each fiscal year a sum sufficient to carry out this part.

"ELIGIBILITY FOR AND AMOUNT OF FAMILY ASSISTANCE BENEFITS"

"Eligibility"

"Sec. 442. (a) Each family, as defined in section 445—

"(1) whose income, other than income which is excluded pursuant to section 443, is less than $500 per year for each of the first 2 members of the family plus $300 per year for each additional member, and

"(2) whose resources, other than resources excluded pursuant to section 444, are less than $1,500 shall, in accordance with and subject to the other provisions of this title, be a paid family assistance benefit.

"Amount"

"(b) The family assistance benefit for a family shall be payable at the rate of $500 per year for each of the first two members of the family plus $300 per year for each additional member thereof, reduced by the amount of income, not excluded pursuant to section 443, of the members of the family.

"Puerto Rico, the Virgin Islands, and Guam"

"(c) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 484.

"Period for Determination of Benefits"

"(d) (1) A family's eligibility for and its amount of family assistance benefits shall be determined for each quarter of a calendar year. Such determination shall be made on the basis of the Secretary's estimate of the family's income for such quarter, after taking into account income for a preceding period and any modifications in income which are likely to occur on the basis of changes in conditions or circumstances. Eligibility for and the amount of benefits of a family for any quarter shall be redetermined at such time or times as may be provided by the Secretary, such determination to be effective prospectively."
"(2) The Secretary shall by regulation prescribe the cases in which and extent to which the amount of a family assistance benefit for any quarter shall be reduced by reason of the time elapsing since the beginning of such quarter and before the date of filing of the application for the benefit.

"(3) The Secretary may, in accordance with regulations, prescribe the cases in which and the extent to which income received in one period (or expenses incurred in one period in earning income) shall, for purposes of determining eligibility for and amount of family assistance benefits, be considered as received (or incurred) in another period or periods.

"Special Limits on Gross Income

"(e) The Secretary may, in accordance with regulations, prescribe the circumstances under which the gross income from a trade or business (including farming), will be considered sufficiently large to make such family ineligible for such benefits.

"INCOME

"Exclusions from Income

"SEC. 443. (a) In determining the income of a family there shall be excluded—

"(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, the earned income of each child in the family who is, as determined by the Secretary under regulations, a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment;

"(2) (A) the total unearned income of all members of a family which is, as determined in accordance with criteria prescribed by the Secretary, too inconsequential, or received too infrequently or irregularly, to be included, and (B) subject to limitations prescribed by the Secretary any earned income which, as determined in accordance with such criteria, is received too infrequently or irregularly to be included;

"(3) an amount of earned income of a member of the family equal to all, or such part (and according to such schedule) as the Secretary may prescribe, of the cost incurred by such member for child care which the Secretary deems necessary to securing or continuing in manpower training, vocational rehabilitation, employment, or self-employment.

"(4) the first $720 per year (or proportionately smaller amounts for shorter periods) of the total of earned income (not excluded by the preceding clauses of this section) of all members of the family plus one-half of the remainder thereof;

"(5) food stamps or any other assistance which is based on need and furnished by any State or political subdivision of a State or any Federal agency or by any private charitable agency or organization (as determined by the Secretary);

"(6) allowances under section 432(a);
"(7) any portion of a scholarship or fellowship received for use in paying the cost of tuition and fees at any educational (including technical or vocational education) institution;

"(8) home produce of a member of the family utilized by the household for its own consumption; and

"(9) one-half of all unearned income (not excluded by the preceding clauses of this subsection) of all members of the family.

The preceding provisions of this subsection shall not apply to veterans' pensions or to payments to farmers for price support, diversion, or conservation. For special provisions applicable to Puerto Rico, the Virgin Islands, or Guam, see section 464.

"Meaning of Earned and Unearned Income

"(b) For purposes of this part—

"(1) earned income shall include only—

(A) remuneration for employment, other than remuneration to which section 200 (b), (c), (d), (f), or (k) applies;

(B) net earnings from self-employment, as defined in section 211 other than the second and third sentences following clause (C) of subsection (a) (9) and other than clauses (A), (C), and (E) of paragraph (2) and paragraphs (4), (5), and (6), of subsection (c);

"(2) unearned income shall include among other things—

(A) any payments received as an annuity, pension, retirement, or disability benefit, including veteran's or workmen's compensation and old-age, survivors, and disability insurance, railroad retirement, and unemployment benefits;

(B) prizes and awards;

(C) the proceeds of any life insurance policy;

(D) gifts (cash or otherwise), support and alimony payments, and inheritances; and

(E) rents, dividends, interest, and royalties.

"RESOURCES

"Exclusions from Resources

"Sec. 444. (a) In determining the resources of a family there shall be excluded:

(1) the home, household goods, and personal effects;

(2) other property which, as determined in accordance with and subject to limitations in regulations of the Secretary, is so essential to the family's means of self-support as to warrant its exclusion.

"Disposition of Resources

"(b) The Secretary shall prescribe regulations applicable to the period or periods of time within which, and the manner in which, various kinds of property must be disposed of in order not to be included in determining the family's eligibility for family assistance benefits. Any portion of these family's benefits paid for such period or periods shall be conditioned on such disposal.
"MEANING OF FAMILY AND CHILD"

"Composition of Family"

"Sec. 445. (a) Two or more individuals—
"(1) who are related by blood, marriage, or adoption,
"(2) who are living in a place of residence maintained by one
or more of them as his or her own home,
"(3) who are residents of the United States, and
"(4) at least one of whom is a child who is not married to
another of such individuals,
shall be regarded as a family for purposes of this part and parts A, C,
and E.

"Definition of Child"

"(b) For purposes of this part and parts C and E, the term ‘child’
means an individual who is (1) under the age of 18 or (2) under the
age of 21 and (as determined by the Secretary under regulations) a
student regularly attending a school, college, or university, or a course
of vocational or technical training designed to prepare him for gainful
employment.

"Members of the Armed Forces"

"(c) If an individual is in the Armed Forces of the United States,
then, for purposes of determining eligibility for and the amount of
family assistance benefits under this part, (1) he shall not be regarded
as a member of a family, and (2) the spouse and children of such
individual, and such other individuals living in the same place of
residence as such spouse and children as may be specified in accordance
with regulations of the Secretary, shall not be considered members of
a family.

"Determination of Family Relationship"

"(d) In determining whether an individual is related by blood,
marriage, or adoption, appropriate State law, as determined in accord-
ance with regulations of the Secretary, shall be applied.

"Income and Resources of Noncontributing Adult"

"(e) For purposes of determining eligibility for and the amount of
family assistance benefits for any family there shall be excluded the
income and resources of any individual, other than a child or a parent
of a child (or a spouse of a child or parent), which, as determined in
accordance with criteria prescribed by the Secretary, is not available
to other members of the family; and for such purposes, any such indi-
vidual shall not be considered a member of such family.

"Recipients of Aid to the Aged, Blind, and Disabled Ineligible"

"(f) If any individual is receiving aid to the aged, blind and dis-
abled under a State plan approved under title XVI, or if his needs
are taken into account in determining the need of another person re-
ceiving such aid, then, for the period for which such aid is received,
such individual shall not be regarded as a member of a family for
purposes of determining the amount of the family assistance benefits of the family.

"PAYMENTS AND PROCEDURES"

"Payments of Benefits"

"Sec. 446. (a) (1) Family assistance benefits shall be paid at such time or times and in such installments as the Secretary determines will best effectuate the purposes of this title.

(2) Payment of the family assistance benefit of any family may be made to any one or more members of the family.

(3) The Secretary may by regulation establish ranges of incomes within which a single amount of family assistance benefit shall apply.

"Overpayments and Underpayments"

"(b) Whenever the Secretary finds that more or less than the correct amount of family assistance benefits has been paid with respect to any family, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments of the family or by recovery from or payment to any one or more of the individuals who are or were members thereof. The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to a family with a view to avoiding penalizing members of the family who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this part, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this part.

"Hearings and Review"

"(c) (1) The Secretary shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be a member of a family and is dissatisfied with any determination under this part with respect to eligibility of the family for family assistance benefits, the number of members of the family, or the amount of the benefits.

(2) Final determination of the Secretary after such hearings shall be subject to judicial review as provided in section 205(g) to the same extent as the Secretary's final determinations under section 205.

"Procedures; Prohibition of Assignments"

"(d) The provisions of sections 206 and 207 and subsections (a), (d), (e), and (f) of section 205 shall apply with respect to this part to the same extent as they apply in the case of title II.

"Applications and Furnishing of Information by Families"

"(e) (1) The Secretary shall prescribe regulations applicable to families or members thereof with respect to the filing of applications, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary to determine eligibility for and amount of family assistance benefits.
“(2) In order to encourage prompt reporting of events and changes in circumstances relevant to eligibility for or amount of family assistance benefits, and more accurate estimates of expected income or expenses by members of families for purposes of such eligibility and amount of benefits, the Secretary may prescribe the cases in which and the extent to which—

“(A) failure to so report or delay in so reporting, or

“(B) inaccuracy of information which is furnished by the members and on which the estimates of income or expenses for such purposes are based,

will result in treatment as overpayments of all or any portion of payments of such benefits for the period involved.

“Furnishing of Information by Other Agencies

“(f) The head of any Federal agency shall provide such information as the Secretary needs for purposes of determining eligibility for or amount of family assistance benefits, or verifying other information with respect thereto. The Secretary may from time to time pay to the head of such agency, in advance or by way of reimbursement, as may be agreed upon, the cost of providing such information.

“REGISTRATION AND REFERRAL OF FAMILY MEMBERS FOR MANPOWER SERVICES, TRAINING, AND EMPLOYMENT

“Sec. 447. (a) Every individual who is a member of a family which is found to be eligible for family assistance benefits, other than a member to whom the Secretary finds clause (1), (2), (3), (4), (5), or (6) of subsection (b) applies, shall register for manpower services, training, and employment with the local public employment office of the State as provided by regulations of the Secretary of Labor. If and for so long as any such individual is found by the Secretary of Health, Education, and Welfare to have failed (after a reasonable period of time), without good cause as determined by the Secretary of Labor, to so register, he shall not be regarded as a member of a family but his income which would otherwise be counted under this part as income of a family shall be so counted: except that if such individual is the only member of the family other than a child, such individual shall be regarded as a member for purposes of determination of the family’s eligibility for family assistance benefits, but not (except for counting his income) for purposes of determination of the amount of such benefits. No part of the family assistance benefits of any such family may be paid to such individual during the period for which the preceding sentence is applicable to him; and the Secretary may, if he deems it appropriate, provide for payment of such benefits during such period to any person, other than a member of such family, who is interested in or concerned with the welfare of the family.

“(b) An individual shall not be required to register pursuant to subsection (a) if the Secretary determines that such individual is:

“(1) ill, incapacitated, or of an advanced age;

“(2) a mother or other relative of a child under the age of 6 who is caring for such child;
“(3) the mother, or other female caretaker of a child, if the father or another adult male relative is in the home and not excluded by clauses (1), (2), (4), or (5) of this subsection;

“(4) a child,

“(5) one whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household;

“(6) working full time, as determined in accordance with criteria prescribed by the Secretary of Labor.

An individual who would, but for the preceding sentence, be required to register pursuant to part A, may, if he wishes, register as provided in such subsection.

“(c) The Secretary shall make provision for the furnishing of child care services in such cases and for so long as he deems appropriate in the case of individuals registered pursuant to subsection (a) who are, pursuant to such registration, participating in manpower services, training, or employment.

“(d) In the case of any member of a family receiving family assistance benefits who is not required to register pursuant to subsection (a) because of such member's disability or handicap, the Secretary shall make provision for referral of such member to the appropriate State agency administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act.

""DENTAL OF BENEFITS IN CASE OF REFUSAL OF MANPOWER SERVICES, TRAINING, OR EMPLOYMENT"

"Sec. 448. For purposes of determining eligibility for and amount of family assistance benefits under this part, an individual who has registered as required under section 447(a) shall not be regarded as a member of a family, but his income which would otherwise be counted as income of the family under this part shall be so counted, if and for so long as he has been found by the Secretary of Labor, after reasonable notice and opportunity for hearing, to have refused without good cause to participate in suitable manpower services, training, or employment, or to have refused without good cause to accept suitable employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the Secretary of Labor, after notification by such employer or otherwise, to be a bona fide offer of employment; except that if such individual is the only member of the family other than a child, such individual shall be regarded as a member of the family for purposes of determination of the family's eligibility for benefits, but not (except for counting his income) for the purposes of determination of the amount of its benefits. No part of the family assistance benefits of any such family may be paid to such individual during the period for which the preceding sentence is applicable to him; and the Secretary may, if he deems it appropriate, provide for payment of such benefits during such period to any person, other than a member of such family, who is interested in or concerned with the welfare of the family."
"TRANSFER OF FUNDS FOR ON-THE-JOB TRAINING PROGRAMS

"Sec. 449. The Secretary shall, pursuant to and to the extent provided by agreement with the Secretary of Labor, pay to the Secretary of Labor amounts which he estimates would be paid as family assistance benefits under this part to individuals participating in public or private employer compensated on-the-job training under a program of the Secretary of Labor if they were not participating in such training. Such amounts shall be available to pay the costs of such programs.

"PART E—STATE SUPPLEMENTATION OF FAMILY ASSISTANCE BENEFITS

"PAYMENTS UNDER TITLES IV, V, XVI, AND XIX CONDITIONED ON SUPPLEMENTATION

"Sec. 451. In order for a State to be eligible for payments pursuant to title V, XVI, or XIX or, part A or B of this title, with respect to expenditures for any quarter beginning on or after the date this part becomes effective with respect to such State, it must have in effect an agreement with the Secretary under which it will make supplementary payments, as provided in this part, to any family other than a family in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed.

"AMOUNT OF SUPPLEMENTARY PAYMENTS

"Sec. 452. (a) Eligibility for and amount of supplementary payments under the agreement with any State under this part shall, subject to the succeeding provisions of this section, be determined by application of the provisions of, and rules and regulations under, section 442 (a) (2) and (d), 443, 444, 445, 446 (to the extent the Secretary deems appropriate), 447, and 448, and by application of the standard for determining need under the plan of such State as in effect for July 1969 and complying with the requirements for approval under part A as in effect on such date (but subject to such maximums and percentage reductions as were imposed under such plan on the amount of aid paid and, then, with the resulting amount of the supplementary payment to any individual further reduced by the family assistance benefit payable under part D with respect to him).

"(b) In applying the provisions of section 443 for purposes of supplementary payments pursuant to an agreement under this part—

"(1) in the case of earned income to which clause (4) of subsection (a) of such section 443 applies, the amount to be disregarded shall be $720 per year (or proportionately smaller amounts for shorter periods), plus—

"(A) one-third of the portion of the remainder of earnings which does not exceed twice the amount of the family assistance benefits that would be payable to the family if it had no income (thereby resulting in reduction of the supplementary payment by one-sixth of that portion of such remainder of the earnings), plus

"(B) one-fifth (or more if the Secretary by regulation so prescribes) of the balance of the earnings (thereby resulting in further reduction of the supplementary payment by four-
fifths, or proportionately less if the Secretary has prescribed such a regulation, of that balance of the earnings); and
“(2) in the case of income to which clause (9) of subsection (a) of such section 443 applies, the amount to be disregarded shall be—
“(A) one-third of such income which does not exceed twice the amount of the family assistance benefits that would be payable to the family if it had no income (thereby resulting in reduction of the supplementary payment by one-sixth of that portion of such income), plus
“(B) one-fifth (or more if the Secretary by regulation so prescribes) of the balance of such income (thereby resulting in further reduction of the supplementary payment by four-fifths, or proportionately less if the Secretary has prescribed such a regulation, of that balance of the income); and
“(3) the family assistance benefit of a family payable under part D shall not be counted to any extent.

For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 464.

“(c) The agreement with a State under this part shall—
“(1) provide that it shall be in effect in all political subdivisions of the State;
“(2) provide for the establishment or designation of a single State agency to carry out or supervise the carrying out of the agreement in the State:
“(3) provide for granting an opportunity for a fair hearing before the State agency carrying out the agreement to any individual whose claim for supplementary payments is denied or is not acted upon with reasonable promptness:
“(4) provide (A) such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the agreement in the State, and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients of supplementary payments and other persons of low income, as community services aides, in carrying out the agreement and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants for and recipients of supplementary payments and in assisting any advisory committees established by the State agency:
“(5) provide that the State agency carrying out the agreement will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports:
“(6) provide safeguards which restrict the use or disclosure of information concerning applicants for and recipients of sup-
plemernary payments to purposes directly connected with the administration of this title; and

"(7) provide, that all individuals wishing to make application for supplementary payments shall have opportunity to do so, and that supplementary payments shall be furnished with reasonable promptness to all eligible individuals.

"PAYMENTS TO STATES

"Sec. 450. (a) (1) The Secretary shall pay to any State which has in effect an agreement under this part for any fiscal year in the period ending with the close of the fifth full fiscal year for which this part is effective with respect to such State the excess of—

"(A) (i) the total of its payments for such year pursuant to its agreement under this part which are required under section 452, plus (ii) the difference between (I) the total of the expenditures for such fiscal year under its plan approved under title XVI as aid to the aged, blind, and disabled which would have been included as aid to the aged, blind, or disabled under the plan approved thereunder and in effect for July 1969, plus so much of the rest of such expenditures as are required (as determined by the Secretary) by reason of the amendments to such title made by the Family Assistance Act of 1969 and (II) the total of the amounts determined under section 1604 for such State with respect to such expenditures for such year, over

"(B) ninety per centum of the difference between (i) the total of the expenditures which would have been made as aid or assistance (excluding emergency assistance specified in section 406 (e) (1) (A), foster care under section 408, expenditures for institutional services in intermediate care facilities referred to in section 1121, expenditures for repairs to homes referred to in section 1119, and aid or assistance in the form of medical care or any other type of remedial care) for such year under the plans of such State approved under titles I, IV (part A), X, XIV, and XVI and in effect in the month prior to the enactment of this part if they had continued in effect during such year and if they had included (if they did not already do so) payments to dependent children of unemployed fathers authorized by section 407 (as in effect on July 1, 1969), and (ii) the total of the amounts which would have been determined under sections 3, 403, 1003, 1403, and 1603, or under section 1118, of such State with respect to such expenditures for such year.

The Secretary may prescribe methods for determining the amounts referred to in clause (B) on the basis of estimates and trends in expenditures and other experience of the State for prior years.

"(2) The Secretary shall also pay to each such State an amount equal to 50 per centum of its administrative costs found necessary by the Secretary for carrying out its agreement.

"(b) Payments under subsection (a) shall be made at such time or times, in advance or by way of reimbursement, and in such installments as the Secretary may determine: and shall be made on such conditions as may be necessary to assure the carrying out of the purposes of this title.
“(c) In the case of any State with respect to which the amount determined under clause (A) of subsection (a) (1) for any year is less than 50 per centum of the difference referred to in clause (B) of such subsection for such year, such State shall pay to the Secretary, at such time or times and in such installments as he may prescribe, the sum by which such amount determined under clause (A) of subsection (a) (1) is less than such 50 per centum. If such State does not pay any part of such amount at the time or times prescribed, the Secretary shall withhold such part from sums to which the State is entitled under part A or B of this title or under title V, XVI, or XIX; but the amounts so withheld shall be deemed to have been paid to the State under such part or title. The withholding of amounts pursuant to the preceding sentence shall be effected at such time or times and in such installments as the Secretary may deem appropriate.

“FAILURE BY STATE TO COMPLY WITH AGREEMENT

“Sec. 454. If the Secretary, after reasonable notice and opportunity for hearing to a State with which he has an agreement under this part, finds that such State is failing to comply therewith, he shall withhold all, or such portion as he deems appropriate, of the payments to which such State is otherwise entitled under part A or B of this title or under title V, XVI, or XIX; but the amounts so withheld shall be deemed to have been paid to the State under such part or title. Such withholding shall be effected at such time or times and in such installments as the Secretary may deem appropriate.

“PART F— ADMINISTRATION

“AGREEMENTS WITH STATES

“Sec. 461. (a) The Secretary may enter into an agreement with any State under which the Secretary will make, on behalf of the State, the supplementary payments provided for pursuant to part E or will perform such other functions of the State in connection with such payments as may be agreed upon. In any such case, the agreement shall also provide for payment by the State to the Secretary of an amount equal to the supplementary payments the State would otherwise make under part E, less any payments which would be made to the State under section 453(a), together with one-half of the additional cost of the Secretary involved in carrying out such agreement, other than the cost of making the payments.

“(b) The Secretary may also enter into an agreement with any State under which such State will make, on behalf of the Secretary, the family assistance benefit payments provided for under part D with respect to all or specified families in the State who are eligible for such benefits or will perform such other functions in connection with the administration of part D as may be agreed upon. The cost of carrying out any such agreement shall be paid to the State in advance or by way of reimbursement and in such installments as may be agreed upon.

“PENALTIES FOR FRAUD

“Sec. 462. The provisions of section 208, other than paragraph (a), shall apply with respect to benefits under part D and allowances
under part C, of this title, to the same extent as they apply to payments under title II.

"REPORT, EVALUATION, RESEARCH AND DEMONSTRATIONS, AND TRAINING AND TECHNICAL ASSISTANCE"

"Sec. 463. (a) The Secretary shall make an annual report to the President and the Congress on the operation and administration of parts D and E, including an evaluation thereof in carrying out the purposes of such parts and recommendations with respect thereto. The Secretary is authorized to conduct evaluations directly or by grants or contracts of the programs authorized by such parts.

"(b) The Secretary is authorized to conduct, directly or by grants or contracts, research into or demonstrations of ways of better providing financial assistance to needy persons or of better carrying out the purposes of part D, and in so doing to waive any requirements or limitations in such part with respect to eligibility for or amount of family assistance benefits for such family, members of families, or groups thereof as he deems appropriate.

"(c) The Secretary is authorized to provide such technical assistance to States, and to provide, directly or through grants or contracts, for such training of personnel of States, as he deems appropriate to assist them in more efficiently and effectively carrying out their agreements under this part and part E.

"(d) In addition to funds otherwise available therefor, such portion of any appropriation to carry out part D or E as the Secretary may determine, but not in excess of one-half of 1 per centum thereof, shall be available to him to carry out this section.

"SPECIAL PROVISIONS FOR PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM"

"Sec. 464. (a) In applying the provisions of sections 442 (a) and (b), 443(a)(4), 452(b)(1), 1603 (a)(1) and (b)(1), and 1604 (1) and (2) with respect to Puerto Rico, the Virgin Islands, or Guam, the amounts to be used shall (instead of the $500, $300, and $1,500 in such section 442(a) and (b) and section 1603(a)(1) and (b)(1), the $720 in section 443(a)(4) and section 452(b)(1), the $90 in section 1603(b)(1), the $65 in section 1604(1), the $50 in section 1604(1)) bear the same ratio to such $500, $300, $1,500, $720, $90, $65, and $50 as the per capita incomes of Puerto Rico, the Virgin Islands, and Guam, respectively, bear to the per capita income of that one of the fifty States which has the lowest per capita income; except that in no case may the amounts so used exceed such $500, $300, $1,500, $720, $90, $65, and $50.

"(b) (1) The amounts to be used under such sections in Puerto Rico, the Virgin Islands, and Guam shall be promulgated by the Secretary between July 1 and September 30 of each even-numbered year, on the basis of the average per capita income of each State and of the United States for the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for fiscal year beginning July 1 next succeeding such promulgation: Provided, That the Secretary shall promulgate such amounts as soon as possible after the enactment of this part, which promulgation shall be conclusive for six calendar
quarters in the period beginning with the January 1 following the fiscal year in which this part is enacted, and ending with the close of the second June 30 thereafter.

(2) The term ‘United States’, for purposes of paragraph (1) only, means the fifty States and the District of Columbia.

(3) If the amounts which would otherwise be promulgated for any year for any of the three States referred to in subsection (a) would be lower than the amounts promulgated for such State for the immediately preceding period, the amounts for such fiscal year shall be increased to the extent of the difference; and the amounts so increased shall be the amounts promulgated for such year.

MANPOWER SERVICES, TRAINING, EMPLOYMENT, AND CHILD-CARE PROGRAMS

SEC. 102. Part C of title IV of the Social Security Act (42 U.S.C. 630, et seq.) is amended to read as follows:

PART C—MANPOWER SERVICES, TRAINING, EMPLOYMENT, AND DAY CARE PROGRAMS FOR RECIPIENTS OF FAMILY ASSISTANCE OR SUPPLEMENTARY BENEFITS

PURPOSE

SEC. 430. The purpose of this part is to authorize provision, for individuals who are members of a family receiving benefits under part D or supplementary payments pursuant to part E, of manpower services, training, employment, and child care and related services necessary to train such individuals, prepare them for employment, and otherwise assist them in securing and retaining regular employment and having the opportunity for advancement in employment, to the end that needy families with children will be restored to self-supporting, independent, and useful roles in their communities.

OPERATION OF MANPOWER SERVICES, TRAINING, AND EMPLOYMENT PROGRAMS

SEC. 431. (a) The Secretary of Labor (hereinafter in this part referred to as the ‘Secretary’) shall, for each person registered pursuant to part D, in accordance with priorities prescribed by him, develop or assure the development of an employability plan describing the manpower services, training, and employment which the Secretary determines each person needs in order to enable him to become self-supporting and secure and retain employment and opportunities for advancement.

(b) The Secretary shall, in accordance with the provisions of this part, establish and assure the provision of manpower services, training, and employment programs in each State for persons registered pursuant to part D or receiving supplementary payments pursuant to part E. The Secretary shall, through such programs, provide or assure the provision of manpower services, training, and employment and opportunities necessary to prepare such persons for and place them in regular employment, including such services and opportunities which the Secretary is authorized to provide under any other Act, and including counseling, testing, institutional and on-the-job training, work experi-
ence, up-grading, program orientation, relocation assistance (including grants, loans, and the furnishing of such services as will aid in involuntarily unemployed individual to relocate in an area where he may obtain suitable employment), incentives to public or private employers to hire and train these persons (including reimbursement for a limited period when an employee may not be fully productive), special work projects, job development, coaching, job placement and follow up services required to assist in securing and retaining employment and opportunities for advancement.

"ALLOWANCES FOR INDIVIDUALS UNDERGOING TRAINING"

"SEC. 432. (a) (1) The Secretary shall pay to each individual who is a member of a family and is participating in manpower training under this part an incentive allowance of $30 per month. If such members of a family would (but for the receipt of payments pursuant to this title) be eligible in such month, under any other statute providing for manpower training, for allowances which in total would be in excess of the sum of the family assistance benefit and supplementary payments pursuant to part E payable with respect to such month to the family, the total of the incentive allowances per month under this section for such members shall be equal to such excess, or to $30 for each such member, whichever is greater.

"(2) The Secretary shall, in accordance with regulations, also pay to any member of a family participating in manpower training under this part, allowances for transportation and other costs to him directly related to his participation in training.

"(3) The Secretary shall by regulation provide for such smaller allowances under this subsection as he deems appropriate for individuals in Puerto Rico, the Virgin Islands, and Guam.

"(b) Such allowances shall be in lieu of allowances provided for participants in manpower training programs under any other Act.

"(c) Subsection (a) shall not apply to any member of a family who is participating in a program of the Secretary providing public or private employer compensated on-the-job training.

"DENIAL OF ALLOWANCES FOR REFUSAL TO UNDERGO TRAINING"

"SEC. 433. (a) If and for so long as the Secretary determines that an individual who is a member of a family and has been required to register under part D for manpower training or employment has, without good cause, ceased to participate in manpower training under this part, no allowance under this part shall be payable to such individual.

"(b) The Secretary shall provide reasonable notice and opportunity for hearing to any individual with respect to whom such a determination has been made.

"(c) Final determinations of the Secretary after such hearings shall be subject to judicial review as provided by section 205(g) for final determinations under title II, and the provisions of sections 205 (a), (d), (e), and (f), 206, and 207 shall apply with respect to this part to the same extent as they apply to title II."
"UTILIZATION OF OTHER PROGRAMS

"SEC. 434. In providing the manpower training and employment services and opportunities required by this part the Secretary, to the maximum extent feasible, shall assure that such services and opportunities are provided in such manner, through such means, and using all authority available to him under any other Act (and subject to all duties and responsibilities thereunder) as will further the establishment of an integrated and comprehensive manpower training program involving all sectors of the economy and all levels of government and as will make maximum use of existing manpower and manpower related programs and agencies. To such end the Secretary may use the funds appropriated to him under this part to provide the programs required by this part through such other Act, to the same extent and under the same conditions as if appropriated under such other Act and in making use of the programs of other Federal, State, or local agencies, public or private, the Secretary may reimburse such agencies for services rendered to persons under this part to the extent such services and opportunities are not otherwise available on a nonreimbursable basis.

"RULES AND REGULATIONS

"SEC. 435. The Secretary may issue such rules and regulations as he finds necessary to carry out the purposes of this part: Provided, That in developing policies and programs for manpower services, training, and employment, the Secretary shall first obtain the concurrence of the Secretary of Health, Education, and Welfare with regard to such policies and programs which are under the usual and traditional authority of the Secretary of Health, Education, and Welfare (including basic education, institutional training, health, child care and other supportive services, new careers and job restructuring in the health, education, and welfare professions, and work-study programs), and shall consult with the Secretary of Health, Education, and Welfare with regard to all such other policies and programs.

"APPROPRIATIONS

"SEC. 436. There is authorized to be appropriated to the Secretary for each fiscal year a sum sufficient for carrying out the purposes of this part (other than section 437), including payment of not to exceed (except in such cases as the Secretary may determine) 90 per centum of the cost of manpower services, training, and employment and opportunities provided for individuals registered pursuant to section 447. The Secretary of Labor shall establish criteria to achieve an equitable apportionment among the States of Federal expenditures for carrying out the programs authorized by section 431. In developing these criteria the Secretary shall consider the number of registrations under section 447 and other relevant factors.

"CHILD CARE AND SUPPORTIVE SERVICES

"SEC. 437. (a) There are authorized to be appropriated for each fiscal year such sums as may be necessary to enable the Secretary of Health, Education, and Welfare to make grants to any public or nonprofit
private agency or organization, and contracts with any public or private agency or organization, for not to exceed (except in such cases as the Secretary of Health, Education, and Welfare may determine) 90 per centum of the cost of projects for the provision of child care and related services, including necessary alteration, remodeling, and renovation of facilities, which may be necessary or appropriate in order to better enable an individual who has been registered pursuant to part D or is receiving supplementary payments pursuant to part E to undertake or continue manpower training or employment under this part or to enable a member of a family, which is or has been (within such period of time as the Secretary may prescribe) eligible for benefits under such part D or payments pursuant to such part E, to undertake or continue manpower training or employment under this part; or, with respect to the period prior to the date when part D becomes effective for a State, to better enable an individual receiving aid to families with dependent children, or whose needs are taken into account in determining the need of any one claiming or receiving such aid, to participate in manpower training or employment.

(b) Such sums shall also be available to enable the Secretary of Health, Education, and Welfare to make grants to any public or non-profit private agency or organization, and contracts with any public or private agency or organization for evaluation, training of personnel, technical assistance or research or demonstration projects to determine more effective methods of providing any such care and other services.

(c) To the extent permitted by the Secretary of Health, Education, and Welfare, the non-Federal share of the cost of any such project may be provided in the form of services or facilities.

(d) The Secretary of Health, Education, and Welfare may provide, in any case in which a family is able to pay for part or all of the cost of day care or other services provided under a project assisted under this section, for payment by the family of such fees for the care or services as may be reasonable in the light of such ability.

"ADVANCE FUNDING"

"Sec. 438. (a) For the purpose of affording adequate notice of funding available under this part, appropriations for grants, contracts, or other payments with respect to individuals registered pursuant to section 447 are authorized to be included in the appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation.

(b) In order to effect a transition to the advance funding method of timing appropriation action, the amendment made by subsection (a) shall apply notwithstanding that its initial application will result in enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

"EVALUATION AND RESEARCH; REPORT TO CONGRESS"

"Sec. 439. (a) The Secretary shall (jointly with the Secretary of Health, Education, and Welfare) provide for the continuing evaluation of the manpower training and employment programs provided under this part, including their effectiveness in achieving stated goals
and their impact on other related programs. The Secretary may conduct research regarding, and demonstrations of, ways to improve the effectiveness of the manpower training and employment programs so provided and may also conduct demonstrations of improved training techniques for upgrading the skills of the working poor. The Secretary may, for these purposes, contract for independent evaluations of and research regarding such programs or individual projects under such programs, and establish a data collection, processing, and retrieval system.

“(b) The Secretary shall report to the Congress on or before the end of each fiscal year (with the first such report being made on or before the July 1 following the first full year after the date on which part D becomes effective with respect to any States) on the manpower training and employment programs provided under this part.”

Elimination of Present Provisions on Cash Assistance for Families with Dependent Children

Sec. 103. (a) Section 401 of the Social Security Act (42 U.S.C. 601) is amended by striking out “financial assistance and” in the first sentence.

(b) Section 402(a) of such Act (42 U.S.C. 602) is amended by—

(1) striking out “aid and” in so much thereof as precedes clause (1);
(2) inserting, at the beginning of clause (1), “except to the extent permitted by the Secretary,”;
(3) striking out clause (4);
(4) in clause (5) (B), striking out “recipients and other persons” and inserting in lieu thereof “persons” and striking out “providing services to applicants and recipients” and inserting in lieu thereof “providing services under the plan”;
(5) striking out clauses (7) and (8);
(6) in clause (9), striking out “aid to families with dependent children” and inserting in lieu thereof “the plan”;
(7) striking out clauses (10), (11), and (12);
(8) in clause (14), striking out “for each child and relative who receives aid to families with dependent children, and each appropriate individual (living in the same home as a relative and child receiving such aid whose needs are taken into account in making the determination under clause (7))” and inserting in lieu thereof “for each member of a family receiving assistance to needy families with children, each appropriate individual (living in the same home as such family) whose needs would be taken into account in determining the need of any such member under the State plan (approved under this part) as in effect prior to the enactment of part D, and each individual who would have been eligible to receive aid to families with dependent children under such plan” and striking out “such child, relative, and individual” and inserting in lieu thereof “such member or individual”;
(9) striking out clause (15) and inserting in lieu thereof:

“(15) (A) provide for the development of a program, for appropriate members of such families and such other individuals, for preventing
or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing such program by assuring that in all appropriate cases family planning services are offered to them, but acceptance of family planning services provided under the plan shall be voluntary on the part of such members and individuals and shall not be a prerequisite to eligibility for or the receipt of any other service under the plan; and (B) to the extent that services provided under this clause or clause (14) are furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;"

(10) striking out “aid” in clause (18) and “aid to families with dependent children” in clause (17) (A) (i) and inserting in lieu thereof “assistance to needy families with children” and striking out “aid” in clause (17) (A) (ii) and inserting in lieu thereof “assistance”;  

(11) striking out clause (19);  

(12) striking out “aid to families with dependent children in the form of foster care” in clause (20) and inserting in lieu thereof “payments for foster care”; striking out “dependent child or children with respect to whom aid is being provided under the State plan” in clause (21) (A) and inserting in lieu thereof “child or children with respect to whom assistance to needy families with children or foster care is being provided”;  

(13) striking out “aid is being provided under the plan of such other State” in clause (A) and clause (B) of clause (22) and inserting in lieu thereof “assistance to needy families with children or foster care payments are being provided in such other State”;  

(14) striking out clause (23) and striking out “; and” at the end of clause (22) and inserting in lieu thereof a period.

(e) Section 402 (b) of such Act is amended to read as follows:  

(b) The Secretary 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 services under it, a residence requirement which denies services or foster care payments with respect to any individual residing in the State.

(e) Subsection (a) of section 403 of such Act (42 U.S.C. 603) is amended by—  

(1) striking out “aid and services” and inserting in lieu thereof “services” in so much thereof as precedes paragraph (1);  

(2) amending paragraph (1) to read:  

“(1) an amount equal to the sum of the following proportions of the total amounts expended during such quarter as payments for foster care in accordance with section 408—  

(A) five-sixths of such expenditures, not counting so much of any expenditures as exceeds the product of $18 multiplied by the number of children receiving such foster care in such month; plus  

(B) the Federal percentage of the amount by which such
expenditures exceeds the maximum which may be counted under subparagraph (A), not counting so much of any expenditures with respect to such month as exceeds the product of $100 multiplied by the number of children receiving such foster care for such month."

(3) striking out paragraph (2);

(4) in paragraph (3), striking out "in the case of any State," in so much thereof as precedes subparagraph (A), striking out in clause (i) of such subparagraph "or relative who is receiving aid under the plan, or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section" and inserting in lieu thereof "receiving foster care or any member of a family receiving assistance to needy families with children or to any other individual (living in the same home as such family) whose needs would be taken into account in determining the need of any such member under the State plan approved under this part as in effect prior to the enactment of part D, striking out in clause (ii) of such subparagraph "child or relative who is applying for aid to families with dependent children or" and inserting in lieu thereof "member of a family" and striking out in such clause (ii) "likely to become an applicant for or recipient of such aid" and inserting in lieu thereof "likely to become eligible to receive such assistance."

(5) striking out the sentences of such subsection (a) which follow paragraph (5);

(f) Subsection (b) of such section 403 is amended by striking out "records showing the number of dependent children in the State and (C)" in paragraph (1) thereof and by striking out, in paragraph (2) thereof, "(A)" and everything beginning with "and (B)" and all that follows down to but not including the period.

(g) Section 404 of such Act (42 U.S.C. 604) is amended by striking out "(a) In the case of any State plan for aid and services" and inserting in lieu thereof "in the case of an State plan for services" and by striking out subsection (b) thereof.

(h) Section 405 of such Act (42 U.S.C. 605) is repealed.

(i) Section 406 of such Act (42 U.S.C. 606) is amended by—

(1) striking out subsections (a) and (b) and inserting in lieu thereof:

"(a) The term 'child' means a child as defined in section 445(h).

"(b) The term 'needy families with children' means families who are receiving family assistance benefits under part D and who (1) are receiving supplementary payments under part E, or (2) would be eligible to receive aid to families with dependent children, under a State plan (approved under this part) as in effect prior to the enactment of part D, if the State plan had continued in effect and if it included assistance to dependent children of unemployed fathers pursuant to section 407 as it was in effect prior to such enactment; and 'assistance to needy families with children' means family assistance benefits under such part D, paid to such families."

(2) striking out subsection (c);

(3) in subsection (c) (1), striking out "living with any of the relatives specified in subsection (a) (1) in a place of residence
maintained by one or more of such relatives as his or their own home" and inserting in lieu thereof "a member of a family (as
defined in section 445(a))" and striking out "because such child
or relative refused" and inserting in lieu thereof "because such
child or another member of such family refused."

(j) Section 407 of such Act (42 U.S.C. 607) is repealed.

(k) Section 408 of such Act (42 U.S.C. 608) is amended by—

(1) amending so much (including the heading) thereof as
preceeds subparagraph (1) of paragraph (b) to read as follows:

"FOSTER CARE

"SEC. 408. For purposes of this part—

"(a) Foster care shall include only such care which is provided
in behalf of a child (1) who would, except for his removal from
the home of a family as a result of a judicial determination to the effect
that continuation therein would be contrary to his welfare, be a mem-
ber of such family receiving assistance to needy families with chil-
dren, (2) whose placement and care are the responsibility of (A)
the State or local agency administering the State plan approved under
section 402, or (B) any other public agency with whom the State
agency administering or supervising the administration of such State
plan has made an agreement which is still in effect and which includes
provision for assuring development of a plan, satisfactory to such
State agency, for such child as provided in paragraph (f) (1) and
such other provisions as may be necessary to assure accomplish-
ment of the objectives of the State plan approved under section 402, (3)
who has been placed in a foster family home or child-care institu-
tion as a result of such determination, and (4) who (A) received assistance
to needy families with children in or for the month in which court
proceedings leading to such determination were initiated, or (B)
would have received such assistance to needy families with children in
or for such month if application had been made therefore, or (C)
in the case of a child who had been a member of a family (as defined
in section 445(a)) within 6 months prior to the month in which such
proceedings were initiated, would have received such assistance in
or for such month if in such month he had been a member of (and
removed from the home of) such a family and application had been
made therefor;

"(b) but only if such care is provided—";

(2) in paragraph (b) (2), striking out "aid to families with
dependent children" and inserting in lieu thereof "foster care" and
striking out "such foster care" and inserting in lieu thereof
"foster care";

(3) striking out subsection (c);

(4) striking out "aid" and inserting in lieu thereof "services"
in subsection (e);

(5) in subsection (f) (1), striking out "relative specified in see-
tion 406(a)" and inserting in lieu thereof "family (as defined in
section 445(a))";

(6) in subsection (f) (2), striking out "522" and inserting in lieu thereof "422" and striking out "part 3 of title V" and insert-
ing in lieu thereof "part B of this title".

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CHANGE IN HEADING

Sec. 104. (a) The heading of title IV of the Social Security Act (42 U.S.C. 601, et seq.) is amended to read as follows:

"TITLE IV—FAMILY ASSISTANCE BENEFITS, STATE SUPPLEMENTAL PAYMENTS, WORK INCENTIVE PROGRAMS, AND GRANTS TO STATES FOR FAMILY AND CHILD WELFARE SERVICES"

(b) The heading of part A of such title IV is amended to read as follows:

"PART A—SERVICES TO NEEDY FAMILIES WITH CHILDREN"

TITLE II—AID TO THE AGED, BLIND, AND DISABLED

GRANTS TO STATES FOR AID TO THE AGED, BLIND, AND DISABLED

Sec. 201. Title XVI of the Social Security Act (42 U.S.C. 1381 et seq.) is amended to read as follows:

"TITLE XVI—GRANTS TO STATES FOR AID TO THE AGED, BLIND, AND DISABLED

"APPROPRIATIONS"

"Sec. 1601. For the purpose of enabling each State to furnish financial assistance to needy individuals who are 65 years of age or over, blind, or disabled and for the purpose of encouraging each State to furnish rehabilitation and other services to help such individuals attain or retain capability for self-support or self-care, there are authorized to be appropriated for each fiscal year sums sufficient to carry out these purposes. The sums made available under this section shall be used for making payments to States having State plans approved under section 1602.

"STATE PLANS FOR FINANCIAL ASSISTANCE AND SERVICES TO THE AGED, BLIND, AND DISABLED"

"Sec. 1602. (a) A State plan for aid to the aged, blind, and disabled must—

(1) provide for the establishment or designation of a single State agency to administer or supervise the administration of the State plan;

(2) provide such methods of administration as are found by the Secretary to be necessary, for the proper and efficient operation of the plan, including methods relating to the establishment and maintenance of personnel standards on a merit basis (but the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of individuals employed in accordance with such methods);

(3) provide for the training and effective use of social service personnel in the administration of the plan, for the furnishing of technical assistance to units of State government and of po-
political subdivisions which are furnishing financial assistance or services to the aged, blind, and disabled, and for the development through research or demonstration projects of new or improved methods of furnishing assistance or services to the aged, blind, and disabled;

“(4) provide for the training and effective use of paid sub-professional staff (with particular emphasis on the full-time or part-time employment of recipients and other persons of low-income as community service aides) in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency;

“(5) provide that all individuals wishing to make application for aid under the plan shall have opportunity to do so and that such aid shall be furnished with reasonable promptness with respect to all eligible individuals;

“(6) provide for the use of a simplified statement, conforming to standards prescribed by the Secretary, to establish eligibility, and for adequate and effective methods of verification of eligibility of applicants and recipients through the use, in accordance with regulations prescribed by the Secretary, of sampling and other scientific techniques;

“(7) provide that, except to the extent permitted by the Secretary with respect to services, the State plan shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

“(8) provide for financial participation by the State;

“(9) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in the diseases of the eye or by an optometrist, whichever the individual may select;

“(10) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid under the plan is denied or is not acted upon with reasonable promptness;

“(11) provide for periodic evaluation of the operations of the State plan, not less often than annually, in accordance with standards prescribed by the Secretary, and the furnishing of annual reports of such evaluations to the Secretary together with any necessary modifications of the State plan resulting from such evaluations;

“(12) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

“(13) provide safeguards which restrict the use of disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the plan (consistent with section 618 of the Revenue Act of 1951);

“(14) provide, if the plan includes aid to or on behalf of individuals in private or public institutions, for the establish-
ment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions;

"(15) provide a description of the services which the State makes available to applicants for or recipients of aid under the plan to help them attain self-support or self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of all available services that are similar or related;

"(16) provide for periodic evaluation of the operation of the plan by persons interested in or expert in matters related to assistance and services to the aged, blind, and disabled, including persons who are recipients of aid to the aged, blind, and disabled; and

"(17) assure that, in administering the State plan and providing services thereunder, the State will observe priorities established by the Secretary and comply with such performance standards as the Secretary may, from time to time, establish.

Notwithstanding paragraph (1), if on January 1, 1962, and on the date on which a State submits (or submitted) its plan for approval under this title, the State agency which administered or supervised the administration of the plan of such State approved under title X was different from the State agency which administered or supervised the administration of the plan of such State approved under title I and the State agency which administered or supervised the administration of the plan of such State approved under title XIV, then the State agency which administered or supervised the administration of such plan approved under title X may be designated to administer or supervise the administration of the portion of the State plan for aid to the aged, blind, and disabled which relates to blind individuals and a separate State agency may be established or designated to administer or supervise the administration of the rest of such plan; and in such case the part of the plan which each such agency administers, or the administration of which each such agency supervises, shall be regarded as a separate plan for purposes of this title.

"(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a) and in section 1503, except that he shall not approve any plan which imposes, as a condition of eligibility for aid under the plan—

"(1) an age requirement of more than sixty-five years;

"(2) any residency requirement which excludes any individual who resides in the State;

"(3) any citizen requirement which excludes any citizen of the United States;

"(4) any disability or age requirement which excludes any persons under a severe disability, as determined in accordance with criteria prescribed by the Secretary, who are eighteen years of age or older; or

"(5) any blindness or age requirement which excludes any persons who are blind as determined in accordance with criteria prescribed by the Secretary.

In the case of any State to which the provisions of section 344 of the Social Security Act Amendments of 1950 were applicable on Janu-
ary 1, 1962, and to which the sentence of section 1002(b) following paragraph (2) thereof is applicable on the date on which its State plan was or is submitted for approval under this title, the Secretary shall approve the plan of such State for aid to the aged, blind, and disabled for purposes of this title, even though it does not meet the requirements of section 1603(a) if it meets all other requirements of this title for an approved plan for aid to the aged, blind, and disabled; but payments to the State under this title 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 this title under a plan approved under this section without regard to the provisions of this sentence.

DETERMINATION OF NEED

SEC. 1603. (a) A State plan must provide that, in determining the need for aid under the plan, the State agency shall take into consideration any other income or resources of the individual claiming such aid as well as any expenses reasonably attributable to the earning of any such income; except that, in making such determination with respect to any individual—

(1) the State agency shall not consider as resources (A) the home, household goods, and personal effects of the individual, (B) other personal or real property, the total value of which does not exceed $1,500, or (C) other property which as determined in accordance with and subject to limitations in regulations of the Secretary, is so essential to the family’s means of self-support as to warrant its exclusion, but shall apply the provisions of section 142(e) and regulations thereunder;

(2) the State agency shall not consider the financial responsibility of any individual for any applicant or recipient unless the applicant or recipient is the individual's spouse, or the individual's child who is under the age of 21 or is blind or severely disabled;

(3) if such individual is blind, the State agency (A) shall disregard the first $85 per month of earned income plus one-half of earned income in excess of $85 per month, and (B) shall, for a period not in excess of twelve months, and may, for a period not in excess of thirty-six months, disregard such additional amounts of other income and resources, in the case of any such individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of such plan;

(4) if the individual is not blind but is severely disabled, the State agency may disregard (A) not more than the first $20 of the first $80 per month of earned income plus one-half of the remainder thereof and (B) such additional amounts of other income and resources, for a period not in excess of thirty-six months, in the case of any such individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of the plan, but only with respect to the part or parts of such period during substantially all of which he is undergoing vocational rehabilitation;

(5) if such individual has attained age 65 and is neither blind nor severely disabled, the State agency may disregard not more
than the first $20 of the first $80 per month of earned income plus one-half of the remainder thereof.

"(b) A State plan must also provide that—

"(1) each eligible individual, other than one who is a patient in a medical institution or is receiving institutional services in an intermediate care facility to which section 1121 applies, shall receive financial assistance in such amount as, when added to his income which is not disregarded pursuant to subsection (a), will provide a minimum of $90 per month.

"(2) the standard of need applied for determining eligibility for an amount of aid for the aged, blind, and disabled shall not be lower than (A) the standard applied for this purpose under the State plan (approved under this title) as in effect on the date of enactment of part D of title IV of this Act, or (B) if there was no such plan in effect for such State on such date, the standard of need which was applicable under

"(i) the State plan which was in effect on such date and was approved under title I, in the case of any individual who is 65 years of age or older,

"(ii) the State plan in effect on such date and approved under title X, in the case of an individual who is blind, or

"(iii) the State plan in effect on such date and approved under title XIV, in the case of an individual who is severely disabled,

except that if 2 or more of clauses (i), (ii), and (iii) are applicable to an individual, the standard of need applied with respect to such individual may not be lower than the higher (or highest) of the standards under the applicable plans, and except that if none of such clauses is applicable to individuals, the standard of need applied with respect to such individual may not be lower than higher of the standards under the State plans approved under title I, X, or XIV, which was in effect on such date, and

"(3) no aid will be furnished to any individual under the State plan for any period with respect to which he is considered a member of a family receiving family assistance benefits under part D of title IV or training allowances under part C thereof for purposes of determining the amount of such benefits or allowances (but this paragraph shall not prevent payments with respect to other members of his family pursuant to title IV of this Act).

"(4) no lien will be imposed against the property of any individual or his estate on account of aid paid to him under the plan (except pursuant to the judgment of a court on account of benefits incorrectly paid to such individual). and that there will be no adjustment or any recovery of aid correctly paid to him under the plan.

"(c) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 464.

"PAYMENTS TO STATES FOR AID TO THE AGED, BLIND, AND DISABLED

"Sec. 1604. From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under this title, for each calendar quarter, an amount equal to the sum of the following
proportions of the total amounts expended during each month of such quarter as aid to the aged, blind, and disabled under the State plan—

"(1) 100 per centum of such expenditures, not counting so much of any expenditures as exceeds the product of $50 multiplied by the total number of recipients of such aid for such month; plus

"(2) 50 per centum of the amount by which such expenditures exceed the maximum which may be counted under paragraph (1), not counting so much of any expenditures with respect to such month as exceeds the product of $65 multiplied by the total number of recipients of such aid for such month; plus

"(3) 25 per centum of the amount by which such expenditures exceed the maximum which may be counted under paragraph (2), not counting so much of any expenditures with respect to such month as exceeds the product of the amount which, as determined by the Secretary, is the maximum permissible level of assistance per person in which the Federal Government will participate financially, multiplied by the total number of recipients of such aid for such month.

In the case of any individual in Puerto Rico, the Virgin Islands, or Guam, the maximum permissible level of assistance under paragraph (3) may be lower than in the case of individuals in the other States. See also, section 464 for other special provisions applicable to Puerto Rico, the Virgin Islands, and Guam.

"ALTERNATE PROVISION FOR DIRECT FEDERAL PAYMENTS TO INDIVIDUALS

"SEC. 1605. The Secretary may enter into an agreement with a State under which he will, on behalf of the State, pay aid to the aged, blind, and disabled directly to individuals in the State under the State's plan approved under this title and perform such other functions of the State in connection with such payments as may be agreed upon. In such case payments shall not be made as provided in section 1604 and the agreement shall also provide for payment to the Secretary by the State of its share of such aid, together with one-half of the additional cost to the Secretary involved in carrying out the agreement, other than the cost of making the payments.

"OVERPAYMENTS AND UNDERPAYMENTS

"SEC. 1606. Whenever the Secretary finds that more or less than the correct amount of payment has been made to any person as a direct Federal payment pursuant to section 1605, proper adjustment or recovery shall, subject to the succeeding provisions of this section, be made by appropriate adjustments in future payments of the overpaid individual or by recovery from him or his estate or payment to him. The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with a view to avoiding penalizing individuals who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this title, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration.
"OPERATION OF STATE PLANS"

"SEC. 1607. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this title, finds—

"(1) that the plan no longer complies with the provisions of sections 1602 or 1603; or

"(2) that in the administration of the plan there is a failure to comply substantially with any such provision;

the Secretary shall notify such State agency that all, or such portion as he deems appropriate, of any further payments will not be made to the State or individuals within the State under this title (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure), until the Secretary is satisfied that there will no longer be any such failure to comply. Until he is so satisfied he shall make no such further payments to the State or individuals in the State under this title (or shall limit payments to categories under or parts of the State plan not affected by such failure).

"PAYMENTS TO STATES FOR SERVICES AND ADMINISTRATION"

"SEC. 1608. (a) If the State plan of a State approved under section 1602 provides that the State agency will make available to applicants for or recipients of aid to the aged, blind, and disabled under the State plan at least those services to help them attain or retain capability for self-support or self-care which are prescribed by the Secretary, such State shall qualify for payments for services under subsection (b) of this section.

"(b) In the case of any State whose State plan approved under section 1602 meets the requirements of subsection (a), the Secretary shall pay to the State from the sums appropriated therefor an amount equal to the sum of the following proportions of the total amounts expended during each quarter, as found necessary by the Secretary for the proper and efficient administration of the State plan—

"(1) 75 per centum of so much of such expenditures as are for—

"(A) services which are prescribed pursuant to subsection (a) and are provided (in accordance with subsection (c)) to applicants for or recipients of aid under the plan to help them attain or retain capability for self-support or self-care, or

"(B) other services, specified by the Secretary as likely to prevent or reduce dependency, so provided to the applicants or recipients of aid, or

"(C) any of the services prescribed pursuant to subsection (a), and any of the services specified in subparagraph (B) of this paragraph, which the Secretary may specify as appropriate for individuals who, within such period or periods as the Secretary may prescribe, have been or are likely to become applicants for or recipients of aid under the plan, if such services are requested by the individuals and are provided to them in accordance with subsection (c), or
"(D) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

"(2) one-half of so much of such expenditures (not included under paragraph (1)) as are for services provided (in accordance with subsection (c)) to applicants for or recipients of aid under the plan, and to individuals requesting such services who (within such period or periods as the Secretary may prescribe) have been or are likely to become applicants for or recipients of such aid; plus

"(3) one-half of the remainder of such expenditures.

"(c) The services referred to in paragraphs (1) and (2) of subsection (b) shall, except to the extent specified by the Secretary, include only—

"(1) services provided by the staff of the State agency, or the local agency administering the State plan in the political subdivision (but no funds authorized under this title shall be available for services defined as vocational rehabilitation services under the Vocational Rehabilitation Act (A) which are available to individuals in need of them under programs for their rehabilitation carried on under a State plan approved under that Act, or (B) which the State agency or agencies administering or supervising the administration of the State plan approved under that Act are able and willing to provide if reimbursed for the cost thereof pursuant to agreement under paragraph (2), if provided by such staff), and

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

Services described in clause (B) of paragraph (1) may be provided only pursuant to agreement with the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act.

"(d) The portion of the amount expended for administration of the State plan to which paragraph (1) of subsection (b) applies and the portion thereof to which paragraphs (2) and (3) of subsection (b) apply shall be determined in accordance with such methods and procedures as may be permitted by the Secretary.

"(e) In the case of any State whose plan approved under section 1602 does not meet the requirements of subsection (a) of this section, there shall be paid to the State, in lieu of the amount provided for under subsection (b), an amount equal to one-half the total of the sums expended during each quarter as found necessary by the Secre-
tary for the proper and efficient administration of the State plan, including services referred to in subsections (b) and (c) and provided in accordance with the provisions of those subsections.

"(f) In the case of any State whose State plan included a provision meeting the requirements of subsection (a), but with respect to which the Secretary finds, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the plan, that—

"(1) the provision no longer complies with the requirements of subsection (a), or

"(2) in the administration of the plan there is a failure to comply substantially with such provision,

the Secretary shall notify the State agency that all, or such portion as he deems appropriate, of any further payments will not be made to the State under subsection (b) until he is satisfied that there will no longer be any such failure to comply. Until the Secretary is so satisfied, no such further payments with respect to the administration of and services under the State plan shall be made, subject to the other provisions of this title, under subsection (e) instead of subsection (b).

"COMPUTATION OF PAYMENTS TO STATES

"Sec. 1609. (a) (1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsections 1604 and 1608 for that quarter, such estimates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in that quarter in accordance with the provisions of sections 1604 and 1608, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in that 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, and (B) such other investigation as the Secretary may find necessary.

"(2) The Secretary shall then pay in such installments as he may determine, the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to the State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

"(b) The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered during any quarter by a State or political subdivision thereof with respect to aid furnished under the State plan, but excluding any amount of such aid 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 be considered an overpayment to be adjusted under subsection (a) (2).

"(c) Upon the making of any estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.
"DEFINITION"

"SEC. 161. For purposes of this title, the term 'aid to the aged, blind, and disabled' means money payments to needy individuals who are 65 years of age or older, are blind, or are severely disabled, but such term does not include—

"(1) any such payments to any individual who is an inmate of a public institution (except as a patient in a medical institution); or

"(2) any such payments to any individual who has not attained 65 years of age and who is a patient in an institution for tuberculosis or mental diseases.

Such term also includes payments which are not included within the meaning of such term under the preceding sentence, but which would be so included except that they are made on behalf of such a needy individual to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such needy individual, but only with respect to a State whose State plan approved under section 1602 includes provision for—

"(A) determination by the State agency that the needy individual has, by reason of his physical or mental condition, such inability to manage funds that making payments to him would be contrary to his welfare and, therefore, it is necessary to provide such aid through payments described in this sentence;

"(B) making such payments only in cases in which the payment will, under the rules otherwise applicable under the State plan for determining need and the amount of aid to the aged, blind, and disabled to be paid (and in conjunction with other income and resources), meet all the need of the individuals with respect to whom such payments are made;

"(C) undertaking and continuing special efforts to protect the welfare of such individuals and to improve, to the extent possible, his capacity of self-care and to manage funds;

"(D) periodic review by the State agency of the determination under clause (A) to ascertain whether conditions justifying such determination still exist, with provision for termination of the payments if they do not and for seeking judicial appointment of a guardian, or other legal representative, as described in section 1111, if and when it appears that such action will best serve the interests of the needy individual; and

"(E) opportunity for a fair hearing before the State agency on the determination referred to in clause (A) for any individual with respect to whom it is made.

Whether an individual is blind or severely disabled, shall be determined for purposes of this title in accordance with criteria prescribed by the Secretary."

REPEAL OF TITLES I, X, AND XIV OF THE SOCIAL SECURITY ACT

Sec. 203. In the case of any State which has a State plan approved under title I, X, XIV, or XVI of the Social Security Act as in effect prior to the enactment of this section, any overpayment or underpayment which the Secretary determines was made to such State under section 3, 1003, 1403, or 1603 of such Act with respect to a period before the approval of a plan under title XVI as amended by this Act, and with respect to which adjustment has not already been made under subsection (b) of such section 3, 1003, 1403, or 1603, shall, for purposes of section 1609(a) of such Act as herein amended be considered an overpayment or underpayment (as the case may be) made under title XVI of such Act as herein amended.

Sec. 204. In the case of any State which has in operation a plan of aid to the blind under title X, aid to the permanently and totally disabled under title XIV, or aid to the aged, blind, or disabled under title XVI of the Social Security Act as in effect prior to the enactment of this Act, the State plan of such State submitted under title XVI of such Act as amended by this Act shall not be denied approval thereunder, with respect to the period ending with the first July 1 which follows the close of the first regular session of the legislature of such State which begins after the enactment of this Act, by reason of its failure to include therein a test of disability or blindness different from that included in the State's plan (approved under such title X, XIV, or XVI of such Act) as in effect on the date of the enactment of this Act.

TITLE III—MISCELLANEOUS CONFORMING AMENDMENTS

Sec. 301. Section 228(d) (1) of the Social Security Act is amended by striking out "I, X, XIV, or" and by striking out "part A" and inserting in lieu thereof "receives payments with respect to such month pursuant to part D or E".

Sec. 302. Title XI of the Social Security Act is amended as follows:

(1) in section 1101(a) (1) by striking out "I," "X," and "XIV";
(2) in section 1106(c) (1) (A) by striking out "I, X, XIV,";
(3) in section 1108 by striking out "I, X, XIV, and XVI" and inserting in lieu thereof "XVI" in subsection (a) and by striking out "section 402(a)(19)" and inserting in lieu thereof "part A of title IV" in subsection (b);

Sec. 1109. Any amount which is disregarded (or set aside for future needs) in determining the eligibility for and amount of aid or assistance for any individual under a State plan approved under title XVI or XIX, or eligibility for and amount of payments pursuant to part D or E of title IV, shall not be taken into consideration in determining the eligibility for and amount of such aid, assistance, or
payments for any other individual under such other State plan or such part D or E;"

(5) in section 1111 by striking out "I, X, XIV, and" and by striking out "part A" and inserting in lieu thereof "parts D and E";

(6) in section 1115 by striking out "I, X, XIV," and by striking out "part A" and inserting in lieu thereof "parts A and E" in so much thereof as precedes clause (a), by striking out "of section 2, 402, 1002, 1402," and inserting in lieu thereof "of or pursuant to section 402, 452," in clause (a) thereof, and by striking out "3, 403, 1003, 1403, 1603," and inserting in lieu thereof "403, 453, 1604, 1608," in clause (b) thereof;

(7) in section 1116 by striking out "I, X, XIV," in subsections (a), (1), (b), and (d), and by striking out "4, 404, 1004, 1404, 1604," in subsection (a) (3) and inserting in lieu thereof "404, 1607, 1608;"

(8) by repealing section 1118;

(9) in section 1119 by striking out "I, X, XIV," and by striking out "part A" and inserting in lieu thereof "services under a State plan approved under part A", and by striking out "3(a), 403(a), 1003(a), 1403(a), or 1603(a)" and inserting in lieu thereof "403 (a) or1604"; and

(10) in section 1121(a) by striking out "a plan for old-age assistance, approved under title I, a plan for aid to the blind, approved under title X, a plan for aid to the permanently and totally disabled, approved under title XIV, or a plan for aid to the aged, blind, or disabled" and inserting in lieu thereof "a plan for aid to the aged, blind, and disabled", and by inserting "(other than a public nonmedical facility)" after "intermediate care facilities" the first time it appears therein.

Sec. 303. Title XVIII of the Social Security Act is amended as follows:

(1) in section 1843(b) by striking out "title I or" in paragraph (1), by striking out "all of the plans" in paragraph (2) and substituting in lieu thereof "the plan", and by striking out "titles I, X, XIV, and XVI, and part A" in paragraph (2) and inserting in lieu thereof "title XVI and under part E";

(2) in section 1843(f) by striking out "title I, X, XIV, or XVI or part A" both times it appears and inserting in lieu thereof "title XVI and under part E", and by striking out "title I, XVI, or XIX" and inserting in lieu thereof "title XVI or XIX"; and

(3) in section 1863 by striking out "I, XVI", and inserting in lieu thereof "XVI".

Sec. 304. Title XIX of the Social Security Act is amended as follows:

(1) in clause (1) of the first sentence of section 1901 by striking out "families with dependent children" and "permanently and totally" and inserting in lieu thereof, respectively, "needy families with children" and "severely";

(2) in section 1902(a) (5) by striking out "I or";

(3) in section 1902(a) (10) by amending so much thereof as precedes clause (A) to read:
“(10) provide for making medical assistance available to all individuals receiving assistance to needy families with children as defined in section 406(b), receiving payments under an agreement pursuant to part E of title IV, or receiving aid to the aged, blind, and disabled under a State plan approved under title XVI; and—”

and by amending clauses (A) and (B) by inserting “or payments under such part E” after “such plan” each time it appears therein;

(4) by amending section 1902(a)(13)(B) to read:

“(B) in the case of individuals receiving assistance to needy families with children as defined in section 406(b), receiving payments under an agreement pursuant to part E of title IV, or receiving aid to the aged, blind, and disabled under a State plan approved under title XVI, for the inclusion of at least the care and services listed in clauses (1) through (5) of section 1905(a), and—”

(5) in section 1902(a)(14)(A) by striking out “aid or assistance under State plans approved under title I, X, XIV, XVI, and part A of title IV,” and inserting in lieu thereof “assistance to needy families with children as defined in section 406(b), receiving payments under an agreement pursuant to part E of title IV, or receiving aid to the aged, blind, and disabled under a State plan approved under title XVI;”

(6) in section 1902(a)(17) by striking out in so much thereof as precedes clause (A) “aid or assistance under the State’s plan approved under title I, X, XIV, or XVI, or part A of title IV,” and inserting in lieu thereof “assistance to needy families with children as defined in section 406(b), payments under an agreement pursuant to part E of title IV, or aid under a State plan approved under title XVI,” by striking out in clause (B) thereof “aid or assistance in the form of money payments under a State plan approved under title I, X, XIV, or XVI, or part A of title IV” and inserting in lieu thereof “assistance to needy families with children as defined in section 406(b), payments under an agreement pursuant to part E of title IV, or aid under a State plan approved under title XVI,” by striking out in such clause (B) “and or assistance under such plan” and inserting in lieu thereof “assistance, and, or payments”;

(7) in section 1902(a)(20)(C) by striking out “section 3(a)(4)(A)(i) and (ii) or section 1603(a)(4)(A)(i) and (ii)” and inserting in lieu thereof “section 1608(b)(1)(A) and (B)”;

(8) in the last sentence of section 1902(a) by striking out “title X (or title XVI, insofar as it relates to the blind)” was different from the State agency which administered or supervised the administration of the State plan approved under title I (or title XVI, insofar as it relates to the aged), the State agency which administered or supervised the administration of such plan approved under title X (or title XVI, insofar as it relates to the blind)” and inserting in lieu thereof, “title XVI, insofar as it relates to the blind, was different from the agency which administered or supervised the administration of such plan as it relates to the aged, the agency which administered or supervised the administration of the plan as it relates to the blind”;
(9) in section 1902(b) (2) by striking out “section 406(a) (2)" and inserting in lieu thereof “section 406(b)";

(10) in section 1902(c) by striking out “I, X, XIV, or XVI, or part A" and inserting in lieu thereof “XVI or under an agreement under part E";

(11) in section 1903(a) (1) by striking out “I, X, XIV, or XVI, or part A" and inserting in lieu thereof “XVI or under an agreement under part E";

(12) by repealing subsection (c) of section 1903;

(13) in section 1903(f) (1) (B) (i) by striking out “highest amount which would ordinarily be paid to a family of the same size without any income or resources, in the form of money payments, under the plan of the State approved under part A of title IV of this Act” and inserting in lieu thereof, “highest total amount which would ordinarily be paid under parts D and E of title IV to a family of the same size without income or resources, eligible in that State for money payments under part E of title IV of this Act”;

(14) in section 1903(f) (3) by striking out “the highest amount which would ordinarily be paid to such family under the State’s plan approved under part A of title IV of this Act” and inserting in lieu thereof “the highest total amount which would ordinarily be paid to such family”;

(15) in section 1903(f) (4) (A) by striking out “I, X, XIV, or XVI, of part A” and inserting in lieu thereof “XVI or under an agreement under part E”; and

(16) by amending section 1905(a)—

(A) by striking out “aid or assistance under the State’s plan approved under title I, X, XIV, or XVI, or part A of title IV who are—” in so much thereof as precedes clause (i) and inserting in lieu thereof “payments under part E of title IV or aid under a State plan approved under title XVI, who are—”;

(B) by amending clause (ii) to read: “(ii) receiving assistance to needy families with children as defined in section 406(b), or payments pursuant to an agreement under part E of title IV,”;

(C) by amending clause (v) to read: “(v) severely disabled as defined by the Secretary in accordance with section 1602 (b) (4),” and

(D) by striking out “or assistance” and “I, X, XIV, or” in clause (vi) and in the second sentence of such section 1905 (a).

TITLE IV—GENERAL

EFFECTIVE DATE

Sec. 401. The amendments and repeals made by the preceding provisions shall become effective, and section 9 of the Act of April 19, 1950 (25 U.S.C. 639) is repealed effective, on the first January 1 following the fiscal year in which this Act is enacted; except that—

(1) in the case of any State a statute of which prevents it from making the supplementary payments provided for in part E of
title IV of the Social Security Act, as amended by this Act, the amendments made by this Act and such repeal shall not apply with respect to individuals in such State until (if later than the date referred to above) the first July 1 which follows the close of the first regular session of the legislature of such State which begins after the enactment of this Act or until (if earlier than July 1) the first calendar quarter following the date on which the State certifies it is no longer so prevented from making such payments; and

(2) in the case of any State a statute of which prevents it from complying with the requirements of section 1602 of the Social Security Act, as amended by this Act, the amendments made by title II of this Act shall not apply until (if later than the January 1 referred to above) the first July 1 which follows the close of the first regular session of the legislature of such State which begins after the enactment of this Act or on the earlier date on which such State submits a plan meeting such requirements of section 1602;

and except that section 437 of the Social Security Act, as amended by this Act, shall be effective upon enactment of this Act.

MEANING OF SECRETARY AND FISCAL YEAR

Sec. 402. As used in this Act and in the amendments made by this Act, the term "Secretary" means, unless the context otherwise requires and except in part C of title IV of the Social Security Act, the Secretary of Health, Education, and Welfare; and the term "fiscal year" means a period beginning with any July 1 and ending with the close of the following June 30.
THE PRESIDENT'S MESSAGE ON WELFARE REFORM

THE WHITE HOUSE.

To the Congress of the United States:

A measure of the greatness of a powerful nation is the character of the life it creates for those who are powerless to make ends meet.

If we do not find the way to become a working nation that properly cares for the dependent, we shall become a welfare state that undermines the incentive of the working man.

The present welfare system has failed us—it has fostered family breakup, has provided very little help in many States and has even deepened dependency by all too often making it more attractive to go on welfare than to go to work.

I propose a new approach that will make it more attractive to go to work than to go on welfare, and will establish a nationwide minimum payment to dependent families with children.

I propose that the Federal Government pay a basic income to those American families who cannot care for themselves in whichever State they live.

I propose that dependent families receiving such income be given good reason to go to work by making the first $60 a month they earn completely their own, with no deductions from their benefits.

I propose that we make available an addition to the incomes of the "working poor," to encourage them to go on working and to eliminate the possibility of making more from welfare than from wages.

I propose that these payments be made upon certification of income, with demeaning and costly investigations replaced by simplified reviews and spot checks and with no eligibility requirement that the household be without a father. That present requirement in many States has the effect of breaking up families and contributes to delinquency and violence.

I propose that all employable persons who choose to accept these payments be required to register for work or job training and be required to accept that work or training, provided suitable jobs are available either locally or if transportation is provided. Adequate and convenient day care would be provided children wherever necessary to enable a parent to train or work. The only exception to this work requirement would be mothers of preschool children.

I propose a major expansion of job training and day care facilities, so that current welfare recipients able to work can be set on the road to self-reliance.

I propose that we also provide uniform Federal payment minimums for the present three categories of welfare aid to adults—the aged, the blind, and the disabled.

This would be total welfare reform—the transformation of a system frozen in failure and frustration into a system that would work and would encourage people to work.
Accordingly, we have stopped considering human welfare in isolation. The new plan is part of an overall approach which includes a comprehensive new Manpower Training Act, and a plan for a system of revenue sharing with the States to help provide all of them with necessary budget relief. Messages on manpower training and revenue sharing will follow this message tomorrow and the next day, and the three should be considered as parts of a whole approach to what is clearly a national problem.

Need for new departures

A welfare system is a success when it takes care of people who cannot take care of themselves and when it helps employable people climb toward independence.

A welfare system is a failure when it takes care of those who can take care of themselves, when it drastically varies payments in different areas, when it breaks up families, when it perpetuates a vicious cycle of dependency, when it strips human beings of their dignity.

America's welfare system is a failure that grows worse every day.

First, it fails the recipient: In many areas, benefits are so low that we have hardly begun to take care of the dependent. And there has been no light at the end of poverty's tunnel. After 4 years of inflation, the poor have generally become poorer.

Second, it fails the taxpayer: Since 1960, welfare costs have doubled and the number on the rolls has risen from 5.8 million to over 9 million, all in a time when unemployment was low. The taxpayer is entitled to expect government to devise a system that will help people lift themselves out of poverty.

Finally, it fails American society: By breaking up homes, the present welfare system has added to social unrest and robbed millions of children of the joy of childhood; by widely varying payments among regions, it has helped to draw millions into the slums of our cities.

The situation has become intolerable. Let us examine the alternatives available:

We could permit the welfare momentum to continue to gather speed by our inertia; by 1975 this would result in 4 million more Americans on welfare rolls at a cost of close to $11 billion a year, with both recipients and taxpayers shortchanged.

We could tinker with the system as it is, adding to the patchwork of modifications and exceptions. That has been the approach of the past, and it has failed.

We could adopt a "guaranteed minimum income for everyone," which would appear to wipe out poverty overnight. It would also wipe out the basic economic motivation for work, and place an enormous strain on the industrious to pay for the leisure of the lazy.

Or, we could adopt a totally new approach to welfare, designed to assist those left far behind the national norm, and provide all with the motivation to work and a fair share of the opportunity to train.

This administration, after a careful analysis of all the alternatives, is committed to a new departure that will find a solution for the welfare problem. The time for denouncing the old is over; the time for devising the new is now.
Recognizing the practicalities

People usually follow their self-interest. This stark fact is distressing to many social planners who like to look at problems from the top down. Let us abandon the ivory tower and consider the real world in all we do.

In most States, welfare is provided only when there is no father at home to provide support. If a man's children would be better off on welfare than with the low wage he is able to bring home, wouldn't he be tempted to leave home?

If a person spent a great deal of time and effort to get on the welfare rolls, wouldn't he think twice about risking his eligibility by taking a job that might not last long?

In each case, welfare policy was intended to limit the spread of dependency; in practice, however, the effect has been to increase dependency and remove the incentive to work.

We fully expect people to follow their self-interest in their business dealings; why should we be surprised when people follow their self-interest in their welfare dealings? That is why we propose a plan in which it is in the interest of every employable person to do his fair share of work.

The operation of the new approach

1. We would assure an income foundation throughout every section of America for all parents who cannot adequately support themselves and their children. For a family of four with income of $720 or less, this payment would be $1,600 a year; for a family of four with $2,000 income, this payment would supplement that income by $960 a year.

Under the present welfare system, each State provides “Aid to families with dependent children,” a program we propose to replace. The Federal Government shares the cost, but each State establishes key eligibility rules and determines how much income support will be provided to poor families. The result has been an uneven and unequal system. The 1969 benefits average for a family of four is $171 a month across the Nation, but individual State averages range from $263 down to $39 a month.

A new Federal minimum of $1,600 a year cannot claim to provide comfort to a family of four, but the present low of $463 a year cannot claim to provide even the basic necessities.

The new system would do away with the inequity of very low benefit levels in some States, and of State-by-State variations in eligibility tests, by establishing a federally financed income floor with a national definition of basic eligibility.

States will continue to carry an important responsibility. In 30 States the Federal basic payment will be less than the present levels of combined Federal and State payments. These States will be required to maintain the current level of benefits, but in no case will a State be required to spend more than 90 percent of its present welfare cost. The Federal Government will not only provide the “floor,” but it will assume 10 percent of the benefits now being paid by the States as their part of welfare costs.

In 20 States, the new payment would exceed the present average benefit payments, in some cases by a wide margin. In 10 of these States, where benefits are lowest and poverty often the most severe, the payments will raise benefit levels substantially. For 5 years, every State
will be required to continue to spend at least half of what they are now spending on welfare, to supplement the Federal base.

For the typical "welfare family"—a mother with dependent children and no outside income—the new system would provide a basic national minimum payment. A mother with three small children would be assured an annual income of at least $1,600.

For the family headed by an employed father or working mother, the same basic benefits would be received, but $60 per month of earnings would be "disregarded" in order to make up the costs of working and provide a strong advantage in holding a job. The wage earner could also keep 50 percent of his benefits as his earnings rise above that $60 per month. A family of four, in which the father earns $2,000 in a year, would receive payments of $960, for a total income of $2,960.

For the aged, the blind, and the disabled, the present system varies benefit levels from $40 per month for an aged person in one State to $145 per month for the blind in another. The new system would establish a minimum payment of $65 per month for all three of these adult categories, with the Federal Government contributing the first $50 and sharing in payments above that amount. This will raise the share of the financial burden borne by the Federal Government for payments to these adults who cannot support themselves, and should pave the way for benefit increases in many States.

For the single adult who is not handicapped or aged, or for the married couple without children, the new system would not apply. Food stamps would continue to be available up to $300 per year per person, according to the plan I outlined last May in my message to the Congress on the food and nutrition needs of the population in poverty. For dependent families there will be an orderly substitution of food stamps by the new direct monetary payments.

2. The new approach would end the blatant unfairness of the welfare system.

In over half the States, families headed by unemployed men do not qualify for public assistance. In no State does a family headed by a father working full time receive help in the current welfare system, no matter how little he earns. As we have seen, this approach to dependency has itself been a cause of dependency. It results in a policy that tends to force the father out of the house.

The new plan rejects a policy that undermines family life. It would end the substantial financial incentives to desertion. It would extend eligibility to all dependent families with children, without regard to whether the family is headed by a man or a woman. The effects of these changes upon human behavior would be an increased will to work, the survival of more marriages, the greater stability of families. We are determined to stop passing the cycle of dependency from generation to generation.

The most glaring inequity in the old welfare system is the exclusion of families who are working to pull themselves out of poverty. Families headed by a nonworker often receive more from welfare than families headed by a husband working full time at very low wages. This has been rightly resented by the working poor, for the rewards are just the opposite of what they should be.

3. The new plan would create a much stronger incentive to work.

For people now on the welfare rolls, the present system discourages
the move from welfare to work by cutting benefits too fast and too much as earnings begin. The new system would encourage work by allowing the new worker to retain the first $720 of his yearly earnings without any benefit reduction.

For people already working, but at poverty wages, the present system often encourages nothing but resentment and an incentive to quit and go on relief where that would pay more than work. The new plan, on the contrary, would provide a supplement that will help a low-wage worker—struggling to make ends meet—achieve a higher standard of living.

For an employable person who just chooses not to work, neither the present system nor the one we propose would support him, though both would continue to support other dependent members in his family.

However, a welfare mother with preschool children should not face benefit reductions if she decides to stay home. It is not our intent that mothers of preschool children must accept work. Those who can work and desire to do so, however, should have the opportunity for jobs and job training and access to day-care centers for their children; this will enable them to support themselves after their children are grown.

A family with a member who gets a job would be permitted to retain all of the first $90 monthly income, amounting to $720 per year for a regular worker, with no reduction of Federal payments. The incentive to work in this provision is obvious. But there is another practical reason: Going to work costs money. Expenses such as clothes, transportation, personal care, social security taxes and loss of income from odd jobs amount to substantial costs for the average family. Since a family does not begin to add to its net income until it surpasses the cost of working, in fairness this amount should not be subtracted from the new payment.

After the first $720 of income, the rest of the earnings will result in a systematic reduction in payments.

I believe the vast majority of poor people in the United States prefer to work rather than have the Government support their families. In 1968, 600,000 families left the welfare rolls out of an average caseload of 1,400,000 during the year, showing a considerable turnover, much of it voluntary.

However, there may be some who fail to seek or accept work, even with the strong incentives and training opportunities that will be provided. It would not be fair to those who willingly work, or to all taxpayers, to allow others to choose idleness when opportunity is available. Thus, they must accept training opportunities and jobs when offered, or give up their right to the new payments for themselves. No able-bodied person will have a “free ride” in a nation that provides opportunity for training and work.

4. The bridge from welfare to work should be buttressed by training and child care programs. For many, the incentives to work in this plan would be all that is necessary. However, there are other situations where these incentives need to be supported by measures that will overcome other barriers to employment.

I propose that funds be provided for expanded training and job development programs so that an additional 150,000 welfare recipients can become jobworthy during the first year.
Manpower training is a basic bridge to work for poor people, especially people with limited education, low skills and limited job experience. Manpower training programs can provide this bridge for many of our poor. In the new manpower training proposal to be sent to the Congress this week, the interrelationship with this new approach to welfare will be apparent.

I am also requesting authority, as a part of the new system, to provide child care for the 450,000 children of the 150,000 current welfare recipients to be trained.

The child care I propose is more than custodial. This Administration is committed to a new emphasis on child development in the first 5 years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for its health and safety, and would break the poverty cycle for this new generation.

The expanded child care program would bring new opportunities along several lines: opportunities for the further involvement of private enterprise in providing high quality child care service; opportunities for volunteers; and opportunities for training and employment in child care centers of many of the welfare mothers themselves.

I am requesting a total of $600 million additional to fund these expanded training programs and child care centers.

5. The new system will lessen welfare redtape and provide administrative cost savings. To cut out the costly investigations so bitterly resented as "welfare snooping," the Federal payment will be based upon a certification of income, with spot checks sufficient to prevent abuses. The program will be administered on an automated basis, using the information and technical experience of the Social Security Administration, but of course, will be entirely separate from the administration of the social security trust fund.

The States would be given the option of having the Federal Government handle the payment of the State supplemental benefits on a reimbursable basis, so that they would be spared their present administrative burdens and so a single check could be sent to the recipient. These simplifications will save money and eliminate indignities; at the same time, welfare fraud will be detected and lawbreakers prosecuted.

6. This new departure would require a substantial initial investment, but will yield future returns to the Nation. This transformation of the welfare system will set in motion forces that will lessen dependency rather than perpetuate and enlarge it. A more productive population adds to real economic growth without inflation. The initial investment is needed now to stop the momentum of work to welfare, and to start a new momentum in the opposite direction.

The costs of welfare benefits for families with dependent children have been rising alarmingly the past several years, increasing from $1 billion in 1960 to an estimated $3.3 billion in 1969, of which $1.8 billion is paid by the Federal Government, and $1.5 billion is paid by the States. Based on current population and income data, the proposals I am making today will increase Federal costs during the first year by an estimated $4 billion, which includes $600 million for job training and child care centers.

The startup costs of lifting many people out of dependency will
ultimately cost the taxpayer far less than the chronic costs—in dollars and in national values—of creating a permanent underclass in America.

From welfare to work

Since this administration took office, members of the Urban Affairs Council, including officials of the Department of Health, Education, and Welfare, the Department of Labor, the Office of Economic Opportunity, the Bureau of the Budget, and other key advisers, have been working to develop a coherent, fresh approach to welfare, manpower, training, and revenue sharing.

I have outlined our conclusions about an important component of this approach in this message; the Secretary of HEW will transmit to the Congress the proposed legislation after the summer recess.

I urge the Congress to begin its study of these proposals promptly so that laws can be enacted and funds authorized to begin the new system as soon as possible. Sound budgetary policy must be maintained in order to put this plan into effect—especially the portion supplementing the wages of the working poor.

With the establishment of the new approach, the Office of Economic Opportunity will concentrate on the important task of finding new ways of opening economic opportunity for those who are able to work. Rather than focusing on income support activities, it must find means of providing opportunities for individuals to contribute to the full extent of their capabilities, and of developing and improving those capabilities.

This would be the effect of the transformation of welfare into "workfare," a new work-rewarding system:

For the first time, all dependent families with children in America, regardless of where they live, would be assured of minimum standard payments based upon uniform and single eligibility standards.

For the first time, the more than 2 million families who make up the working poor would be helped toward self-sufficiency and away from future welfare dependency.

For the first time, training and work opportunity with effective incentives would be given millions of families who would otherwise be locked into a welfare system for generations.

For the first time, the Federal Government would make a strong contribution toward relieving the financial burden of welfare payments from State governments.

For the first time, every dependent family in America would be encouraged to stay together, free from economic pressure to split apart.

These are far-reaching effects. They cannot be purchased cheaply, or by piecemeal efforts. This total reform looks in a new direction; it requires new thinking, a new spirit and a fresh dedication to reverse the downhill course of welfare. In its first year, more than half the families participating in the program will have one member working or training.

We have it in our power to raise the standard of living and the realizable hopes of millions of our fellow citizens. By providing an equal chance at the starting line, we can reinforce the traditional American spirit of self-reliance and self-respect.

THE WHITE HOUSE.
August 11, 1969

RICHARD NIXON.
## Proposed benefit schedule

**APPENDIX**

**PROPOSED BENEFIT SCHEDULE (EXCLUDING ALL STATE BENEFITS)**

<table>
<thead>
<tr>
<th>Earned income</th>
<th>New benefit</th>
<th>Total income</th>
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<tbody>
<tr>
<td>$0</td>
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</tr>
<tr>
<td>$4,000</td>
<td>$0</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

1 For a 4-person family, with a basic payment standard of $1,600 and an earned income disregard of $720.

(101)
BACKGROUND MATERIAL

I. THE PRESENT SYSTEM

A. FAILURES

The present welfare system has been a failure; all indications are that its future will be worse, not better. In the last decade, the costs of aid to families with dependent children (AFDC) have more than tripled. The caseload has more than doubled.

Even more disturbing is the fact that the proportion of persons on AFDC is growing. In the past 15 years the proportion of children receiving assistance has doubled—from 30 children per 1,000 to about 60 per 1,000 at present.

B. INEQUITIES

Serious inequities exist under AFDC between regions of the country, between male- and female-headed families, and between poor people who work to help themselves on the one hand and the welfare poor on the other hand.

Average benefits for a female-headed family of four persons vary from $39 to $263 a month.

Only 24 States provide federally matched assistance to male-headed families, and this is only done where there is an “unemployed father” in the house—one who works no more than 30 hours a week. In no State is there now federally matched assistance for a male-headed family where the father works full time.

The present AFDC system encourages dependency. The preferential treatment of female-headed families has led to increased family break-up. In 1940, 30 percent of AFDC families had absent fathers; today it is over 70 percent.

II. THE NEW SYSTEM

A. COVERAGE

The administration’s proposed welfare reform will provide direct Federal payments to all families with children with incomes below stipulated amounts.

The principal new group made eligible for cash assistance under the proposal is “working poor” families headed by males employed full time. The administration’s proposed system would cover both “dependent families,” defined as those headed by a female or an unemployed father, and “working poor” families, defined as families headed by a full-time employed male.

B. BENEFIT LEVELS

1. Families with no earnings

The basic Federal benefit for a family of four would be $1,600 per year, $500 per person for the first two family members and $300 for
each family member thereafter. A seven-person family with no earnings would receive $2,500 per year.

2. Families with earnings

Families of four with earnings up to $3,920 per year would be eligible for payments. Families of seven would be eligible up to $5,720. All families would be allowed to "disregard" $60 per month ($720 per year) as work-related expenses—transportation, meals, clothing. Benefits would be reduced by 50 percent as earnings increase above $720 per year.

C. AN EXAMPLE

A family of four with earnings of $2,000 would be entitled to disregard the first $720 in earnings.

Subtracting $720 from $2,000, the remainder is $1,280. Fifty percent of this amount ($640) is subtracted from the family's entitlement for benefits, which is $1,600. The remainder ($960) is added to the family's earnings of $2,000. Its total income, therefore, would be $2,960. (See chart II.)

A family of seven, with $2,000 in income, using the same arithmetic, would be entitled to benefits of $1,860 for a total income of $3,860.

D. STATE SUPPLEMENTAL BENEFITS

In order that present benefit levels not be reduced for families aided under the existing AFDC program, the new system would require the continuation of State benefits equal to the difference between the proposed Federal minimum and a State's present benefit level. All States, however, would receive fiscal relief under the proposed welfare program.

States would not be required to supplement "working poor" families.

E. THE WORK REQUIREMENT

A basic element of the administration's welfare reform program is its emphasis on work, both a strong work requirement and the provision of incentives throughout the system for training and employment. (See chart VI.)

All applicants for benefits who are not working are required to register with the Employment Service.

Employable recipients must accept training or employment or lose their portion of the family's benefit.

F. TRAINING AND DAY CARE

To insure that employable recipients become self-sufficient, the administration's program provides a substantial increase in training opportunities and child care services. Training opportunities will be provided for an additional 150,000 welfare mothers. Child care services will be provided for an additional 450,000 children in families headed by welfare mothers.

G. ADMINISTRATION

Another important feature of the administration's welfare reform program is the national administration of the basic Federal benefit
for families. It is proposed that the administration of the system be assigned to the Social Security Administration in the Department of Health, Education and Welfare. The administration of the new system by the Social Security Administration would be handled entirely separate from its responsibility for the wage-related contributory OASDI programs.

III. COST OF THE PROGRAM

The estimated cost in the first full year of operation of the proposed welfare reform program is $4 billion. This is additional to present Federal spending for public assistance, estimated at $4.20 billion in fiscal year 1970.

Major cost components of the program are:

<table>
<thead>
<tr>
<th>Billion</th>
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</thead>
<tbody>
<tr>
<td>1. Benefits to families</td>
</tr>
<tr>
<td>2. Adult minimum standards</td>
</tr>
<tr>
<td>3. Training and day care to provide additional work opportunities for cash assistance receipts</td>
</tr>
<tr>
<td>3. Other: Administration, effects on other programs, fiscal relief to States, and adjustments for lagged income reporting</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

A. BENEFITS TO FAMILIES

The estimate above of $2.5 billion in additional spending for benefits to families is based on an inter-agency analysis of data from the OEO Survey of Economic Opportunity. The economic model for deriving this estimate uses data on 14,000 low income families and current research findings.

B. ADULT MINIMUM STANDARD

The administration's welfare reform program also establishes a Federal minimum payment level of $65 per month for the three adult public assistance categories (aid for the blind, the disabled and the aged) and provides for the administrative combination of these programs.

Under this proposal, the Federal Government pays 100 percent of the first $50; 50 percent of the next $15; and 25 percent thereafter. Fiscal relief for State and local governments as a result of this Federal minimum for the adult categories is $400 million.

C. TRAINING AND CHILD CARE

The total cost for training an additional 150,000 welfare mothers and providing child care services for an additional 450,000 children is $623 million.

<table>
<thead>
<tr>
<th>Persons served (thousands)</th>
<th>Unit cost</th>
<th>Total cost (millions)</th>
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</thead>
<tbody>
<tr>
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<td>$1,110</td>
</tr>
<tr>
<td>Incentive payments</td>
<td>150</td>
<td>$81</td>
</tr>
<tr>
<td>Child care</td>
<td>450</td>
<td>$36</td>
</tr>
<tr>
<td>Upgrading</td>
<td>75</td>
<td>$600</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
IV. FISCAL RELIEF TO STATE AND LOCAL GOVERNMENTS

A. UNDER THE NEW WELFARE PLAN

Under the administration's proposed welfare reform program, all States receive fiscal relief. Each State is required to spend at least 50 percent of the amount spent in the base year for the present public assistance programs. No State, however, is required to spend more than 90 percent of expenditures in the base year for the four categories.

B. REVENUE SHARING

State and local governments are also aided under the administration’s proposed revenue sharing program. The first full year effect of revenue sharing is $1 billion. The amount of revenue sharing increases annually in five steps thereafter.

C. COMBINED IMPACT OF WELFARE REFORM PROPOSAL AND REVENUE SHARING

Combining the welfare reform and revenue sharing proposals, $5 billion in new first-year funds is distributed as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash assistance benefits for the poor</td>
<td>$2.2</td>
</tr>
<tr>
<td>Fiscal relief for State and local governments</td>
<td>1.7</td>
</tr>
<tr>
<td>Additional training and day care</td>
<td>.6</td>
</tr>
<tr>
<td>Other</td>
<td>.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5.0</strong></td>
</tr>
</tbody>
</table>

The table attached provides State-by-State data on fiscal relief under both the administration's proposed welfare and revenue sharing reforms in their first full year of effect.

TABLE 1.—IMPACT ON STATE AND LOCAL GOVERNMENTS OF WELFARE REFORM AND REVENUE SHARING (FIRST FULL-YEAR EFFECT)

<table>
<thead>
<tr>
<th>State</th>
<th>Revenue sharing</th>
<th>Fiscal relief under welfare reform</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>16.1</td>
<td>11.9</td>
<td>28.0</td>
</tr>
<tr>
<td>Alaska</td>
<td>1.2</td>
<td>1.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Arizona</td>
<td>10.1</td>
<td>3.4</td>
<td>13.5</td>
</tr>
<tr>
<td>Arkansas</td>
<td>9.5</td>
<td>6.2</td>
<td>15.7</td>
</tr>
<tr>
<td>California</td>
<td>112.5</td>
<td>179.5</td>
<td>292.0</td>
</tr>
<tr>
<td>Colorado</td>
<td>11.6</td>
<td>12.0</td>
<td>24.6</td>
</tr>
<tr>
<td>Connecticut</td>
<td>12.8</td>
<td>8.8</td>
<td>21.6</td>
</tr>
<tr>
<td>Delaware</td>
<td>5.4</td>
<td>1.6</td>
<td>4.0</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>3.4</td>
<td>4.1</td>
<td>7.5</td>
</tr>
<tr>
<td>Florida</td>
<td>30.8</td>
<td>8.5</td>
<td>39.3</td>
</tr>
<tr>
<td>Georgia</td>
<td>20.8</td>
<td>12.5</td>
<td>33.3</td>
</tr>
<tr>
<td>Hawaii</td>
<td>4.8</td>
<td>3.3</td>
<td>8.1</td>
</tr>
<tr>
<td>Idaho</td>
<td>4.0</td>
<td>1.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Illinois</td>
<td>44.5</td>
<td>49.6</td>
<td>94.1</td>
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<tr>
<td>Indiana</td>
<td>24.2</td>
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<td>29.7</td>
</tr>
<tr>
<td>Iowa</td>
<td>14.6</td>
<td>7.0</td>
<td>21.6</td>
</tr>
<tr>
<td>Kansas</td>
<td>12.1</td>
<td>6.6</td>
<td>18.7</td>
</tr>
<tr>
<td>Kentucky</td>
<td>14.8</td>
<td>10.6</td>
<td>25.4</td>
</tr>
<tr>
<td>Louisiana</td>
<td>20.3</td>
<td>18.9</td>
<td>39.2</td>
</tr>
<tr>
<td>Maine</td>
<td>3.1</td>
<td>2.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Maryland</td>
<td>18.1</td>
<td>14.4</td>
<td>32.5</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>29.6</td>
<td>30.1</td>
<td>59.7</td>
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<tr>
<td>Michigan</td>
<td>40.8</td>
<td>35.5</td>
<td>76.3</td>
</tr>
<tr>
<td>Minnesota</td>
<td>21.5</td>
<td>9.3</td>
<td>30.8</td>
</tr>
<tr>
<td>Mississippi</td>
<td>12.6</td>
<td>9.9</td>
<td>22.5</td>
</tr>
<tr>
<td>Missouri</td>
<td>20.4</td>
<td>16.3</td>
<td>36.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,001.0</strong></td>
<td><strong>735.8</strong></td>
<td><strong>1,735.8</strong></td>
</tr>
</tbody>
</table>

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HEARINGS ON SOCIAL SECURITY, WELFARE REFORM, AND HEALTH COSTS

To Administrative, Supervisory, and Technical Employees

On Wednesday, October 15, the Committee on Ways and Means began public hearings on H. R. 14080, the "Social Security Amendments of 1969," and H. R. 14173, the "Family Assistance Act of 1969." Secretary Finch gave the opening testimony, which presented the Administration's position on needed improvements in the social security program and on welfare reform. Following the Secretary's testimony, I presented a series of charts explaining the provisions of H. R. 14080. Enclosed is a pamphlet printed by the Committee on Ways and Means which includes the Secretary's statement, the charts that I used in my presentation, and a statement which Secretary of Labor Shultz presented to the Committee on October 16.

Secretary Finch, Miss Mary E. Switzer, Administrator, Social and Rehabilitation Service, and I, together with other officials of the Department of Health, Education, and Welfare and of the Department of Labor, again appeared before the Committee on October 21 to answer additional questions on the proposed legislation. Public witnesses representing organizations interested in the areas covered by the hearings began testifying on October 22. It is expected that the public hearings will continue through November 13.

During his testimony on October 15, Secretary Finch announced that the Administration was forwarding to the Congress that day a proposed bill, the "Health Cost Effectiveness Amendments of 1969." The enclosed summary briefly outlines the specific proposals in this bill which the Committee will also be considering (although it has not been formally introduced by a member of the Congress).

We will keep you informed about important developments in the congressional consideration of the legislative proposals.

Robert M. Ball
Commissioner
Proposal No. 1 would authorize the Secretary to withhold or reduce reimbursement amounts to providers of services under title XVIII for depreciation, interest, equity capital, or other expense related to capital expenditures for plant and equipment in excess of $50,000 that have been specifically disapproved by the State agency established or designated pursuant to section 314(a)(2)(A) of the Public Health Service Act as not being in conformance with the over-all plan of such agency. Providers of services proposing to make such capital expenditures would be required to give at least 60-day prior notice to the State agency. Similar authority would be provided with respect to the Federal share of payments for inpatient hospital care under titles V and XIX of the Social Security Act.

Proposal No. 2 would require providers of services, as a condition of participation under the Medicare program, to have a written plan reflecting an operating budget and a capital expenditures budget. The plan would be expected to contain information outlining the services to be provided in the future, the estimated costs of providing such services (including proposed capital expenditures for replacement of equipment, and modernization and expansion of the plant and equipment), and the proposed methods of financing such costs. It would have to be prepared and reviewed and updated at least annually by a committee appointed by the governing body of the institution and comprised of representatives of the administrative staff and, if any, the medical staff.

Under proposal No. 3, the Secretary, after consultation with the several recognized associations representing hospitals or other providers in a given area, could institute areawide experiments or demonstration projects with hospitals or other providers in that area and could, subject to certain safeguards provided for the hospitals or providers, require the participation of all such hospitals or other providers where no more than 20 percent of such hospitals or other providers would be caused undue hardship. The proposal would also permit the Secretary, through experiments or demonstration projects, to make payment to organizations and institutions for services which are not currently covered under titles V, XVIII, and XIX and which are incidental to services covered under the programs if the inclusion of the additional services would offer the promise of program savings without any loss in the quality of care. The proposal would also authorize the Secretary to experiment with the use of rates established by a State for administration of one or more of its laws for payment or reimbursement to health facilities located in such State. Authority would also be provided under the proposal to experiment with different methods of reimbursement with respect to the services of residents, interns and supervising physicians in teaching settings.

Under proposal No. 4, the Secretary would be given authority to discontinue payments under the Medicare program for services rendered by hospitals, extended care facilities, home health agencies, persons who supply services pursuant to arrangements with these institutions, physicians, and other suppliers of health and medical services found to be guilty of program abuses; e.g., overcharging, furnishing excessive, inferior or harmful services, etc.
Also, there would be no Federal financial participation in any expenditure under the Medicaid and maternal and child health programs by the State with respect to services furnished by a supplier to whom the Secretary would not make Medicare payments under this proposed change.

Proposal No. 5 would authorize the Secretary to limit titles V, XVIII, and XIX reimbursement to a facility's customary charges so that total reimbursement paid under the various programs would not exceed what would have been paid if the facility's customary charges to the general public had been paid. However, where the facility was a public institution which furnished services free of charge or at nominal charges to the public, reimbursement would continue to be determined on the basis of cost.

Under proposal No. 6, payment of hospital insurance benefits for inpatient hospital services and posthospital extended care services would be limited to exclude cases where there had been a finding by a utilization review committee that either admission to the institution or the furnishing of particular professional services (including drugs and biologicals) by the institution was medically unnecessary. A similar limitation would be placed on payment of supplementary medical insurance benefits with respect to medical and other health services furnished on an inpatient basis by a hospital or an extended care facility.

Proposal No. 7 would facilitate recoupment of overpayments by authorizing the Secretary, where appropriate, to determine the amount of the overpayment on the basis of estimates and sampling procedures. The proposal would also make more explicit the Secretary's authority generally to recoup such overpayments by making adjustments in subsequent payments.
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN STATEMENTS SUBMITTED BY
ADMINISTRATION WITNESSES
APPEARING BEFORE THE
COMMITTEE ON WAYS AND MEANS
AT HEARINGS ON
SOCIAL SECURITY AND WELFARE
PROPOSALS
BEGINNING ON OCTOBER 15, 1969

NOTE: These statements have been reproduced so as to make them
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witnesses.

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1969
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2. Statement of Hon. George Shultz, Secretary of Labor, October 16, 1969 .............................................................................................................. 39
Mr. Chairman and Members of the Committee:

I am pleased to testify before your Committee today. I know of the outstanding performance of this Committee during the past 34 years in connection with social security legislation. And I have had the opportunity to observe the excellent working relationship that exists between the Committee and the Department of Health, Education, and Welfare.

Over the past several months, many of us in the Department of Health, Education, and Welfare have devoted much of our time and efforts to the subject areas covered by the Social Security Act.

My presentation is not a definitive statement on the Social Security Act, but rather is an attempt to deliver an overall view of the Administration's position on necessary reforms.

President Nixon has sent several Messages to the Congress this year recommending amendments to the Social Security Act. The emphasis of these proposals is three-pronged; first and principally on jobs, second on an assured income growing out of social security and unemployment insurance when the worker's income is cut off, and finally on a supporting work-oriented family assistance program. These amendments propose: -- a sweeping and much-needed reform of assistance programs that aid families
with children — changes in the assistance programs for the needy
adults who are old, blind, or disabled — increased social security
cash benefits — a system for automatically guaranteeing that the
purchasing power of social security benefits will be kept up to date with
future increases in prices — broadened protection by social insurance
programs — a restoration of the actuarial balance of the hospital
insurance trust fund.

The new Family Assistance Plan recognizes that everyone who can do
so should have the opportunity to work and support himself and his
family. The program provides for greatly expanded training opportunities,
expanded facilities for children of working mothers, and greatly increased
work incentives within the design of the assistance program itself.

Registration for work and training is a key part of the new
approach, but even more important is the emphasis upon expanded opportunities
for the individual. We do not want to continue a situation in which
large numbers of people have little choice but to rely solely upon
assistance payments for the support of their families. We want rather to
develop a system which gives people the opportunity and incentive to
become independent and self-supporting.

We believe too, that to the extent possible we should prevent need
through social insurance rather than rely upon an assistance program to
meet need after it has arisen. The worker should have the opportunity,
as he works, to earn protection against the possible loss of his earnings.
This is the function of social security and unemployment insurance — to
give the worker and his family basic security against the loss of earned income arising because of unemployment, disability, old age, or death.

Thus, the Administration's proposals in the areas of unemployment insurance and social security are complementary to our recommendations in the welfare area.

Medicare, Medicaid and maternal and child health programs are designed to help meet the medical needs and expenses of older people and those with low incomes and therefore are supplements to our income support program. We are proposing a number of changes in these programs which we feel will be the beginning of the control of rising costs in these programs.

Mr. Chairman, each of these proposals should be understood in context as well as individually. Therefore, I will give an overview of each of the proposals, after which other officials of the Department will present a more indepth analysis of each proposal.

I will first examine the urgently needed Family Assistance Program, then comment on social services, proceed to the social security amendments, and then finish my formal statement with a discussion of rising health costs and the immediate steps we are taking within the Department.
The Family Assistance Act of 1969

Mr. Chairman, I welcome this opportunity to discuss H.R. 14173, the Family Assistance Act of 1969.

This measure is the product of months of intensive study, beginning even before the inauguration with the President's Transition Task Force. After analyzing many proposals offered by recognized experts within and without the Federal Government, we have concluded that a radical reform of the structure of welfare is needed.

We sought, in designing the Family Assistance Plan, to identify and deal directly with the most pressing problems facing public welfare today. While it is a far-reaching and fundamental reform of public welfare, the Family Assistance Plan is a practical and pragmatic program. It is neither a universal income maintenance system, which we cannot afford at the present time, nor a guaranteed annual income, which we feel could undermine an individual's motivation and rewards for work.

This problem-solving approach, rather than a theoretical approach, highlighted the following key areas which needed immediate solution and redirection:

1. The gross inequities that existed between categories of persons equally in need under the present welfare system;
2. The gross inequities from State to State;
3. The increasingly complex and controversial management crisis in welfare; and
4. The economic incentives which, in the present system, weigh more in favor of continued dependency and family break-up than the reverse.
The program we support is directed toward helping needy people
to help themselves through work incentives and work requirements bolstered
by expanded training and day-care opportunities, toward an elimination
of the family break-up incentive, and toward the establishment of
National minimum payment and eligibility standards. It would do
these things in a way that will not further add to State fiscal burdens.

Public Assistance Today

In June 1969, a total of 10.2 million persons received public
assistance from Federal, State and local funds. Of these, somewhat less
than 800,000 were recipients of general assistance in which the Federal
Government played no part. Among the 9.4 million persons receiving aid
under Federally aided programs, slightly less than 1/3 were the adult
categories—the aged, blind, the disabled—and nearly 6.6 million
persons—over 2/3—were recipients under the program of Aid to Families
with Dependent Children.

The Adult Categories

In the adult categories the situation is a relatively stable one,
with the caseload increasing by about only 3.5 percent in the last year.
Slightly over 2 million needy aged persons received assistance in June,
an increase of only 17,000 over the preceding year. Their payments
averaged $70.55 a month. However, nearly 60 percent of these persons
also received social security benefits so that their total incomes were
significantly higher than assistance payments alone. Old-Age Assistance
(OAA) recipients constituted 10.4 percent of the persons in the country over age 65. However, this proportion varied widely. It was 2.7 percent in Connecticut and 40.7 percent in Louisiana.

The caseload of blind recipients has been consistently about 80,000 persons during the past year. The permanently and totally disabled numbered 755,000 in June, an increase of 85,000 over a year ago. Among the blind and disabled, about 20 percent also have social security benefits.

In view of the relatively stable caseloads in the adult programs, we felt that the major problems which they present are very low benefits in some States (less than $39.40 a month under OAA in Mississippi in June 1969, ranging up to $116.25 in New Hampshire) and differences in eligibility requirements among the various States.

We propose to continue as a Federal-State program a combined program for needy, aged, blind, and disabled persons. We propose, however, to establish for the first time a Federal floor—$90 a month—of income and assistance which would be assured to adult recipients in any State. This new Federal floor would act to raise benefits for about 1/3 of the present OAA recipients, or about 670,000 persons, and would push up benefit levels in the 13 lowest payment States, plus the District of Columbia. The $90 floor, when aggregated on a yearly basis for an aged couple, comes to $2160, an amount which is actually slightly above the poverty line of $2100 for an aged couple as that line has recently been redefined for 1968.
We make this proposal for a Federally established income floor for the adult categories in recognition of the fact that neither work incentives nor family stability incentives are the answer to the dependency of these people. We must do what we can through social and rehabilitation services to bolster self-support and self-care capacity among these recipients, but in the last analysis it must be our obligation to move toward an adequate level of income support for the aged, blind and disabled. Adequate income support where it is necessary is one of the measurements of a just and humane civilization.

We further propose to make uniform the definitions of resources, used in determining family eligibility under the program. Certain options for administration of these payments are also opened up to harmonize this system with the Family Assistance Plan, and those options will be discussed later.

In order to make these reforms possible we are proposing a liberalized formula for Federal financial participation under which the Federal Government would provide an average of $50 per month to recipients, half of the next $15, and 1/4 of additional amounts. The formula for Federal participation would, of course, apply only to payments actually made. This would provide substantial fiscal relief to most States.
THE AFDC PROGRAM

Most of the controversy around welfare programs centers around the program called AFDC—Aid to Families with Dependent Children. In this program costs have more than tripled since 1960 to an estimated total of more than $4 billion dollars in this fiscal year. The Federal Government will pay about half of this cost. During the same period, the number of recipients has more than doubled to a present total of more than 6.5 millions.

The rate of growth has been alarming and verging recently on the catastrophic. It took 15 years for AFDC payments to reach the half billion dollar mark, and another ten years to break a billion. But what took from 1935 to 1960 was duplicated in the short period from 1960 to 1967 when another billion dollars was added to payments. And in the next year alone payments soared by a half billion dollars.

Even more disturbing is the fact that the proportion of persons on AFDC is growing. In 1955, 30 children out of each thousand received aid. In June more than 60 children out of each thousand received aid. In studying the program, our estimates indicated that by the fiscal year 1975, costs would again double and numbers of persons increase by another 50-60 percent.

In spite of its growth and its cost, the program is beset by inequities. Children of a parent who has died, is incapacitated, or is absent from the home, are eligible in all States. Those with an unemployed father are eligible in about half the States. Those with a father
employed full-time are not eligible in any State. Thus a premium is placed on a home breaking up and an incentive exists for the breadwinner to leave.

Many fathers work full time but still do not earn as much as is available to families on welfare who may live nearby. The discontent of the working poor is understandable and destructive to the fabric of our society. The exclusion of the working poor is also the central structural defect of the system since it is what creates the family breakup incentive and undermines the rewards of work. This exclusion also has begun to take on ominous and socially polarizing racial overtones, for AFDC recipients—those who are helped—are about 50 percent nonwhite while the working poor—those who are excluded—are 70 percent white.

The State-to-State inequities which I described with respect to the adult programs are magnified in the AFDC program. In June, a recipient in Mississippi averaged $10.20 per month. In New Jersey, recipients got an average of $66.40. In Indiana, 22 children out of each thousand received aid. In New York, 107 children out of each thousand were helped.

In sum, in spite of the size of the effort, AFDC has engendered bitterness and resentment.

The poor who receive it have organized to fight those who administer it.

Many poor who are eligible continue to deprive themselves rather than submit to its indignities.
The middle class, far removed from the need for welfare and the people who receive it, is angry both at the cost in taxes and at the behavior attributed to some welfare recipients.

The large cities resent the flow of poor people from rural areas where welfare benefits are often inhumanely low.

State governments, staggered by the fiscal impact, cry out for relief.

Against this background, we concluded that major structural reform was necessary to correct, insofar as possible, the inequities of the old system. The first priority of the Family Assistance Plan has been to remove, or at least minimize the disincentives and inequities of present welfare policies. It is designed to strengthen family life and to provide strong and effective incentives for employment. This strategy may not pay off immediately, but unless this investment is made now, fundamental reform will be even more expensive in the future.

The Family Assistance Plan also provides some fiscal relief for hard-pressed States and at the same time raises benefit levels for recipients in those areas where they are lowest. But these goals, it must be said, cannot be our first priority at the present time. There are others who would invest more of our available resources in benefit increases or in a federalization of the program designed to provide maximum fiscal relief to the States. These are not easy priorities to weigh and balance, but we have concluded that—while those other approaches might be politically more popular in many respects—they only pour more Federal money into a system doomed to failure. The system must be
changed, not just its payment levels or the division of labor between the Federal and State governments within it.

The Family Assistance Plan

1. Help for the Working Poor

We propose to replace the present AFDC program with a new program, "The Family Assistance Plan," which would provide direct Federal payments to all needy families with children. Unlike the present program of Aid to Families with Dependent Children, the new plan would for the first time provide Federal benefit payments for families headed by full-time male workers as well as for families headed by a mother or an unemployed father. No State today provides assistance under AFDC for a family headed by a father who is working full time—even though the family may be living in poverty. This is the group of some 2 to 3 million families which we call "the working poor." A few States have already undertaken this structural reform on their own initiative by providing help through their general assistance programs to some or all of the working poor.

The Federal benefits would also be provided throughout the Nation to families headed by unemployed fathers. Today such assistance is available in only 25 of 54 jurisdictions. Eligibility of the working poor for assistance and a nationwide program for families headed by an unemployed father are the critical steps toward eliminating the harshest inequities of the present system. Without including the working poor, fundamental improvement of the work and family stability incentives is impossible.
2. The Family Unit

As indicated by the term "family assistance," the new program is based upon the existence of a family unit. The presence of a child in the household is, therefore, the key to eligibility in this proposal. When a family meets income and resources tests, payments under the plan would be made for all members who are related by blood, marriage, or adoption, as long as there is at least one family member who is under age 18, or under 21 if regularly attending school.

3. Treatment of Resources

Under the present public assistance programs, families with substantial resources are not eligible for payments because they could become at least temporarily self-supporting by converting all or part of their resources into cash or income-producing property. This concept and rationale is retained in H.R. 14173. Families with more than $1500 in resources other than their homes, household goods, personal effects, and other property essential to their means of self-support, are not eligible for assistance payments under this proposal.

4. Basic Amount of Payment

The basic yearly Federal payment for an eligible family would be at the rate of $500 a person for the first 2 family members and $300 for each additional member, less whatever nonexcluded income the family has. This would establish a Federal income floor of $1600 per year for a family of four with no other income.
5. **Treatment of Income**

Generally, assistance benefits would be reduced $1 for each $2 of earned or unearned income that the family has. This kind of offset would provide an incentive for the family to work and increase its earnings. The treatment of unearned income on the same basis as earned income eliminates an important inequity in the present law. Under AFDC, since unearned income is offset dollar for dollar against benefits, while benefits are reduced by 67 cents for a dollar of earned income (after the first $30 per month of earnings which are completely excluded), families with the same incomes are treated very differently in terms of eligibility and amount of benefits depending on the source of their income.

6. **Incentives to Work**

As an additional work incentive, and to cover the costs of going to work, the first $180 of earnings in a calendar quarter ($720 a year) would be completely excluded or disregarded in determining the amount of payments for a family. An example might be useful at this point—suppose a family of four had earnings of $2000 a year. The family would first be allowed to disregard $720. Then 50 percent of the remaining $1280 of earnings would be disregarded. The family's payment of $1600 would then be reduced by the nondisregarded earnings of $640 (50 percent of $1280), giving the family assistance payment of $960 and—combined with the earnings of $2000—a total income of $2960.

There would not be a reduction in the amount of payments for the value of food stamps and other public assistance or private charity.
7. **Families Helped to Become Self-Sufficient**

The new system is designed to fulfill the mandate of the President that government has "no less of an obligation to the working poor than to the nonworking poor; and for the first time, benefits would be scaled in such a way that it would always pay to work."

But the built-in guarantee that people would always be better off by working would be bolstered by strong work requirements in the system itself. Members of families that apply for assistance payments under the plan would be required to register for employment or training with the local public employment office and to accept a training or suitable job opportunity when offered. Failure to register or accept such a job or training opportunity would result in termination of the individual's benefits. All able-bodied adult family members would be subject to these provisions, with certain defined exceptions of which the major ones involve exemptions for mothers with children under six years of age and for other mothers where the father is present in the home as the primary worker.

The rationale for these provisions is well known to this Committee, which initiated similar requirements as part of the 1967 amendments to the Social Security Act. It was well stated in the President's Message to the Congress on August 11:
...there may be some who fail to seek or accept work, even with the strong incentives and training opportunities that will be provided. It would not be fair to those who willingly work, or to all taxpayers, to allow others to choose idleness when opportunity is available. Thus, they must accept training opportunities and jobs when offered, or give up their right to the new payments for themselves. No able-bodied person will have a "free ride" in a nation that provides opportunities for training and work."

To make these work incentives and requirements effective, we are seeking a major expansion of our job training, employment and child care programs. Family members referred for training and accepted in a program will receive a monthly training allowance of $30 in addition to their family assistance benefits and supplementary State payments, or the normal manpower training allowance in lieu of these if it is higher. Over $600 million is being requested for these elements, of which $386 million is for the child care component, and we will be joining with the Department of Labor in a new interdepartmental mechanism to make these programs do the job.

8. Child Care

The provisions for child care and supportive services under H.R. 14173 are an essential supporting element in our efforts to make it possible for welfare recipients to obtain training and employment. It is an established fact that inadequate care of the children of a trainee or employee can result in the early withdrawal of that person from the labor market, and the absence of child care can often mean no initial participation. Past experiences in programs sponsored by the Labor Department and the Office of Economic Opportunity have
demonstrated the difficulties of lack of day care. Particularly tragic have been the cases in which women have enthusiastically entered into training programs with day care provided, only to discover that the day care disappears when they are ready to go to work.

Beyond the value of the day care to the working parent there are enormous benefits which accrue to the child who is enrolled in a comprehensive child development program. We now know that the child of poverty needs far more than custodial care if developmental deficits are to be overcome. It is this type of comprehensive child care involving educational, medical, dental, nutritional and follow-up activities, that is contemplated by the President's recommendations.

There could also be substantial benefits to those at the opposite end of the age spectrum, the Nation's elderly. Among our Nation's older population there is a tremendous reservoir of men and women talented in working with children. It has been the experience of the Department of Health, Education, and Welfare, in administering the Foster Grandparents Program and other programs employing the elderly to serve children that increased opportunities for interaction between the elderly and children can not only provide a needed income supplementation for the elderly, but can also have beneficial effects for both age groups.

A family receiving benefits will be eligible for the child care services whenever such care is necessary to permit an adult member to undertake, or continue in training or employment. This care may be provided in the child's own home, in a family day care home or in group day care.
New ground is being broken by the proposal to provide grants directly to State or local public agencies or nonprofit private agencies or organizations, and to contract with public or private agencies or organizations to provide such child care. The need for day care is so great that we believe it will be necessary to use a wide variety of competent organizations.

I believe that this provision opens the door to a wider utilization of resources than we have been able to obtain in the past. It enables the Federal Government to take the direct initiatives to get the program moving and to assure the effectiveness of the training and employment components. The same provision would also enable the Federal Government to contract with businesses, industry, and with labor unions to provide day care services for the children of their employees and members who have been involved in the Family Assistance Program. We have long been seeking ways to expand the participation of these groups in the provision of day care services, because of the obvious benefits to the employer, the employee, and the child.

H.R. 14173 would fund up to 90 percent of the cost of child care projects, and would permit the 10-percent non-Federal share to be provided in the form of services or facilities when approved by the Secretary. Our experience has been that States and local communities have all-too-often been unable to undertake day care projects because of their inability to provide the 25-percent non-Federal, or local share under present law.
In the past, programs have been jeopardized or shelved because the projects in local communities could not afford to finance the alterations, remodeling, or renovation of facilities necessary to meet local licensing standards. H.R. 14173 authorizes funds to be used for these purposes.

The proposal also authorizes the Secretary to require families to pay for all or part of the cost of child care services when there is an ability to do so. However, the Secretary may prescribe regulations which permit the family to deduct all or part of such costs from the earned income which otherwise would reduce the assistance payment.

The President has made a National commitment to the needs of children in the vital first five years of life. H.R. 14173 would help the Nation take considerable strides toward fulfilling this commitment. Calling for an expenditure of $386 million for the first year of operation, 300,000 school-aged children will be able to receive services after school and during the summer months, at an estimated cost of $400 per child. In addition, 150,000 preschool children could receive full-day services, at a cost of $1600 a child. The balance would be applied to research and demonstration projects, to the training of personnel and to alteration or renovations of facilities.

I should like to stress that in all phases of the implementation of this legislation it is our firm and committed intention to work closely with the appropriate State agencies to coordinate all day care efforts under State and local auspices.
State Supplemental Payments

We recognize that the new Federal income floor of $1600 per year for a family of four ($133.33 per month) is not adequate to support needy families without other sources of income. Nevertheless, it represents a substantial improvement in the level of payments now made in eight States, and could be made more adequate when budget conditions permit. To assure the maintenance of present payment levels for families receiving public assistance, States that now provide a level of assistance higher than the proposed Federal floor are required to continue to pay the difference between the Federal floor and what they are now paying. In eight States, the new family assistance payments would exceed the present Federal-State payments under AFDC—in some cases by a wide margin.

The AFDC payment for a family of four is $133 per month or less in the following States as of July 1969:

<table>
<thead>
<tr>
<th>State</th>
<th>Payment (per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>$ 81.00</td>
</tr>
<tr>
<td>Arkansas</td>
<td>100.00</td>
</tr>
<tr>
<td>Georgia</td>
<td>133.00</td>
</tr>
<tr>
<td>Louisiana</td>
<td>119.00</td>
</tr>
<tr>
<td>Mississippi</td>
<td>70.00</td>
</tr>
<tr>
<td>Missouri</td>
<td>130.00</td>
</tr>
<tr>
<td>South Carolina</td>
<td>99.00</td>
</tr>
<tr>
<td>Tennessee</td>
<td>129.00</td>
</tr>
</tbody>
</table>
Accordingly, on the average, 42 States will be required to supplement families above the Federal minimum floor. This supplementation is a requirement that States must meet to continue to receive Federal funds to help finance other Federal-State welfare programs, including the adult category programs, maternal and child health and crippled childrens programs, social services, and medicaid. These States will be required to supplement in the case of families eligible under AFDC and AFDC-UF (unemployed father) programs, but they will not be required to supplement the new "working poor" recipients.
Costs of the Program

The estimated new Federal cost for all the proposals included in the Family Assistance Act is $4.4 billion per year. This estimate is based on data for calendar year 1968 and assumes 100 percent program participation by eligible families and persons. The $4.4 billion is the incremental or new cost of the program, and is in addition to the $3.2 billion in Federal funds spent on welfare in 1968.

This figure of $4.4 billion is higher than the $4.0 billion estimate in the President's Message of August 11, largely as a result of the recent decision to treat unearned income like earned income in the "disregard" provision.

The following table shows the cost estimates for each of the Act's major provisions:

<table>
<thead>
<tr>
<th>Provision</th>
<th>Added Federal Cost (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Assistance payments</td>
<td>$3.0</td>
</tr>
<tr>
<td>Adult Public Assistance changes</td>
<td>0.4</td>
</tr>
<tr>
<td>Federal Payment to States (Part E)</td>
<td>0.1</td>
</tr>
<tr>
<td>Training and Day Care</td>
<td>0.6</td>
</tr>
<tr>
<td>Administration and Other</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>$4.4</td>
</tr>
</tbody>
</table>

Being particularly conscious of the difficulty of producing reliable cost estimates in this field, and mindful of the variations of the actual experience from the projections which have been provided to the Congress
in previous years, we have taken extreme care in arriving at these figures. The methodology used was worked out under the leadership of the Bureau of the Budget in an interagency procedure involving this Department, the Department of Labor, the Office of Economic Opportunity, the Council of Economic Advisers, and the President's Commission on Income Maintenance. The most recent survey data on personal income available to the Federal Government was used.

Nevertheless, we have thought it prudent to request that an entirely independent estimate of the critical item, the family assistance payments costs, be made by the Chief Actuary of the Social Security Administration. That estimate shows a net cost of $3.5 billion for family assistance payments for calendar year 1971, a figure reasonably close to the calendar 1968 figure of $3.0 billion produced by the interagency group. We hope to have that latter figure brought up to date in 1971 terms very shortly and will supply it to the Committee.

In light of this double-checking procedure, and given the difficulty of estimating costs on a new program of this magnitude, we feel reasonably confident in suggesting that the payment costs of the Family Assistance Plan will fall in the range of $3.0 to $3.5 billion in 1971.

Fiscal Relief to State and Local Governments

Under the Administration's proposed welfare reform system, all States would receive some fiscal relief. For each of the first five years after enactment, each State would be required to spend at least
50 percent of the amount that it would have spent under the present public assistance programs if they were continued. No State, however, would be required to spend more than 90 percent of the expenditures it would have incurred in any of these 5 years under existing law. Thus, fiscal relief to an individual State under this "50-90" rule will vary between 10 percent and 50 percent of what they would spend under existing law.

Administration of the Family Assistance Plan

The major job of administering the Family Assistance Plan will be performed by the Social Security Administration of the Department of Health, Education, and Welfare.

The Social Security Administration has developed over the past 31 years an expertise in the delivery of cash payments on a regular basis to millions of Americans. This experience and expertise will be brought to bear on many of the administrative problems in the Family Assistance Plan.

In determining initial and continuing eligibility, initial reliance would be placed upon detailed statements provided by applicants. Recipients of family assistance payments will be required to periodically report changes in income, family composition, and other factors related to eligibility and amount of benefits. The Social Security Administrative will use the regular reports of earnings it receives in the course of
administering the social security program to verify past and present earnings and estimates made in the applicant's declaration of income. In-depth verification will normally be done on a sample basis, but will be used on a wider scale if experience indicates a need to do so.

**Major Effects of the Welfare Reforms**

By combining powerful work incentives and requirements, by including the working poor, by allowing a family to disregard $60 per month for work expenses, and by requiring that able-bodied adults register for training or employment, the Family Assistance Plan would help families to help themselves. The plan is therefore not an income guarantee, but rather a program of support for those who demonstrate a willingness to help support themselves.

By treating male-headed and female-headed families equally, the Family Assistance Plan would remove a major incentive for a father to leave home so that his family could qualify for welfare. In fact, the Family Assistance Plan provides an incentive for the father to remain at home because his presence increases the amount of the family's total benefit. Also, the provisions creating eligibility for assistance to families headed by a working male should reduce the incentive for employed men to separate from their families.

By establishing a national minimum payment and national eligibility standards the plan would reduce the inequities of the present program. In every State, the Federal payment for a family of four with no income
would be $1600, and when benefits under the President's food stamp proposal are taken into account, the value of the assistance to such a family would be about $2350 per year. In eight States, accounting for about 20 percent of present recipients, family payment levels will be increased. The new income floor will provide the aged couples with an income slightly above the current poverty line.

The Family Assistance Plan, combined with the Manpower Training Act, would provide a simplified and decentralized framework within which expanded training and day care facilities would greatly broaden the opportunities for assistance recipients to become self-sufficient economically productive contributors to our economy. Over 150,000 new training opportunities along with 550,000 quality child-care positions would be funded under this plan.

By providing for a new and separate revenue-sharing program along with the "50-90" rule, the plan would assure the States desperately needed fiscal relief. Furthermore, creation of a Federal program to cover the working poor and prevent their slipping into dependency, the States would be relieved of what might well have been the burden of increases in the welfare costs.

In summary, the Family Assistance Plan will, for the first time, insure minimum standards of payments for families with children, wherever they live. It will establish a new minimum standard of $90 for the aged, blind, and disabled. It will help able-bodied people become self-sufficient. It will provide training and work placement opportunities.
It will provide needed fiscal relief for the States. It will remove the economic incentive in the present welfare system for families to split apart.

We believe this comprehensive plan provides the best vehicle for this Nation to help break the poverty cycle. As the President said in his August 11th message, "We have it in our power to raise the standard of living and realizable hopes of millions of our fellow citizens. By providing an equal chance at the starting line, we can reinforce the traditional American spirit of self-reliance and self-respect."

Social Services

Mr. Chairman the major emphasis in this discussion has been, properly I think, on income maintenance. We are mindful, however, of the need for social and rehabilitation services as an essential corollary to an effective income maintenance program. The complexity of the problem faced by assistance recipients and other low income persons often seriously affects their ability to work, to care for themselves, and to provide necessary care for their children.

The Family Assistance Plan amendments provide, basically, for continuing the present arrangements for services. Our experience since the 1962 and 1967 legislation, however, indicates a need for improvements. In the development and planning work now being done, we are reconsidering the principles upon which we should base our service program, and we are analyzing the community resources which could be brought into the picture. We are convinced that, at least for
services, coverage should not be limited to those who receive public assistance. There are many persons who are not public welfare recipients for whom social and rehabilitation services can be as helpful as they are for public assistance recipients. Services at an appropriate time may avert the need for assistance.

We are also very much concerned about this situation with respect to foster care and adoption services. We believe that we must find ways to provide suitable help and leadership in these basic child welfare functions.

Another matter to which we are directing our efforts is the coordinating of the services program more closely with the resources of the State and local vocational rehabilitation agencies. Those agencies have a fine record of achievement in the rehabilitation area. We want to make full use of their resources. The Family Assistance Plan recognizes this and provides for the referral of persons who are not sent to employment offices because of incapacity or disability to a vocational rehabilitation agency.

We are aware of the interest of this Committee in this matter as indicated by the 1962 and 1967 amendments. I want to assure you of the deep concern of this Administration in these fields. These problems are high on our agenda. We are now working on ways to develop a more effective service program. We will be sending you definite legislative recommendations in the near future.
Mr. Chairman, let me turn next to the social security proposals. I will discuss the highlights of the President's recommendations for social security and then later Commissioner Robert W. Hall will give a more detailed presentation.

The Administration bill is H.R. 14080, introduced by the Minority Leader, Mr. Gerald Ford of Michigan, and companion bills H.R. 14162 and H.R. 14134, introduced by Representatives Collier and Chamberlain respectively. Mr. Byrnes and Mr. Bush have introduced identical bills except that their bills would have an effective date for the 10-percent increase in cash benefits payments of January 1970 instead of March 1970.

Social Security Benefit Increase

The President has recommended a benefit increase to bring the benefits up to date with increases in the cost of living that have occurred since the last benefit increase in February 1968.

The increase would apply to all beneficiaries, including those getting the special payments for certain people age 72 and older. Under the proposal, effective for March 1970, benefits would be increased for all the 25 million beneficiaries. The total additional benefit outlays for the first full calendar year in which the increase is effective would be approximately $3 billion.
Automatic Cost of Living Increase

Beyond the initial 10 percent increase, the President has recommended that provision be made in the law for social security benefits to be automatically adjusted for future increases in the cost of living. The platforms of both political parties recognized the need to have a way of keeping the social security program automatically up to date. Such an automatic adjustment system would increase the security of the one out of every 8 people in the country who now receive monthly social security cash benefits. The automatic provision would also adjust the benefits for the millions of future beneficiaries whose major source of income could well be their social insurance payments under social security. Because of the time lags that have occurred between past cost of living adjustments of benefits, the purchasing power of the benefits has been seriously decreased between benefit increases. With automatic adjustments, the changes necessary to restore purchasing power will be on a more current basis.

The Administration proposal finances the automatic increases in benefits without increasing social security contribution rates. This can be done so long as the contribution and benefit base, the maximum amount of annual earnings counted for social security purposes, is increased from time to time. The legislation we support contains a provision to automatically adjust this base in the future to keep pace with increases in earnings levels.
Retirement Test

H.R. 14080 also includes important changes in the social security retirement test—the provision under which benefits are not paid in full if a beneficiary has substantial earnings. This provision has been the object of widespread criticism.

The measure provides for replacing the present dollar-for-dollar reduction in benefits which now applies for earnings above $2880 in a year with a provision under which there would be a $1 reduction for each $2 earned. With this change people would have an incentive to earn more because the more they earn the more spendable income they would have.

The President also recommends updating the retirement test to take account of increases in earnings levels. It is proposed that the amount a person can earn in a year without having any benefits withheld be raised from $1680 to $1800, and then automatically adjusted upwards in future years as earnings levels rise.

The recommended changes in the retirement test would benefit approximately 1.1 million people. Additional benefits of $330 million would be paid for months in calendar 1971.

Contribution and Benefit Base

The President is recommending that the social security contribution and benefit base be increased in 1972 from the $7800 now in effect to $9000. This change will very closely maintain the relationship between the base and the general level of earnings that has prevailed since the
early 1950's. As indicated earlier he also recommends that after 1972 the base be kept up to date with rising earnings levels in the future.

Increases in Widows Benefits

Under present law, a widow who begins receiving benefits at age 65 is entitled to 62 1/2 percent of the amount of the spouse's primary benefit. Under this proposal, such a widow would be entitled to 100 percent of the spouse's primary benefit. The 62 1/2 percent rate will continue to apply to widows going on the rolls at age 62, with graduated proportions for ages above 62 and below 65.

An estimated 2.7 million people would have their benefits increased under this provision. On the average, the increase would amount to $17 per month (in addition to what widows would get under the 10-percent general benefit increase). Additional benefit payments in the first 12 months under the provision are estimated at $580 million.

Uniform Method of Computing Benefits for Men and Women

Under present law, the number of years over which a man's average monthly earnings (on which his benefits are based) and his eligibility for benefits are determined are figured up to age 65. For women these determinations are made up to age 62.

The President has recommended that the method of computing benefits for men and women be made uniform--as of age 62. As a result, the treatment of men and women workers under the benefit provisions would be the same; and the retirement benefits payable to men, the benefits payable
to their wives, and the benefits payable to survivors of men who live beyond age 62 would be increased.

About 5 million people—workers, dependents, and survivors—would have their benefits increased because of the change in computing the average monthly wage. In addition, about 100,000 people—75,000 men age 62 and over 25,000 dependents—would become newly eligible for benefits because of the liberalized insured-status requirement for men age 62 and over. Additional benefit payments in the first 12 months are estimated at $380 million.

Other Social Security Proposals

We are also proposing a number of important but less far-reaching improvements in the social security program. The bill would provide benefits for people disabled since childhood where the disability began before age 22, rather than age 18 as under present law. The bill would also provide for the payment of benefits to the aged dependent parents of retired or disabled workers. Under present law, parent's benefits are payable only to the dependent parents of insured workers who have died. And, finally, the bill would extend the $100 a month noncontributory wage credit for military service that was provided in the 1967 social security amendments for members of the armed services after 1967. Under the bill these credits would be available for the period from 1957, when regular social security coverage of members of the armed services began, through 1967. About 190,000 people would be immediately affected by these three proposals, and additional benefit payments in the first 12 months would be about $60 million.
Financing

The President's recommendations include financing provisions that would cover the cost of the proposed improvements in the social security program and correct the present actuarial deficit in the hospital insurance program. Moreover, a revised schedule of contribution rates in the cash benefits program would reduce the very large accumulations of income over outgo that would result from the schedule in present law.

The hospital insurance trust fund requires additional income over and above that scheduled under present law in near-future years. Without the proposed increase in the earnings base and the proposed speeding up of the scheduled increases in contribution rates for hospital insurance, the trust fund for that program would be depleted during fiscal 1973. As a result of the proposal to put into effect in 1971 the 0.9 percent hospital insurance contribution rate for workers and employers (each), now scheduled for 1987, and as a result of increasing the earnings base, the hospital insurance trust fund would grow to an estimated $5.2 billion at the end of fiscal 1973.

On the other hand, the present schedule of contribution rates for old-age, survivors, and disability insurance would, even with substantial benefit increases, result in very large-scale growth in the size of the
trust funds for these parts of the social security program. Under present law the cash benefit trust funds would increase from an estimated $38.7 billion at the end of the present fiscal year to about $75 billion at the end of fiscal 1973. Under the President's proposal the trust funds would reach $52.6 billion at the end of fiscal year 1973.

The postponement of the scheduled rate increases for the cash benefit parts of the social security program is consistent with past decisions by this Committee and the Congress to delay scheduled increases in the rates to avoid unnecessarily large increases in the cash benefit trust funds.

Overall, the combined contribution rates for both hospital insurance and cash benefits would be somewhat lower than the schedule in present law through 1976 and then the same from then on.

In summary the improvements we are recommending in social security today are substantial and important measures. We propose to bring benefit payments up to date and we propose to make sure that they stay up to date, automatically tied to the cost of living. We are also proposing important improvements in benefit protection for men workers and for widows and in other ways proposing to remove inequities in the system.

We are continuing to study all aspects of the social security program. The statutory Advisory Council on Social Security that I appointed in May is now conducting an extensive review of the social
security program, and we are looking to this Council for its recommendations on what further improvements might be made in the social security program. As the President said in his message on social security on September 25, "I emphasize that the suggested changes are only first steps, and that further recommendations will come from our review process."

**Health Cost Effectiveness**

Medicare and Medicaid have made major contributions over the past several years toward the availability of, quality of, and access to medical care for large numbers of people who are elderly or medically needy. The rising demands for medical care from the general population, combined with the newly created ability of the elderly and medically needy to financially compete for medical care, have placed great stress on inadequately and unevenly distributed manpower, facilities, and services. This has contributed to rapidly escalating medical care costs. Public and private action is needed to arrest the inflation in the health industry and to improve the health care system so that high quality medical care will be available at prices people can afford.

We are forwarding the Health Cost Effectiveness Amendments of 1969 today to continue efforts already taken to improve utilization of existing health service capability, encourage better planning, and achieve more effective cost control.
The main provisions would encourage voluntary and State planning for health facilities and provide greater authority and flexibility to engage in incentive reimbursement experiments to create incentives for efficiency and economy. They would also strengthen our ability to control some of the abuses of the programs.

These proposals, which can be discussed in greater detail by Commissioner Ball and Arthur Hess, Deputy Commissioner of Social Security and Staff Director of the Task Force on Medicaid and Related Programs, are addressed to the following specific items:

1. Tying depreciation payments to State health planning.
2. Making corporate planning a condition of participation.
3. Expanding authority for reimbursement experimentation.
4. Barring providers and physicians who abuse the program.
5. Paying customary charges if less than cost.
6. Withholding payments where utilization review finds admission is not warranted.
7. Improving authority to recover overpayments in Medicare.

Task Force on Medicaid and Related Programs

While both Medicare and Medicaid have moved toward achievement of their goals, their problems differ significantly. Medicare is operating on a firm program and administrative base, with its major problem being one of escalating medical costs and prices. Medicaid, on the other hand, in addition to the inflation problem, has experienced serious deficiencies in management resources. Difficulties
in administration nationally are exacerbated by complexities in the Federal-State relationships, wide variations in eligibility and scope of services, and unpredictability in covered, need for, and availability of services.

In recognition of the serious and growing problems under the Medicaid program and to assist the Department in making major efforts to strengthen and improve the current program, I appointed a Task Force on Medicaid and Related Programs in July, chaired by Walter J. McNerney. The Task Force is concerned both with problems that are amenable to short-range solutions through administrative action and with technical changes in the areas of management, effectiveness of use, cost and eligibility. It will also consider solutions that might require fundamental changes in legislation.

Structural reforms in the Medicaid program are being studied and may be necessary to assure health care services for low income families and individuals. However, there are some improvements that can be made in the short run to overcome some of the problems.

The Task Force has worked closely with Departmental staff and has kept me closely informed about the nature of possible short-range recommendations. Consistent with Task Force recommendations, the Department will be moving rapidly to strengthen the management and staffing of the title XIX program, to develop the necessary policies and regulations on standards and on utilization review, to encourage the development and implementation of adequate information systems and to provide technical assistance to the States. We expect
that some of the Task Force recommendations will produce legislative proposals to improve the Medicaid program and make service more efficient and economical for assistance recipients. We will, of course, submit our proposals for congressional consideration at the earliest possible moment.

Conclusion

Mr. Chairman, in this testimony I have outlined the legislative proposals to improve and strengthen our social security and public assistance programs, as well as proposals to help control health care costs. I strongly urge the enactment of these proposals.
Statement of George Shultz, Secretary of Labor
Before the Committee on Ways and Means
on the Family Assistance Act of 1969

Mr. Chairman and members of the Committee, I am pleased to testify on the proposed Family Assistance Act, for I believe that it is one of the most far-reaching pieces of social legislation in this area in several decades.

Let me start by saying that this is not a proposal for a guaranteed minimum income. Work is a major feature of this program. This is a program of family assistance—for families with children—and is limited to that specific group.

The Family Assistance Plan is a composite program of work incentives, training and employment opportunities, child care and income allowances.

I believe very deeply, Mr. Chairman, that the time has come to start over on providing assistance to needy families. We should not be content to just mend AFDC; the record is clear that AFDC doesn't work.

The Family Assistance Plan is a new start.

I believe the changes we propose are consistent with the forward-looking changes made recently by this Committee with regard to training opportunities, and the treatment of earned income. Family Assistance, in a sense, builds on
the foundations already laid by recent amendments to AFDC.

My responsibility lies not with the whole of the Family Assistance plan, but with its relationships to the labor market. It is my concern that the program be structured in such a way as to protect work incentives, and that the program in its total design be one that creates the strongest possible conditions for moving people from welfare into employment.

Thus, I will discuss the way the allowance motivates people to work, the role of training opportunities in reducing welfare, the operation of registration and work requirements, and our expectations for providing the necessary employment opportunities within the regular economy.

WORK INCENTIVES AND THE FAMILY ASSISTANCE STRUCTURE

I have identified seven specific ways in which the Family Assistance Plan promotes work. I will summarize each of these briefly.

1. The incentive of welfare recipients to go to work has been increased by enlarging the income disregard and limiting the reduction of Family Assistance to one-half of earnings. Employed AFDC recipients retain only the first
$30 of income plus one-third of earnings above that. Family Assistance recipients will be able to keep the first $60 of monthly earnings plus one-half of all income in excess of that amount.

The existence of a dual system in 40 States makes it necessary to compound tax rates to some extent so as to allow the States to reduce their supplemental payments as earnings increase.

However, the States would be directed to observe the same $60 earnings disregard in computing the State supplement, so that State practices do not nullify those of Family Assistance. Also the States may subtract only 17 cents of the supplement for each dollar of wages above the $60 disregard, bringing the total marginal tax rate on gross income to 67 cents on the dollar.

The disregard of the first $60 of earnings is based on Labor Department surveys of the 'cost of work." This is based on budget studies made by the Bureau of Labor Statistics of outlays made for added food, transportation, clothing and personal care, medical care, payroll deductions, and occupational needs such as tools, licenses, and union dues. These costs must be recouped before the individual realizes
any additional income from working.

The result is a double incentive. When a welfare recipient goes to work, his or her combined wages and Family Assistance increase, so there is always an incentive to work. On the other hand, as earnings increase, the government saves money because the Family Assistance payment is reduced. Thus, the government has an incentive to provide the necessary training and employment opportunities.

2. The extension of coverage to the working poor eliminates the situation where those who do not work receive higher incomes than those who work. The present welfare system excludes from coverage those who work regularly but at very low wages. This sometimes creates situations where some who work may have less income than others who do not work at all. To expect them to continue work under such circumstances is to expect individuals to behave in a manner adverse to their own economic interests. This is no way to assure the public interest.

3. The incentive of the working poor to seek higher wage levels is preserved. Since there rarely will be a
State supplement for men already at work (because most State systems do not cover the working poor), the tax on earnings will be limited to 50%. This means it will always pay an individual to increase his earnings. Also, the bill contemplates a program to upgrade the skills of the working poor so they may qualify for higher wages.

4. **There is a financial incentive to enter manpower training programs.** When a recipient enters training, the family will receive at least a $30 increase in monthly income. If the allowance under the regular training program would be more than $30 higher than Family Assistance payments (plus State supplement), the supplement to the Family Assistance trainee will be the difference between the two allowances. So, in most cases the financial incentive to take training will be in excess of $30.

In the case of North Dakota, for example, Family Assistance plus the State supplement would equal $188 a month for a family of four. However, since the Manpower Development and Training Act allowance in that State for the head of a family of four is $255, the incentive payment would be $67 per month—the difference between $188 and $255.
In addition to the incentive payment, persons taking training will be reimbursed for necessary expenses, such as transportation.

5. The child care provided in this Act itself will be a strong employment and training incentive. The lack of adequate child care arrangements often has been the major barrier to entering training programs or seeking employment. The fact that child care will not only be available, but will be of high quality, will permit mothers to look upon child care as an opportunity for their children as well as an opportunity for the mothers to become economically self sustaining.

It should be recognized that child care is an investment in not one, but in two generations. It is an investment in the present generation in the sense that it frees the mother for training or employment. It is an investment in the next generation because it provides the child an early education, quality care, and attention to health and other needs. In looking at child care costs (and it is expensive), this double effect should be borne in mind, and we should not "charge" all these costs to helping welfare mothers get work. Much of the return will be in the
kind of education we owe our young people anyway and in reduced welfare costs in the next generation.

We have a long way to go in creating adequate child-care provisions in the United States. Yet, there is no doubt that we are capable of providing it. We did in World War II. When the Kaiser shipyards hired Rosie the Riveter, they built child care centers for Rosie's children, and kept them open 24 hours a day. Yet at the present time, only about two percent of the children of working mothers are being cared for under group care arrangements.

6. The system of financial incentives will be buttressed by requirements that certain categories of recipients register for training and employment with the local manpower agency. Every member of the family, with six exceptions specified in the law, are required to register with the Employment Service, and accept suitable employment. If a recipient refuses to register, or refuses suitable manpower services, training, or employment in which they are able to engage—without good cause—his portion of the Family Assistance payment will be denied. In such cases, the Secretary of HEW would continue to pay the remaining benefits to the rest of the family. Thus, the whole family will not be made to suffer.
7. An "Employability Plan" will be developed for those who register for training and employment. The bill would require that such a plan be developed for all who register, while recognizing the need to set priorities if the volume of registrations is sometimes greater than available resources. This means that the manpower agency will assess the needs of the individual, ascertain what manpower services are required by that person to become self supporting, and follow through until the individual completes the plan.

THE ROLE OF TRAINING IN REDUCING WELFARE

Clearly, the Work Incentive program provided by the 1967 amendments to the Social Security Act has established a foundation on which to build a larger training program in support of the Family Assistance Act.

In reviewing the experience with that program thus far, I want to begin by saying, quite candidly, that we have some problems.

One of the most difficult problems has been the provision of child care. Public day care arrangements are still very scarce, and we could increase enrollments in WIN quickly if more were available. Secretary Finch has already discussed this problem with you. We feel that it is a
problem that can be overcome. Doing so may require some innovative approaches.

While the State Employment Service has made considerable progress, there is much to be learned about the problems of disadvantaged individuals. The restructuring that is necessary for really efficient service is slowed by delays in training and retraining personnel. State salaries are frequently too low to attract and retain the most qualified people for this important and demanding work. And, as I will emphasize later, the WIN approach is the most sophisticated we have developed to date.

Our attempts to move quickly to establish WIN has resulted in some localities opening their doors before the programs were ready to serve their clients. But these kinds of problems are being overcome with time.

So far, there has been a lack of consistency among the policies of the State welfare agencies in deciding who is "appropriate" for referral. This has created wide differences among the States in the size of WIN training programs relative to their welfare populations. For example, in New York, only 7% of those screened by the welfare agency were deemed appropriate for referral to the Employment Service.
However, in Utah 97% of the assessments were considered appropriate for referral. The proposal removes the word "appropriate," in favor of specific exceptions, and thus removes this inequity. Furthermore, since referrals will be made by the Social Security Administration, rather than State welfare agencies, a consistent nationwide policy will be achieved.

Despite attempts to coordinate the job development efforts among different manpower programs, and within the WIN program itself, there are still inefficiencies in this process. As a result, the different programs run the danger of competing for the same pool of jobs, instead of expanding that pool. And employers become irritated at being approached so many different times. The passage of the Manpower Training Act will correct many of the basic structural problems inherent in operating many programs, instead of a single comprehensive program.

In spite of these start-up problems, the WIN program is operating at a substantial level. The program opened its doors in October of 1968, enrolling almost 6,000 people.
in that month. Then it grew steadily, reaching an enrollment of 64 thousand persons by the end of August of this year. Achievement of our enrollment target of 150,000 by the end of fiscal 1970 will make WIN one of the largest of the manpower programs. On a cumulative basis, 92,000 persons had been enrolled through August.

We conducted a survey of 4,600 WIN participants who had completed the program in six States. The majority were employed in clerical and sales work, service, and production, assembly, and construction occupations. The rest were spread among a variety of occupations such as, for example, motor freight transportation, materials handling, machine trades, and processing occupations.

In the States surveyed, the median earnings were $2.27 per hour. The median rate for men was $2.47 per hour, and for women, $2.02 per hour.
Effectiveness of training

The WIN program is young, for to date only 13,000 were employed following training. We cannot yet offer a firm judgment of success. However, we believe that it is a very promising program in concept and that its design is a rational one.

It provides a coherent cluster of services such as remedial medical attention, child care, job "coaches", orientation to the work world, basic education, job training, job counseling, placement, and intensive followup into employment.

All of these are fitted together in an individual employability plan, and by the team approach which brings all of the specialists together to serve a specific, assigned group of clients.

Most encouraging of all is the fact that mothers are volunteering for the WIN program, and that sanctions have been used for less than 200 persons. So far, none of them have been mothers.

Because of the importance of training to the goals of the Family Assistance Act, I would like to present this committee with the best information available on what can be expected from such training programs, by looking at the
experience of public assistance recipients trained under the
Manpower Development and Training Act. About 24 thousand
such recipients received training in 1968, and a total of 91
thousand were trained since the beginning of the MDTA program
in 1963. MDTA provides a rough idea of what kind of success
we will have under WIN.

Among public assistance recipients trained in 1967,
58 percent of those taking classroom training, and 72 percent
of those receiving on-the-job training were in jobs at the
time of follow-up surveys. Because WIN is a newer program
with a broader range of coordinated supportive services, the
success rate may be higher.

While the placement rates for public assistance trainees
are lower than for others it is encouraging that public
assistance recipients who did get jobs were receiving wages
practically identical to those received by all MDTA trainees.
In classroom training programs public assistance men earned
$2.21 per hour, compared to $2.27 per hour for all graduates.
And in the case of women, public assistance recipients earned
$1.74 per hour, compared to $1.72 for all women graduates.
The wages were higher in on-the-job training, with public assistance men receiving $2.36 per hour, and women $1.80 per hour.

At even the lowest average wage, the $1.74 per hour, a family of four would at least be lifted to the poverty line. Moreover, current wage levels are likely to be from 8 to 10 percent higher than those received by graduates in 1967.

This does not mean that training is always going to remove people from the welfare rolls. Some don't get jobs after training, in spite of our efforts to relate to it current labor market needs. Others obtain jobs at wages insufficient to fully remove them from poverty. And still others find better paying jobs but lose them for one reason or the other.

The basic point is that training can be a significant tool for reducing welfare, but it cannot by itself do the whole job, and it will not always work for all people.

The Expansion of Training

The potential of training is great enough to warrant
a considerable expansion under the Family Assistance Program. In announcing the program, the President stated that training would be expanded by 150,000 persons during the first full year of Family Assistance. This would be in addition to the increased training levels already planned for WIN. Also, a skill upgrading program will be initiated for 75,000 of the working poor.

Registration

The Family Assistance Act requires registration for manpower services, training and employment with the local public employment office of the State. Those exempt from this requirement are as follows:

-- those ill, incapacitated, or of an advanced age
-- a mother or other relative caring for a child under six
-- the mother if the father or another adult male relative is in the home
-- a child
-- a person needed in the home to care for an ill member of the household
-- those working full time
The groups excluded from mandatory referral may register voluntarily if they choose to. The penalty for failure to register without good cause is the denial of benefits, by the Secretary of Health, Education, and Welfare, based upon notification by the Secretary of Labor that a person has not registered. In such cases, arrangements will be made so that other family members will continue to receive their allowances.

Out of the 5 million family heads covered by Family Assistance, we estimate that 1.1 million will be required to register, and that 1.8 million will already be working full time. In addition, there will be a substantial number of voluntary registrations. We believe this latter group will consist mostly of mothers with pre-school children, based on our experience with WEN.

An employability plan will be developed for each person who registers, "in accordance with priorities prescribed" by the Secretary of Labor. Our objective will be to provide such an employability plan for every person who registers. However, where the number of training opportunities are limited—whether by the availability of funds, the inability to expand training at the rate needed, or limitations on how many persons the labor market can absorb—it will be necessary to assign priorities for which groups are served first.
Your question, I am sure, is how the Employment Service is going to serve such a large number of additional people. The answer is that some new approaches are going to be needed in the way the Employment Service conducts its business. We have plans to change the method of operation. In some cases trial runs are under way. In others, such trials will commence very soon. As of now we have three major steps in mind.

The first is to introduce computers into employment service operations just as fast as it can be done. The computer enables us to establish a "job bank" which provides a daily print-out of all the jobs that are reported. This is in operation right now in Baltimore, and has greatly accelerated the ability of the Employment Service to place disadvantaged persons. For example, placement of disadvantaged applicants increased by 250 percent in Baltimore because of the wider exposure of job opportunities via the Job Bank. Then we can move on to computer matching of the man and the job, a system now in use in Utah and Wisconsin.

Our target is to have 54 job banks installed yet this fiscal year. By the end of calendar year 1970, we expect to expand this to 76.
In the next year or two a new Employment Service Automated Reporting System will be installed. This will permit us to "track" individuals through the application - employability - placement process so that we can improve the system on the basis of facts rather than intuition.

The second is to organize the local employment service office in a way that will enable it to meet its traditional responsibilities for providing job assistance to those who are not poor, at the same time that it frees its resources to provide intensive assistance to those who have really serious employability problems. For the better equipped group of clients, there is going to have to be more "self-service," and we believe that the computer will enable us to provide this in such a way that these clients are well served, without requiring the staff time now being used.

This new operating arrangement, which has the support of the Inter-State Conference of Employment Security Agencies, has already been designed, and will be tested for about a year in six cities.

The third is to provide unemployment insurance claimants, who on the average are re-employed rather quickly, with more
job information directly from the U.I. office, and thus lighten the burden on the Employment Service. The unemployment insurance office could have the list of job openings from the job bank, and supply that information directly. The information itself, of course, would have to come from the Employment Service.

This is being tried in five cities this year, including Baltimore which has the job bank. We are requesting resources to make this new system operational in the 55 largest metropolitan areas in fiscal year 1971. These areas account for about half of the total U.I. caseload.

Beyond these specific improvements in the Employment Service, an improvement is planned in the entire Federal-State system of providing all manpower services, including training. That approach is incorporated in the Administration's Manpower Training Act, which is pending before another Committee. The manpower services provisions of this bill are written to parallel the Manpower Training Act, so that when both are passed we will have an integrated manpower delivery system.
Joint Task Force

The Family Assistance Act is a major legislative proposal that requires close working relationships between the Labor Department and the Department of Health, Education, and Welfare.

Unfortunately, our two Departments have not always worked together as smoothly as they should. The study made by the Legislative Reference Service of the enactment of WIN establishes this fact. There have been gaps in communication, and a history of competition for running the work training program.

Secretary Finch and I plan to have a maximum of coordination in the administration of these joint programs. To achieve this, we are establishing a joint HEW-Labor Task Force for the implementation and conduct of the programs we are responsible for.

This Task Force will assure a commonality of objectives, and develop joint guidelines, reporting procedures, and evaluation plans.
THE WORK TEST

A Family Assistance recipient will be denied benefits if he refuses "without good cause to accept suitable employment in which he is able to engage." He must also accept suitable training and manpower services.

The key word is "suitable." It is a test that has long been used in unemployment insurance, and over the years, through agency and court interpretation, a large body of case law has established its meaning in different situations.

We expect that a similar process will occur in the case of Family Assistance. It will be applied on an individual by individual basis, under guidelines that the Secretary of Labor will be responsible for providing to the State agencies. There will be appeals, and there will be hearings on those appeals. Cases may be taken to court where matters will finally be settled.

I can be somewhat more specific than this. We intend to follow the same policy with respect to wages as we now do in WIN, and in the proposed Manpower Training Act. We do not require a person to take a job that pays less than the applicable minimum wage, or the prevailing wage, whichever is higher.
But a policy of this sort does not contain the whole story. Our objective is to move people out of poverty and off welfare. We are not going to be out looking for low wage jobs. We want the highest wages possible. And to the maximum possible extent we are going to train people for jobs at decent wages, whenever we find that they cannot get good jobs with their present skills.

There is no intention of doing anything that would undermine existing wage levels. We are not going to open up a new cheap labor supply to employers who are not paying the going rate.

Having said this, I hasten to add that the labor market itself must be recognized as a constraint on the full achievement of our expectations. It is a fact that our economy has a lot of jobs that pay low wages. We are not going to be remaking the economy in this program. We have to relate to the labor market. We can only put people in the jobs that exist.

What this means is that we will have to thread our way between our goals of providing good jobs--after training when possible--and the realities of the kinds of jobs that are available.
Although Family Assistance relies primarily on incentives to work, it does include sanctions. These sanctions should be put into perspective.

By and large we expect that people will take jobs as we eliminate the barriers that have stood in the way of employment. Studies have shown that people on welfare are little different in their attitudes toward employment than persons not on welfare.

With the strong incentives to work that are built into the Family Assistance structure, I do not believe that it will be necessary to use sanctions very frequently. It is clear, even at present, that the AFDC population is not a static one. People are leaving the rolls every day for a variety of reasons, including taking jobs. Of the 600,000 who left the rolls during 1968, 37% departed because of increased earnings of someone in the home.

The denial of benefits in the Unemployment Insurance system because of refusal to accept suitable work is a relatively infrequent occurrence. In fiscal year 1969, less than .1 per cent of claimant contacts resulted in a disqualification from benefits due to refusal to accept suitable work.
There undoubtedly will be some who will refuse work in Family Assistance, despite the strong incentives which exist. It would not be fair to those who do work, or to the Nation's taxpayers, to allow them to choose idleness and a "free ride." A work requirement is not unreasonable as a condition of receiving Family Assistance benefits.

THE WORKING POOR

By and large, the programs that have been designed thus far to fight poverty have concentrated on the unemployed or families without a breadwinner. But this is not the full face of poverty. In the majority of poor families, where the head is under 65, the family head is working. Thus, the working sector harbors as much poverty as the non-working sector.

Who and where are the working poor?

-- half live in the South
-- over one out of three of the family heads have less than 8 years of education
-- over four out of ten of the family heads do not work full time, the year round
-- one out of three is black
The Family Assistance Act covers the working poor, and thereby includes them in the efforts of the Nation to eliminate poverty. Those who are employed and still poor will have their wages supplemented as well as those who are not able to work.

We estimate that among the population covered by the Family Assistance Act, there are 1.8 million family heads who work full time, for a full year, and still suffer the affliction of poverty. This is a larger number than those who do not work at all.

It is a group, we believe, that deserves the concern of the Nation and inclusion in the legislation which is before you.

RELIANCE ON THE REGULAR ECONOMY FOR JOBS

We believe that "work experience" programs, in which people are employed for temporary periods in public service jobs, are a useful component of a comprehensive manpower system. Such programs can be helpful in cases where there is no recent experience in employment by providing an opportunity to learn the demands of work.
It is not our intent to create jobs in the public sector especially for the hard-core unemployed as a way of solving manpower problems. We believe that such jobs are not a solution to employment problems, and represent instead a failure to face up to the more difficult task of equipping individuals to compete for the ever increasing number of real jobs that our economy is producing. We estimate that there will be 2 million job openings a year in clerical, sales, and operative occupations.

The problem, as we see it, is to remove people who can work from positions of economic dependence. We believe this means they should not have to depend on government supplying their work and their wages, just as much as it means that they should strive for independence from public welfare. A welfare job is no substitute for a welfare check.

Neither do we believe that public employment should be a basis for guaranteeing jobs. Government should assume a responsibility for maintaining a healthy economy that produces enough jobs, and commit itself to preparing people to fill those jobs. We want no work inventing system that offers a way around this basic responsibility.

In fact, regular public employment in State and local governments is increasing every year. We have launched
efforts to channel disadvantaged persons into those jobs, in much the same way that private employers are encouraged to hire and train such workers in the JOBS program run by the National Alliance of Businessmen. We are interested in developing more of these regular public jobs for the disadvantaged.

The Manpower Training Act provides authority for the kind of work projects that I have described. The Family Assistance Act, which is written to parallel the Manpower Training Act with regard to the services offered, also includes such authority. We intend to use it where it applies, in a context of moving people into regular jobs. But we do not expect it to be a major feature of the manpower program.

Mr. Chairman, these are the main points I wanted to make in my formal statement.

We recognize that this new departure in welfare will require a substantial initial investment. But we believe that a transformed system will set in motion forces that will lessen dependency and foster economic growth. These substantial "start up" costs now will ultimately cost us
less as a Nation, both in terms of dollars expended and lives wasted and warped.

This program has had the benefit of extended analysis and discussion, at the highest levels, and throughout the Administration. We feel we are right about the need to reform welfare, and the directions we have chosen. As we remove the barriers to employment through training and child care programs, and as we build work incentives into the allowance structure—and remove the disincentives—welfare people will go to work and the upward spiral of costs will be reversed.

Through the centuries our social policies have become much more humane, but whatever the purity of our intentions, actions have often been perverse, with a tendency to punish as well as protect. The right to life for all our citizens is a matter that calls for our best effort, and our most considered judgment.

I recall to you the opening words of the President's message, that "A measure of the greatness of a powerful nation is the character of the life it creates for those who are powerless to make ends meet."
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10. MODIFICATION IN CONTRIBUTION RATE SCHEDULES
HIGHER BENEFITS FOR OVER 25 MILLION PEOPLE
(1 OUT OF 8 AMERICANS)

- 19 MILLION PEOPLE
  AGE 62 AND OVER
- 4 1/2 MILLION CHILDREN &
  WIDOWED MOTHERS
- 1.6 MILLION DISABLED
  WORKERS & WIVES

- RETIRED WORKERS AND WIVES
- WIDOWS AND WIDOWERS
- PARENTS
- CHILDREN
- WIDOWED MOTHERS
- DISABLED WORKERS
  AND WIVES
- DISABLED WIDOWS
  AND WIDOWERS

SPECIAL PAYMENTS TO
PEOPLE AGE 72 AND OVER
INCREASED SOCIAL SECURITY PROTECTION FOR NEARLY ALL WORKERS AND THEIR FAMILIES -- 92 MILLION WORKERS WILL CONTRIBUTE TO SOCIAL SECURITY IN 1969
AVERAGE CASH BENEFITS

- RETIRED WORKERS: $100
- AGED COUPLES: $168
- AGED WIDOWS: $87
- WIDOWS WITH 2 CHILDREN: $255
- DISABLED WORKERS: $112
- DISABLED WORKERS WITH WIFE & 1 OR MORE CHILDREN: $238

*UNDER PRESENT LAW
**BENEFIT AMOUNTS INCREASED 10 PERCENT FOR A WORKER AGE 65**

<table>
<thead>
<tr>
<th>MONTHLY BENEFIT AMOUNT</th>
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<tr>
<td>$400</td>
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<tr>
<th>REPLACEMENT OF AVERAGE EARNINGS</th>
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<td>25%</td>
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<td>50.8%</td>
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<td>55.9%</td>
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*MAXIMUM ANNUAL EARNINGS COUNTED $9,000*
BENEFIT AMOUNTS INCREASED 10% FOR A COUPLE AGE 65

MONTHLY BENEFIT AMOUNT

- $400: $167.70, $152.40
- $300: $152.40
- $200: $200
- $100: $200

AVERAGE COVERED MONTHLY EARNINGS SINCE 1950

- $200: $167.70, $152.40
- $400: $200
- $600: $200
- $800: $200

REPLACEMENT OF AVERAGE EARNINGS

- 25%: 76.2%, 83.9%
- 50%: 57.6%, 63.4%
- 75%: 51.0%, 56.1%
- 100%: 49.7%, 55.3%

* MAXIMUM ANNUAL EARNINGS COUNTED: $6,000
AUTOMATIC ADJUSTMENT OF BENEFITS TO PRICES

1. WHEN THE CPI INCREASES AT LEAST 3 PERCENT

2. BUT NO MORE OFTEN THAN ONCE A YEAR

3. INCREASES EFFECTIVE FOR JANUARY, BEGINNING WITH 1971
DECLINE IN REAL VALUE OF BENEFITS SINCE 1954 DUE TO LAG IN BENEFIT INCREASES
$9000 contribution and benefit base in 1972 maintains relationship of base to earnings levels


- 75.5% 81.1% 74.3% 80.3% 73.5% 79.3% 76.1% 80.2% 79.7% 82.1% 78.4% 80.8%

Percent of all covered workers whose total annual earnings are covered.

Percent of total annual earnings in covered work subject to contributions.
AUTOMATIC ADJUSTMENT OF MAXIMUM EARNINGS COUNTED

1. Maximum increased by percentage increase in average wages, rounded to nearest $600

2. Increase limited to every two years, beginning with 1974
ELIMINATING WORK DISINCENTIVES IN THE RETIREMENT TEST

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<tr>
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<th>PROPOSED</th>
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<td>$1·for·$1 ADJUSTMENT</td>
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WIDOW'S BENEFIT AT AGE 65 
INCREASED TO 100% OF WORKER'S BENEFIT*

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<tr>
<th>Average Monthly Earnings of Deceased Worker</th>
<th>Present Law</th>
<th>10 Percent General Benefit Increase</th>
<th>Increase to 100% of Worker's Benefit</th>
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*INCLUDES THE EFFECT OF THE HIGHER BENEFITS PAYABLE ON THE HIGHER EARNINGS THAT ARE CREDITABLE UNDER THE BILL
BENEFIT COMPUTATION UNDER PRESENT LAW

BENEFITS BASED ON AVERAGE MONTHLY EARNINGS FIGURED OVER A NUMBER OF YEARS EQUAL TO 5 LESS THAN THE NUMBER OF YEARS AFTER 1950 OR AGE 21.

UP TO THE YEAR OF AGE 65 FOR MEN
AGE 62 FOR WOMEN

EXAMPLE:

AGE 65 IN 1969

13 YEARS ARE USED FOR A MAN

10 YEARS ARE USED FOR A WOMAN

BENEFIT ELIGIBILITY ALSO FIGURED

UP TO AGE 65 FOR A MAN
UP TO AGE 62 FOR A WOMAN
OTHER IMPROVEMENTS IN SOCIAL SECURITY PROTECTION

- Extend childhood disability benefits to people disabled between ages 18 and 22

- Extend noncontributory wage credits for military service to the period Jan. 1957 to Dec. 1967

- Extend benefits to dependent parents of retired and disabled beneficiaries
AMENDMENTS AFFECTING HEALTH BENEFIT COSTS

1. Tie depreciation payments to State health planning.
2. Make corporate planning a condition of participation.
3. Expand authority for reimbursement experimentation.
4. Bar providers and physicians who abuse the program.
5. Pay customary charges if less than cost.
6. Withhold payment where UR finds admission not warranted.
7. Authority to estimate overpayments for recoupment.
STATUS OF THE CASH-BENEFITS TRUST FUNDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Actuarial Balance (Percent of Payroll)</th>
</tr>
</thead>
<tbody>
<tr>
<td>After 1967 Amendments (Feb. 1968)</td>
<td>+0.01%</td>
</tr>
<tr>
<td>1969 Trustees' Report (Jan. 1969)</td>
<td>+0.53</td>
</tr>
<tr>
<td>Revised Cost Estimate (Sept. 1969)</td>
<td>+1.16</td>
</tr>
</tbody>
</table>
## Status of the Hospital Insurance Trust Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Actuarial Balance (Percent of Payroll)</th>
</tr>
</thead>
<tbody>
<tr>
<td>After 1967 Amendments (Feb. 1968)</td>
<td>+0.03%</td>
</tr>
<tr>
<td>1969 Trustees' Report (Jan. 1969)</td>
<td>-0.29</td>
</tr>
<tr>
<td>Revised Cost Estimate (Sept. 1969)*</td>
<td>-0.77</td>
</tr>
</tbody>
</table>

* Preliminary
### CONTRIBUTION RATES FOR EMPLOYEES AND EMPLOYERS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CASH BENEFITS</th>
<th>HOSPITAL INSURANCE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PRESENT LAW</td>
<td>PROPOSAL</td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>4.2%</td>
<td>4.2%</td>
<td>4.80%</td>
</tr>
<tr>
<td>1971-72</td>
<td>4.6</td>
<td>4.2%</td>
<td>5.20%</td>
</tr>
<tr>
<td>1973-74</td>
<td>5.0</td>
<td>4.2%</td>
<td>5.65%</td>
</tr>
<tr>
<td>1975</td>
<td>5.0</td>
<td>4.6%</td>
<td>5.65%</td>
</tr>
<tr>
<td>1976</td>
<td>5.0</td>
<td>4.6%</td>
<td>5.70%</td>
</tr>
<tr>
<td>1977-79</td>
<td>5.0</td>
<td>4.8%</td>
<td>5.70%</td>
</tr>
<tr>
<td>1980-86</td>
<td>5.0</td>
<td>4.9%</td>
<td>5.80%</td>
</tr>
<tr>
<td>1987 &amp; AFTER</td>
<td>5.0</td>
<td>5.0%</td>
<td>5.90%</td>
</tr>
<tr>
<td>FISCAL YEAR</td>
<td>INCOME</td>
<td></td>
<td>OUTGO</td>
</tr>
<tr>
<td>-------------</td>
<td>--------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>PRESENT LAW</td>
<td>PROPOSAL</td>
<td>PRESENT LAW</td>
</tr>
<tr>
<td>1970</td>
<td>$5.5</td>
<td>$5.5</td>
<td>$5.3</td>
</tr>
<tr>
<td>1971</td>
<td>5.9</td>
<td>7.1</td>
<td>6.3</td>
</tr>
<tr>
<td>1972</td>
<td>6.0</td>
<td>8.7</td>
<td>7.4</td>
</tr>
<tr>
<td>1973</td>
<td>6.3</td>
<td>9.6</td>
<td>8.6</td>
</tr>
<tr>
<td>FISCAL YEAR</td>
<td>INCOME</td>
<td>OUTGO</td>
<td>NET INCREASE IN FUNDS</td>
</tr>
<tr>
<td>-------------</td>
<td>--------</td>
<td>-------</td>
<td>-----------------------</td>
</tr>
<tr>
<td></td>
<td>PRESENT LAW</td>
<td>PROPOSAL</td>
<td>PRESENT LAW</td>
</tr>
<tr>
<td>1970</td>
<td>$35.2</td>
<td>$35.2</td>
<td>$28.4</td>
</tr>
<tr>
<td>1971</td>
<td>38.6</td>
<td>36.8</td>
<td>29.6</td>
</tr>
<tr>
<td>1972</td>
<td>43.1</td>
<td>39.3</td>
<td>30.8</td>
</tr>
<tr>
<td>1973</td>
<td>47.4</td>
<td>43.4</td>
<td>32.0</td>
</tr>
</tbody>
</table>

/\ ASSUMES NO AUTOMATIC INCREASES IN BENEFITS UNDER THE COST-OF-LIVING PROVISION
## Financing Hospital Insurance Benefits

### Percent of Payroll

<table>
<thead>
<tr>
<th>Present Program*</th>
<th>Level Cost of Benefits</th>
<th>Level Equivalent of Income</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROPOSALS:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution Base</td>
<td>-0.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automatic Adjustment of Base</td>
<td>-0.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution Rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposed Program</td>
<td>1.71</td>
<td>1.77</td>
<td>+0.06</td>
</tr>
</tbody>
</table>

*Preliminary*
### Financing Social Security Cash Benefits

<table>
<thead>
<tr>
<th></th>
<th>Level Cost of Benefits</th>
<th>Level Equivalent of Income</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Present Program</strong></td>
<td>8.72</td>
<td>9.88</td>
<td>+1.16</td>
</tr>
<tr>
<td><strong>Proposed Program</strong></td>
<td>9.72</td>
<td>9.63</td>
<td>-0.09</td>
</tr>
</tbody>
</table>

- **Proposals**: Various automatic adjustment features as a whole do not increase the cost of the program as a percent of payroll.
**ADDITIONAL PAYMENTS IN FIRST FULL CALENDAR YEAR AND NUMBER OF PEOPLE AFFECTED**

<table>
<thead>
<tr>
<th>PROVISION</th>
<th>ADDITIONAL PAYMENTS (IN MILLIONS)</th>
<th>BENEFICIARIES IMMEDIATELY AFFECTED (IN THOUSANDS)</th>
<th>NEWLY ELIGIBLE PEOPLE (IN THOUSANDS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% BENEFIT INCREASE</td>
<td>$2,997</td>
<td>25,500</td>
<td>12 1/</td>
</tr>
<tr>
<td>MODIFICATION OF RETIREMENT TEST</td>
<td>350</td>
<td>800</td>
<td>300 2/</td>
</tr>
<tr>
<td>AGE-62 COMPUTATION POINT</td>
<td>392</td>
<td>5,000</td>
<td>100</td>
</tr>
<tr>
<td>INCREASE IN WIDOW'S BENEFITS</td>
<td>610</td>
<td>2,700</td>
<td>- -</td>
</tr>
<tr>
<td>OTHER IMPROVEMENTS</td>
<td>62</td>
<td>150</td>
<td>38</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$4,411</td>
<td>( 3/ )</td>
<td>( 3/ )</td>
</tr>
</tbody>
</table>

1/ NONINSURED PEOPLE AGED 72 AND OVER WHO CAN NOT GET BENEFITS UNDER PRESENT LAW.
2/ PEOPLE WHO CAN GET NO BENEFITS FOR 1971 UNDER PRESENT LAW BUT WHO WOULD GET SOME BENEFITS UNDER THE PROPOSAL.
3/ FIGURES ARE NOT ADDITIVE BECAUSE TIME PERIODS ARE NOT UNIFORM AND BECAUSE A PERSON MAY BE AFFECTED BY MORE THAN ONE PROVISION.
SOCIAL SECURITY AMENDMENTS OF 1969

REPORT

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H.R. 15095

DECEMBER 5, 1969.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1969
SOCIAL SECURITY AMENDMENTS OF 1969

DECEMBER 5, 1969.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed.

Mr. Mills, from the Committee on Ways and Means, submitted the following:

REPORT

[To accompany H.R. 15095]

The Committee on Ways and Means, to whom was referred the bill (H.R. 15095) to increase benefits under the old-age, survivors, and disability insurance program, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. PURPOSE OF THE BILL

The purpose of H.R. 15095 is to provide an across-the-board increase in social security benefits of 15 percent for the 25 million elderly people, disabled people and their dependents, and widows and orphans who now get monthly social security benefits. In addition, the increase would apply to those people who will come on the benefit rolls in the future.

II. DISCUSSION OF THE PROVISIONS OF THE BILL

On October 15, the Committee on Ways and Means held extensive public hearings on all aspects of the Social Security Act, including the old-age, survivors, and disability insurance program, the public assistance programs, and the medicare and medicaid programs. As the evidence presented at these hearings unfolded, it became obvious that there was a pressing and urgent need for an across-the-board increase in the social security payments of people now on the benefit rolls. The information supplied to your committee indicated that the need was such that the increase should be provided as quickly as possible. Moreover, a recent revision in the long-range cost estimates of the system showed for the old-age, survivors, and disability programs an actuarial surplus of 1.16 percent of taxable payroll—an amount sufficient to meet
the cost of a 15-percent benefit increase. Therefore, your committee unanimously recommends that social security benefits be increased by 15 percent, effective with the benefits payable for January 1970. The benefit increase will be reflected in the checks issued on April 13, 1970, as is further explained below.

Your committee is convinced of the necessity to consider without unnecessary delay the many issues affecting the various programs under the Social Security Act which may call for legislative modification, and it intends to continue consideration of these issues as its first order of business when the Congress reconvenes next year. At that time, your committee will continue its consideration of the President’s social security and welfare recommendations along with other proposals relating to public assistance and social security, including the operation of the medicare and medicaid programs. However, your committee does not believe the 15-percent benefit increase for social security beneficiaries should be delayed pending the committee’s consideration of these other matters.

Number of persons affected: Your committee’s bill would provide increased payments to the more than 25 million beneficiaries who will be on the benefit rolls in January 1970. Your committee has been informed that additional payments in fiscal year 1970 would total $1.7 billion, and that payments in the first full calendar year in which the increased benefits are paid—1971—would total $4.4 billion.

Minimum, and maximum benefit changes: Under the bill, the minimum benefit for a retired worker coming on the benefit rolls at or after age 65, and for a disabled worker, would be increased from $55 to $64 per month. The maximum worker’s benefit would be increased from $218 to $250.70. (Although this maximum benefit is not payable until the year 2006 to people retired at age 65, maximum benefits are possible earlier for disabled people and for survivor families.)

Special age 72 benefits also increased: The special payments for certain people aged 72 and older who either have not worked at all under social security or have not worked long enough to qualify for regular social security cash benefits would also be increased by 15 percent—from $40 for an individual and from $60 for a couple to $46 and $69, respectively.

Effective date: Because of the time required to make the necessary changes in the Social Security Administration records and procedures that are needed to pay the new, higher amounts, the first check which could reflect the new rates would be for next March, payable in April. In addition, a separate check covering the retroactive increase for the January and February payments would be paid in April.

The following table shows illustrative benefit amounts under present law and under the proposed increase:
III. ADDITIONAL AMENDMENTS RELATED TO THE 15-PERCENT BENEFIT INCREASE

In order to assure that all beneficiaries would get the 15-percent increase, the $105 monthly limit in present law on the wife's, husband's, and certain remarried widow's and widower's benefits would be removed. Also, as has been true whenever there have been benefit increases in the past, the bill would permit families already on the rolls to get the 15-percent increase for January and succeeding months even though payments to such families exceed the maximum limit on family benefit payments for their particular average monthly wage.

Because H.R. 15095 increases disability insurance benefits by 15 percent—which are paid out of the disability insurance trust fund—your committee would provide a 15-percent increase in the allocation of social security tax income to the disability insurance trust fund. Beginning in 1970, the allocation to the trust fund would be increased from 0.85 percent of taxable wages to 1.1 percent of taxable wages and from 0.7125 percent of taxable self-employment income to 0.825 percent of taxable self-employment income.

Under present law the disability insurance trust fund is in approximate actuarial balance, having a long-range balance of −0.01 percent of taxable payroll. The old-age and survivors insurance trust fund has a substantial positive balance, amounting to 1.17 percent of taxable payroll. The increase in the allocation of contribution income to the disability insurance trust fund will meet the cost of the 15-percent benefit increase provided under the bill for disability beneficiaries and keep the disability insurance trust fund in actuarial balance, while leaving the old-age and survivors insurance trust fund in approximate actuarial balance.

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

(a) Summary of actuarial cost estimates

The old-age, survivors, and disability insurance system, as modified by your committee's bill, has an estimated cost for benefit payments and administrative expenses that is very closely in balance with contribution income. This also was the case for the 1950 and subsequent amendments at the time they were enacted.
The old-age and survivors insurance system as modified by your committee's bill shows an actuarial balance of −0.08 percent of taxable payroll under the intermediate-cost estimate. This is, of course, very close to an exact balance, especially considering that a range of variation is necessarily present in the long-range actuarial cost estimates and, further, that rounded tax rates are used in actual practice. Accordingly, the old-age and survivors insurance program, as it would be changed by your committee's bill, is actuarially sound.

The separate disability insurance trust fund, established under the 1956 act, shows exact actuarial balance under the provisions that would be in effect after enactment of your committee's bill, because the contribution rate allocated to this fund is exactly the same as the cost of the disability benefits based on the intermediate-cost estimate. Accordingly, the disability insurance program, as it would be modified by your committee's bill, is actuarially sound.

(b) Contribution rate schedule for old-age, survivors, and disability insurance in bill

The contribution schedule for old-age, survivors, and disability insurance in present law is not changed by your committee's bill. These tax schedules are as follows:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Combined employer-employee rate</th>
<th>Self-employed rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969–70</td>
<td>8.4</td>
<td>6.3</td>
</tr>
<tr>
<td>1971–72</td>
<td>9.2</td>
<td>6.9</td>
</tr>
<tr>
<td>1973 and after</td>
<td>10.0</td>
<td>7.0</td>
</tr>
</tbody>
</table>

The allocated rates to the two trust funds that are applicable to the combined employer-employee contribution rate for your committee's bill, as compared with present law, are as follows:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Old-age and survivors insurance</th>
<th>Disability insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Committee bill</td>
</tr>
<tr>
<td>1970</td>
<td>7.45</td>
<td>7.30</td>
</tr>
<tr>
<td>1971–72</td>
<td>8.25</td>
<td>8.10</td>
</tr>
<tr>
<td>1973 and after</td>
<td>9.05</td>
<td>8.90</td>
</tr>
</tbody>
</table>

The allocation for disability insurance with respect to the self-employed rate is increased from 0.7125 percent under present law to 0.825 percent under your committee's bill.

(e) Actuarial balance of program after enactment of 1967 act

The changes made by the 1967 amendments involved an increased cost that was fully met by the accompanying changes in the financing provisions (namely, an increase in the contribution rates in 1973 and after and an increase in the earnings base). After an increase in the allocation to the disability insurance system, both that portion of the program and the old-age and survivors insurance portion were estimated to be in close actuarial balance.
In 1968 the cost estimates were completely revised, based on the availability of new operating data. The new estimates showed significantly lower costs. The actuarial balance of the old-age, survivors, and disability insurance program increased from +0.01 percent of taxable payroll to +0.53 percent of taxable payroll. The factors contributing to lower costs were as follows: (1) use of 1968 earnings assumption (instead of 1966 earnings) +0.33 percent; (2) use of 41/4 percent interest assumption (instead of 33/4 percent), +0.11 percent; (3) use of higher female labor force participation rates, +0.06 percent; and (4) other factors, +0.02 percent.

Then, in 1969, another complete revision of the actuarial cost estimates was made. The estimated cost of the program was again significantly reduced. The actuarial balance of the old-age, survivors, and disability insurance program was thereby increased from the figure of +0.53 percent of taxable payroll according to the 1968 estimate to +1.16 percent of taxable payroll. The factors contributing to lower costs were as follows: (1) use of 1969 earnings assumption (instead of 1966 earnings), +0.22 percent; (2) use of 4%-percent interest assumption (instead of 41/4 percent), +0.11 percent; (3) use of higher labor force participation rates, for both men and women, +0.23 percent; and (4) other factors, +0.07 percent.

Table I traces through the change in the actuarial balance of the system from its situation under present law, according to the latest estimate, to that under your committee's bill, by type of major changes involved, determined as of January 1, 1970.
The changes made by your committee's bill would maintain the sound actuarial position of the old-age, survivors, and disability insurance system. The estimated actuarial balance of -0.08 percent of taxable payroll is inside the established limit within which the system is considered substantially in actuarial balance.

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

\( (e) \) Level-costs of benefit payments, by type

The level-cost of the old-age and survivors insurance benefit payments (without considering administrative expenses, the railroad retirement financial interchange, and the effect of interest earnings on the existing trust fund) under the 1967 act, according to the latest intermediate-cost estimate, is 7.82 percent of taxable payroll, and the corresponding figure for the program as it would be modified by your committee's bill is 8.92 percent. The corresponding figures for the disability benefits are 0.96 percent for the 1967 act and 1.10 percent for your committee's bill.

Table II presents the benefit costs for the old-age, survivors, and disability insurance system as it would be after enactment of your committee's bill, separately for each of the various types of benefits.

<table>
<thead>
<tr>
<th>Item</th>
<th>Old-age and survivors insurance</th>
<th>Disability insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary benefits</td>
<td>6.16</td>
<td>0.90</td>
</tr>
<tr>
<td>Wife's and husband's benefits</td>
<td>0.50</td>
<td>0.06</td>
</tr>
<tr>
<td>Widow's and widower's benefits</td>
<td>1.30</td>
<td>(0)</td>
</tr>
<tr>
<td>Parent's benefits</td>
<td>0.01</td>
<td>(0)</td>
</tr>
<tr>
<td>Child's benefits</td>
<td>0.74</td>
<td>0.14</td>
</tr>
<tr>
<td>Mother's benefits</td>
<td>0.13</td>
<td>(0)</td>
</tr>
<tr>
<td>Lump-sum death payments</td>
<td>0.08</td>
<td>(0)</td>
</tr>
<tr>
<td>Total benefits</td>
<td>8.92</td>
<td>1.10</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>0.13</td>
<td>0.04</td>
</tr>
<tr>
<td>Railroad retirement financial interchange</td>
<td>-0.07</td>
<td>0.00</td>
</tr>
<tr>
<td>Interest on existing trust fund</td>
<td>-0.26</td>
<td>-0.04</td>
</tr>
<tr>
<td>Net total level-cost</td>
<td>8.86</td>
<td>1.10</td>
</tr>
</tbody>
</table>

1 Including adjustment to reflect the lower contribution rate on self-employment income and tips, as compared with the combined employer-employee rate.
2 This type of benefit is not payable under this program.
3 This item includes reimbursement for additional cost of noncontributory craft service and is taken as an offset to the benefit and administrative expense costs.
(f) Income and outgo in near future

Under your committee's bill, benefit disbursements under the old-age, survivors, and disability insurance system will increase by $1.7 billion in fiscal year 1970 over present law; this represents the increase for 5 months of benefit payments — since the increase is first effective for January 1970.

Under the program as modified by your committee's bill, according to this estimate, the old-age and survivors insurance trust fund will increase by about $1.6 billion in 1970. In 1971-72, the trust fund will increase by about $5 billion per year. In the next 2 years, as a result of the scheduled increase in the contribution rates in 1973, the trust fund will increase by about $11 billion each year. Table III presents these short-range estimates.

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial inter- change</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual data:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1951</td>
<td>$3,367</td>
<td>$1,985</td>
<td>$81</td>
<td>$417</td>
<td>$15,540</td>
<td></td>
</tr>
<tr>
<td>1952</td>
<td>$3,819</td>
<td>$2,194</td>
<td>$88</td>
<td>$65</td>
<td>17,442</td>
<td></td>
</tr>
<tr>
<td>1953</td>
<td>$3,945</td>
<td>$3,006</td>
<td>$88</td>
<td>$414</td>
<td>18,707</td>
<td></td>
</tr>
<tr>
<td>1954</td>
<td>$5,163</td>
<td>$3,670</td>
<td>$92</td>
<td>$214</td>
<td>20,576</td>
<td></td>
</tr>
<tr>
<td>1955</td>
<td>$5,713</td>
<td>$4,968</td>
<td>$119</td>
<td>$-7</td>
<td>21,663</td>
<td></td>
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<tr>
<td>1956</td>
<td>$6,172</td>
<td>$5,719</td>
<td>$132</td>
<td>$-5</td>
<td>22,519</td>
<td></td>
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<tr>
<td>1957</td>
<td>$6,829</td>
<td>$7,347</td>
<td>$162</td>
<td>$-2</td>
<td>22,993</td>
<td></td>
</tr>
<tr>
<td>1958</td>
<td>$7,566</td>
<td>$8,327</td>
<td>$194</td>
<td>$124</td>
<td>21,864</td>
<td></td>
</tr>
<tr>
<td>1959</td>
<td>$8,652</td>
<td>$9,549</td>
<td>$194</td>
<td>$282</td>
<td>20,141</td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>$10,866</td>
<td>$10,677</td>
<td>$203</td>
<td>$318</td>
<td>20,324</td>
<td></td>
</tr>
<tr>
<td>1961</td>
<td>$11,285</td>
<td>$11,726</td>
<td>$239</td>
<td>$332</td>
<td>20,723</td>
<td></td>
</tr>
<tr>
<td>1962</td>
<td>$12,059</td>
<td>$14,101</td>
<td>$256</td>
<td>$361</td>
<td>22,337</td>
<td></td>
</tr>
<tr>
<td>1963</td>
<td>$14,341</td>
<td>$14,217</td>
<td>$281</td>
<td>$423</td>
<td>24,180</td>
<td></td>
</tr>
<tr>
<td>1964</td>
<td>$15,689</td>
<td>$14,914</td>
<td>$296</td>
<td>$403</td>
<td>24,125</td>
<td></td>
</tr>
<tr>
<td>1965</td>
<td>$16,017</td>
<td>$16,737</td>
<td>$328</td>
<td>$436</td>
<td>24,252</td>
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</tr>
<tr>
<td>1966</td>
<td>$20,638</td>
<td>$18,267</td>
<td>$356</td>
<td>$444</td>
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<tr>
<td>1967</td>
<td>$25,216</td>
<td>$19,468</td>
<td>$406</td>
<td>$508</td>
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<tr>
<td>1968</td>
<td>$24,101</td>
<td>$22,642</td>
<td>$476</td>
<td>$438</td>
<td>25,704</td>
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</tr>
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</table>

Estimated data (short-range estimate), committee bill:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Railroad retirement financial inter-change</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>$28,523</td>
<td>$24,245</td>
<td>$469</td>
<td>$491</td>
<td>$25,130</td>
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<tr>
<td>1970</td>
<td>$30,289</td>
<td>$28,799</td>
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<td>$526</td>
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<td>$30,298</td>
<td>$532</td>
<td>$526</td>
<td>31,761</td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td>$36,455</td>
<td>$31,414</td>
<td>$551</td>
<td>$633</td>
<td>36,466</td>
<td></td>
</tr>
<tr>
<td>1973</td>
<td>$41,429</td>
<td>$35,518</td>
<td>$571</td>
<td>$621</td>
<td>42,195</td>
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</tr>
<tr>
<td>1974</td>
<td>$43,459</td>
<td>$33,641</td>
<td>$591</td>
<td>$612</td>
<td>43,459</td>
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</tr>
</tbody>
</table>

1 An interest rate of 4.75 percent is used in determining the level costs, under the intermediate-cost long-range estimates, but in developing the progress of the trust fund a varying rate in the early years has been used.
2 A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.
3 Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to $377 for 1953, $284 for 1954, $163 for 1955, $60 for 1956, and nothing for 1957 and thereafter.
4 Estimated data for present law.

The disability insurance trust fund is estimated to increase by about $1.4 billion in 1970 under your committee's bill, and by somewhat larger amounts each year thereafter for the next few years. Table IV presents these short-range estimates.
### Table IV.—Progress of Disability Insurance Trust Fund, Short-Range Estimate

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Contributions</th>
<th>Benefit Payments</th>
<th>Administrative Expenses</th>
<th>Railroad Retirement Financial Interchange</th>
<th>Interest on Fund</th>
<th>Balance in Fund at End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>$702</td>
<td>$57</td>
<td>$3</td>
<td>$7</td>
<td>$649</td>
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<tr>
<td>1958</td>
<td>$966</td>
<td>$249</td>
<td>$12</td>
<td>$17</td>
<td>40</td>
<td>1,179</td>
</tr>
<tr>
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<td>$891</td>
<td>$257</td>
<td>$20</td>
<td>$22</td>
<td>40</td>
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<td>1,010</td>
<td>568</td>
<td>42</td>
<td>15</td>
<td>53</td>
<td>2,889</td>
</tr>
<tr>
<td>1961</td>
<td>1,008</td>
<td>887</td>
<td>54</td>
<td>25</td>
<td>66</td>
<td>2,437</td>
</tr>
<tr>
<td>1962</td>
<td>1,046</td>
<td>1,105</td>
<td>66</td>
<td>11</td>
<td>68</td>
<td>2,988</td>
</tr>
<tr>
<td>1963</td>
<td>1,099</td>
<td>1,210</td>
<td>68</td>
<td>20</td>
<td>66</td>
<td>2,235</td>
</tr>
<tr>
<td>1964</td>
<td>1,154</td>
<td>1,308</td>
<td>79</td>
<td>19</td>
<td>64</td>
<td>2,047</td>
</tr>
<tr>
<td>1965</td>
<td>1,188</td>
<td>1,573</td>
<td>90</td>
<td>24</td>
<td>59</td>
<td>1,606</td>
</tr>
<tr>
<td>1966</td>
<td>2,021</td>
<td>1,784</td>
<td>137</td>
<td>25</td>
<td>58</td>
<td>1,739</td>
</tr>
<tr>
<td>Estimated data (short-range estimate), committee bill:</td>
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<td>109</td>
<td>31</td>
<td>78</td>
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<tr>
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<td>2,294</td>
<td>127</td>
<td>20</td>
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<td>2,563</td>
<td>151</td>
<td>21</td>
<td>180</td>
<td>4,113</td>
</tr>
<tr>
<td>1971</td>
<td>4,019</td>
<td>2,992</td>
<td>152</td>
<td>18</td>
<td>260</td>
<td>5,520</td>
</tr>
<tr>
<td>1972</td>
<td>4,093</td>
<td>2,992</td>
<td>152</td>
<td>18</td>
<td>260</td>
<td>5,520</td>
</tr>
<tr>
<td>1973</td>
<td>4,913</td>
<td>2,992</td>
<td>152</td>
<td>18</td>
<td>260</td>
<td>5,520</td>
</tr>
<tr>
<td>1974</td>
<td>5,136</td>
<td>3,637</td>
<td>181</td>
<td>22</td>
<td>500</td>
<td>10,557</td>
</tr>
<tr>
<td>1975</td>
<td>5,469</td>
<td>3,731</td>
<td>187</td>
<td>23</td>
<td>596</td>
<td>12,581</td>
</tr>
</tbody>
</table>

1 A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.
2 An interest rate of 4.75 percent is used in determining the level-costs under the intermediate-cost long-range estimates but in developing the progress of the trust fund a varying rate in the early years has been used.
3 Estimated data for present law.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service.

### Long-range Operations of OASI Trust Fund

Table V gives the estimated operations of the old-age and survivors insurance trust fund under the program as it would be changed by your committee’s bill for the long-range future, based on the intermediate-cost estimate. It will, of course, be recognized that the figures for the next two or three decades are the most reliable (under the assumption of level-earnings trends in the future) since the populations concerned—both covered workers and beneficiaries—are already born. As the estimates proceed further into the future, there is, of course, much more uncertainty.

In every year after 1969 for the next 15 years, contribution income under the system as it would be modified by your committee’s bill is estimated to exceed old-age and survivors insurance benefit disbursements. Even after the benefit-outgo curve rises ahead of the contribution-income curve, the trust fund will nonetheless continue to increase because of the effect of interest earnings (which more than meet the administrative expense disbursements and any financial interchanges with the railroad retirement program). As a result, this trust fund is estimated to grow steadily under the intermediate long-range cost estimate (with a level-earnings assumption), reaching $850 billion in 1980 and about $160 billion at the end of this century.
TABLE V.—ESTIMATED PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND UNDER SYSTEM AS MODIFIED BY COMMITTEE BILL, LONG-RANGE-INTERMEDIATE-COST ESTIMATE

(In millions)

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>$42,080</td>
<td>$28,956</td>
<td>$614</td>
<td>$3,801</td>
<td>$80,343</td>
</tr>
<tr>
<td>1990</td>
<td>$47,578</td>
<td>$30,140</td>
<td>714</td>
<td>5,968</td>
<td>132,750</td>
</tr>
<tr>
<td>2000</td>
<td>$55,344</td>
<td>$56,998</td>
<td>791</td>
<td>7,267</td>
<td>194,715</td>
</tr>
<tr>
<td>2025</td>
<td>72,631</td>
<td>92,408</td>
<td>1,163</td>
<td>10,021</td>
<td>232,989</td>
</tr>
</tbody>
</table>

1 Includes effect of financial interchange provision with railroad retirement system.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service before 1957. No account is taken in this table of the outgo for the special benefits payable to certain noninsured persons aged 72 or over or for the additional benefits payable on the basis of noncontributory credit for military service after 1967—or of the corresponding reimbursement therefor, which is exactly counterbalancing from a long-range cost standpoint.

(h) Long-range operations of DI trust fund

The disability insurance trust fund, under the program as it would be changed by your committee's bill, grows slowly but steadily after 1969, according to the intermediate long-range cost estimate, as shown by table VI. In 1980, it is shown as being $18 billion, while in 1990, the corresponding figure is $29 billion. There is a small excess of contribution income over benefit disbursements for every year after 1969 for the next 20 years.

TABLE VI.—ESTIMATED PROGRESS OF DISABILITY INSURANCE TRUST FUND UNDER SYSTEM AS MODIFIED BY COMMITTEE BILL, LONG-RANGE-INTERMEDIATE-COST ESTIMATE

(In millions)

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Contributions</th>
<th>Benefit payments</th>
<th>Administrative expenses</th>
<th>Interest on fund</th>
<th>Balance in fund at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>$5,222</td>
<td>$4,685</td>
<td>$176</td>
<td>$768</td>
<td>$17,606</td>
</tr>
<tr>
<td>1990</td>
<td>5,917</td>
<td>5,806</td>
<td>194</td>
<td>1,284</td>
<td>25,655</td>
</tr>
<tr>
<td>2000</td>
<td>6,887</td>
<td>7,367</td>
<td>238</td>
<td>1,947</td>
<td>41,117</td>
</tr>
<tr>
<td>2025</td>
<td>8,946</td>
<td>10,097</td>
<td>342</td>
<td>1,980</td>
<td>45,685</td>
</tr>
</tbody>
</table>

1 Includes effect of financial interchange provision with railroad retirement system.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service before 1957. No account is taken in this table of the outgo for the additional benefits payable on the basis of noncontributory credit for military service after 1967—or of the corresponding reimbursement therefor, which is exactly counterbalancing from a long-range cost standpoint.
V. Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

**SOCIAL SECURITY ACT**

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

Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund

Section 201. (a) * * *
(b) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the “Federal Disability Insurance Trust Fund”. The Federal Disability Insurance Trust Fund shall consist of such amounts as may be appropriated to, or deposited in, such fund as provided in this section. There is hereby appropriated to the Federal Disability Insurance Trust Fund for the fiscal year ending June 30, 1957, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

1. (A) \( \frac{1}{2} \) of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1956, and before January 1, 1966, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, (B) 0.70 of 1 per centum of the wages (as so defined) paid after December 31, 1956, and before January 1, 1968, and so reported, (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and so reported,

2. (A) \( \frac{3}{8} \) of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, and before January 1, 1966, (B) and 0.525 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1965, and before January 1, 1968, (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967, and before January 1, 1970, and (D) 0.895 of 1 per centum of the...
amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.

Old-Age and Survivors Insurance Benefit Payments

Old-Age Insurance Benefits

Sec. 202. (a)

Wife's Insurance Benefits

(b)(1)

(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such months, or (B) $105.

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

Husband's Insurance Benefits

(c)(1)

(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of his wife for such month, or (B) $105.

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

Widow's Insurance Benefits

(e)(1)

(4) If a widow, after attaining the age of 60, marries an individual (other than one described in subparagraph (A) or (B) of paragraph (3)), such marriage shall, for purposes of paragraph (1), be deemed not to have occurred; except that, notwithstanding the provisions of paragraph (2) and subsection (q), such widow's insurance benefit for the month in which such marriage occurs and each month thereafter prior to the month in which the husband dies or such marriage is otherwise terminated, shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105; and, on and after the month in which the husband dies or such marriage is otherwise terminated, such widow's insurance benefit shall be one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based;
Widower's Insurance Benefits

(f) (1) ** *

(5) If a widower, after attaining the age of 62, marries an individual (other than one described in subparagraph (A) or (B) of paragraph (4)), such marriage shall, for purposes of paragraph (1), be deemed not to have occurred; except that, notwithstanding the provisions of paragraph (3) and subsection (q), such widower's insurance benefit for the month in which such marriage occurs and each month thereafter prior to the month in which the wife dies or such marriage is otherwise terminated, shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105 one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based.

* * * *

Reduction of Insurance Benefits

Maximum Benefits

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

(1) when any of such individuals so entitled would (but for the provisions of section 202(k) (2) (A) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall not be reduced to less than the smaller of: (A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or (B) the last figure in column V of the table appearing in section 215(a), or

(2) when two or more persons were entitled (without the application of section 202(j) (1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

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

(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to February 1968 for such month, by 115 percent and raising such such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subpara-
graph (B), and (ii) if section 202(k) (2) (A) was applicable in the case of any such benefits for the month of February 1968 January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for February 1968 January 1970, or

* * * * * *

Computation of Primary Insurance Amount

Sec. 215. For the purposes of this title—
(a) Subject to the conditions specified in subsections (b), (c), and (d) of this section, the primary insurance amount of an insured individual shall be whichever of the following is the largest:
(1) The amount in column IV on the line on which in column III of the following table appears his average monthly wage (as determined under subsection (b));
(2) The amount in column IV on the line on which in column II of the following table appears his primary insurance amount (as determined under subsection (c));
(3) The amount in column IV on the line on which in column I of the following table appears his primary insurance benefit (as determined under subsection (d)); or
(4) In the case of an individual who was entitled to a disability insurance benefit for the month before the month in which he died, became entitled to old-age insurance benefits, or attained age 65, the amount in column IV which is equal to the primary insurance amount upon which such disability insurance benefit is based.

| TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS |
|---------------------------------------------|-----------------|-----------------|-----------------|---------------------------------------------|
| I                                           | II              | III             | IV              | V                                           |
| (Primary insurance benefit under 1939 act, as modified) | (Primary insurance amount under 1965 act) | (Average monthly wage) | (Primary insurance amount) | (Maximum family benefits) |
| If an individual's primary insurance benefit (as determined under subsec. (d)) is— | Or, his primary insurance amount (as determined under subsec. (c)) is— | Or, his average monthly wage (as determined under subsec. (b)) is— | The amount referred to in the proceeding paragraphs of this subsection shall be | And the maximum amount of benefits payable (as provided in sect. 203(a)) on the basis of his wages and self-employment income shall be— |
| At least— But not more than— | At least— But not more than— | At least— But not more than— | | |

<table>
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</tr>
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<td>65.00</td>
<td>96.40</td>
</tr>
</tbody>
</table>
### TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Primary insurance benefit under 1939 act, as modified)</td>
<td>(Primary insurance amount under 1939 act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
</tr>
<tr>
<td><strong>If an individual’s primary insurance benefit (as determined under subsection (d)) is—</strong></td>
<td><strong>Or his average monthly wage (as determined under subsection (b)) is—</strong></td>
<td><strong>The amount referred to in the preceding paragraphs of this subsection shall be—</strong></td>
<td><strong>And the maximum amount of benefits payable (as provided in section 202(a)) on the basis of his wages and self-employment income shall be—</strong></td>
<td></td>
</tr>
<tr>
<td><strong>At least—</strong></td>
<td><strong>But not more than—</strong></td>
<td><strong>At least—</strong></td>
<td><strong>But not more than—</strong></td>
<td><strong>—</strong></td>
</tr>
<tr>
<td>$22.79</td>
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<td>$34.79</td>
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</tr>
<tr>
<td>$22.40</td>
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</table>
If an individual's primary insurance benefit (as determined under subsec. (d)) is—

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<tbody>
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Or his average monthly wage (as determined under subsec. (ii)) is—

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The amount referred to in the proceeding paragraphs of this subsection shall be—

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<th>(Primary insurance benefit)</th>
<th>(Primary insurance benefit)</th>
<th>(Primary insurance benefit)</th>
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<td>under 1899 act</td>
<td>under 1899 act</td>
<td>under 1899 act</td>
<td>under 1899 act</td>
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<tr>
<td>as modified</td>
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<td>as modified</td>
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The maximum amount of benefits payable (as provided in sec. 208(a)) on the basis of his wages and self-employment income shall be—
### Table for Determining Primary Insurance Amount and Maximum Family Benefits

<table>
<thead>
<tr>
<th>I (Primary insurance benefit under 1959 act, as modified)</th>
<th>II (Primary insurance amount under 1967 act)</th>
<th>III (Average monthly wage)</th>
<th>IV (Primary insurance amount)</th>
<th>V (Maximum family benefit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an individual's primary insurance benefit (as determined under subsec. (d) 1) is:</td>
<td>Or his primary insurance amount (as determined under subsec. (d) 2) is:</td>
<td>Or his average monthly wage (as determined under subsec. (d) 2) is:</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be:</td>
<td>And the maximum amount of benefit payable (as provided in sec. 212(e)) on the basis of his wages and self-employment income shall be:</td>
</tr>
<tr>
<td>At least—</td>
<td>But not more than—</td>
<td>At least—</td>
<td>But not more than—</td>
<td>—</td>
</tr>
</tbody>
</table>

| $16.80 | $16.80 | $16.80 | $16.80 | $16.80 |
| $17.00 | $17.00 | $17.00 | $17.00 | $17.00 |
| $17.10 | $17.10 | $17.10 | $17.10 | $17.10 |
| $17.20 | $17.20 | $17.20 | $17.20 | $17.20 |
| $17.30 | $17.30 | $17.30 | $17.30 | $17.30 |
| $17.40 | $17.40 | $17.40 | $17.40 | $17.40 |
| $17.50 | $17.50 | $17.50 | $17.50 | $17.50 |
| $17.60 | $17.60 | $17.60 | $17.60 | $17.60 |
| $17.70 | $17.70 | $17.70 | $17.70 | $17.70 |
| $17.80 | $17.80 | $17.80 | $17.80 | $17.80 |
| $17.90 | $17.90 | $17.90 | $17.90 | $17.90 |
| $18.00 | $18.00 | $18.00 | $18.00 | $18.00 |

(Continues on the next page)
17
TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM
FAMILY BENEFITS—Continued

I

II

(Primary insurance benefit under
1989 act, as modified)

III

IV

V

(Primary
(Average monthly wage)

Insurance
amount)

(Maximum
family

(Primary
insurance
amount
under

benefits)

1967 act)

If an individual's primary insurance
(d)) is—

average monthly
(a determined
under subsec. (b)) is—

Or hi8
wage

benefit (as determined under sub8ec.

Or his

primary
Insurance
amount (as

At
lea8t—

But
not
more
than—

determined
under
suboec. (c))
lv—

But

At
lea8t—

$129.40
180.70
131.90
138.00
134.30
185.50
136.80
187.90
189.10
740.40
141.50
142.80
144.00
145.10

$306
310
815
320
324
329
834
388
843
$48
852
357
362
866

146. 40

871

147.60
148.90
150.00
151.20
152.50
158.60
154.90
156.00
157.10
158.20
159.40
160.50
161.60
162.80
168.90
165.00
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172.90
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182.00
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187.60
188.80
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191.00
192.00
198.00
194.00
195.00
196.00
197.00
198.00
199.00
200.00

376
380
885
390
394
899
404
408
418
418
422
427
432
437

44!
446
451

455
460
465
469
474
479
483
488
493
497
502
507
511

516
521

525
530
535
539
544
549
554

557
561

564
568
571

575
578
582
.586

not
more
than—

The amount
referred to
in the
preceding
paragraphs
of this
oubsection
shall be—

$809
814
319
823
828
888
387
342
$47
351

356
$61

365
870
375
879
$84
389
393
398
403
407
412
417
421

426
431

486
440
445
450
454
459
464
468
473
478
482
487
492
496
501

506
510
515
520
524
529
534
538
543
548

553
556
560
563

867
570
574
577
581

584
5$3

$148.90
150.40
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153.00
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160.00
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165.60
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168.40
169.80
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198.90
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205.40
206.70
208.00
209.30
210.60
211.90
213.30
214.50
215.80
217.20
218.40
219.70
220.80
222.00
223.10
224.80
225. 40

226.60
227.70
228.90
280.00

And the
maximun
amount of
benefits

payable (as
provided in
sec. 203(a))
on the baols
of his wages

and selfemployment
income
8hall be—
$247.20
281.20
255.20
858.40
262.40
266.40
269.60
278.60
277.60
280.80
284.80
288.80
292.00
296.90
800.00
308.20
307.20
311.20
314.40
318.40
322.40
825.60
329.60
833.60
336.80
340.80
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TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

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Average Monthly Wage

(b)(1) ** * * *

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

(A) who becomes entitled, after [January 1968] December 1969 to benefits under section 202(a) or section 223; or

(B) who dies after [January 1968] December 1969 without being entitled to benefits under section 202(a) or section 223; or

(C) whose primary insurance amount is required to be recomputed under subsection (f) (2).


(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of [1967] 1969.

(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before [the month of February 1965] January 1970, or who died before such month.
Transitional Insured Status

Sec. 227. (a) In the case of any individual who attains the age of 72 before 1969 but who does not meet the requirements of section 214(a), the 6 quarters of coverage referred to in so much of paragraph (1) of section 214(a) as follows clause (C) shall, instead, be 3 quarters of coverage for purposes of determining entitlement of such individual to benefits under section 202(a), and of his wife to benefits under section 202(b), but, in the case of such wife, only if she attains the age of 72 before 1969 and only with respect to wife's insurance benefits under section 202(b) for and after the month in which she attains such age. For each month before the month in which any such individual meets the requirements of section 214(a), the amount of his old-age insurance benefit shall, notwithstanding the provisions of section 202(a), be $40, and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b), be $30.

(b) In the case of any individual who has died, who does not meet the requirements of section 214(a), and whose widow attains age 72 before 1969, the 6 quarters of coverage referred to in paragraph (3) of section 214(a) and in so much of paragraph (1) thereof as follows clause (C) shall, for purposes of determining her entitlement to widow's insurance benefits under section 202(e), instead be—

(1) 3 quarters of coverage if such widow attains the age of 72 in or before 1966,
(2) 4 quarters of coverage if such widow attains the age of 72 in 1967, or
(3) 5 quarters of coverage if such widow attains the age of 72 in 1968.

The amount of her widow's insurance benefit for each month shall, notwithstanding the provisions of section 202(e) (and section 202(m)), be $40.

Benefits at Age 72 for Certain Uninsured Individuals

Eligibility

Sec. 228. (a) **

Benefit Amount

(b) (1) Except as provided in paragraph (2), the benefit amount to which an individual is entitled under this section for any month shall be $40.

(2) If both husband and wife are entitled (or upon application would be entitled) to benefits under this section for any month, the amount of the husband's benefit for such month shall be $40 and the amount of the wife's benefit for such month shall be $20.

Reduction for Governmental Pension System Benefits

(c) (1) The benefit amount of any individual under this section for any month shall be reduced (but not below zero) by the amount of any periodic benefit under a governmental pension system for which he is eligible for such month.
(2) In the case of a husband and wife only one of whom is entitled to benefits under this section for any month, the benefit amount, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the spouse who is not entitled to benefits under this section is eligible for such month, over (B) $20.

(3) In the case of a husband and wife both of whom are entitled to benefits under this section for any month—

(A) the benefit amount of the wife, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the husband is eligible for such month, over (ii) $40.

(B) the benefit amount of the husband, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the wife is eligible for such month, over (ii) $20.
SEPARATE VIEWS OF JACOB H. GILBERT

The 15-percent increase in social security benefits, effective January 1, 1970, recommended by the House Ways and Means Committee, will compensate social security beneficiaries for the rapidly rising living costs that have seriously eroded their benefits. Simple justice requires that our social security beneficiaries receive an immediate increase in benefits in order to maintain the buying power of their benefits in these times of rapid inflation.

Separating an immediate increase from other social security legislation will permit the fastest possible relief to social security beneficiaries beset by rapidly rising living costs. This approach also will allow the committee the time necessary to give major social security reform the comprehensive review such complex proposals require without penalizing social security beneficiaries by delay. The benefit increase should be looked on as stopgap legislation to allow time for development of a fuller program.

My bill, H.R. 14430, which is pending before the committee, would provide additional benefit increases, a two-step increase in the minimum benefit to $120 a month by January 1, 1972, and would abolish the premium for medicare part B—now $4 monthly—and make other much needed improvements in the social security and medicare programs. I am sure that in the coming months the committee will consider the proposals under my bill, H.R. 14430, and other pending social security legislation.

JACOB H. GILBERT.
IN THE HOUSE OF REPRESENTATIVES

DECEMBER 4, 1969

Mr. MILLS (for himself and Mr. BYRNES of Wisconsin) introduced the following bill; which was referred to the Committee on Ways and Means

DECEMBER 5, 1969

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend the Social Security Act to provide a 15-percent across-the-board increase in benefits under the old-age, survivors, and disability insurance program.

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

That this Act may be cited as the “Social Security Amendments of 1969”.

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Sec. 2. (a) Section 215 (a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

10
If an individual's primary insurance benefit (as determined under subsec. (d)) is—

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- **TABLE 1**

- **Table for Determining Primary Insurance Amount and Maximum Family Benefits**

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<td>(Primary insurance benefit under 1959 Act, as modified)</td>
<td>(Primary insurance amount under 1967 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
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</tbody>
</table>

- Or his average monthly wage (as determined under subsec. (d)) is—

- The amount referred to in the preceding paragraphs of this subsection shall be—

- And the maximum amount of benefits payable (as provided in sec. 28(a)) on the basis of his wages and self-employment income shall be—

- $90.00

- $88.00

- $86.00

- $84.00

- $82.00

- $80.00

- $78.00

- $76.00

- $74.00

- $72.00

- $70.00

- $68.00

- $66.00

- $64.00

- $62.00

- $60.00

- $58.00

- $56.00

- $54.00

- $52.00

- $50.00

- $48.00

- $46.00

- $44.00

- $42.00

- $40.00

- $38.00

- $36.00

- $34.00

- $32.00

- $30.00

- $28.00

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- $22.00

- $20.00

- $18.00
"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued"

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<td>And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—</td>
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(b) Section 203 (a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:
"(2) when two or more persons were entitled (without the application of section 202 (j) (1) and section 223 (b) ) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

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

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), as in effect prior to January 1970, for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if sec-
tion 202 (k) (2) (A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or”.

(c) Section 215 (b) (4) of such Act is amended by striking out “January 1968” each time it appears and inserting in lieu thereof “December 1969”.

(d) Section 215 (c) of such Act is amended to read as follows:

“Primary Insurance Amount Under 1967 Act

“(c) (1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual’s primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

“(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202 (a) or section 223 before January 1970, or who died before such month.”

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social
Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202 (a) of such Act for January 1970, or he died in such month, then, for purposes of section 215 (a) (4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 3. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out “$40” and inserting in lieu thereof “$46,” and by striking out “$20” and inserting in lieu thereof “$23”.

(2) Section 227 (b) of such Act is amended by striking out in the second sentence “$40” and inserting in lieu thereof “$46”.
(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228 (b) (2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228 (c) (2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(4) Section 228 (c) (3) (A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228 (c) (3) (B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFITS

SEC. 4. (a) Section 202 (b) (2) of the Social Security Act is amended to read as follows:

“(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month.”
(b) Section 202 (c) (3) of such Act is amended to read as follows:

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

(c) Sections 202 (e) (4) and 202 (f) (5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

Sec. 5. (a) Section 201 (b) (1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before
January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,”.

(b) Section 201 (b) (2) of such Act is amended by—
(1) striking out “and” at the end of clause (B);
(2) striking out “1967,” and inserting in lieu thereof the following: “1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,”.
A BILL

To amend the Social Security Act to provide a 15-percent across-the-board increase in benefits under the old-age, survivors, and disability insurance program.

By Mr. MILLS and Mr. BYRNEs of Wisconsin

December 4, 1969
Referred to the Committee on Ways and Means

December 5, 1969
Committed to the Committee of the Whole House on the State of the Union and ordered to be printed
SOCIAL SECURITY AMENDMENTS OF 1969

To Administrative, Supervisory, and Technical Employees

The Committee on Ways and Means has unanimously ordered reported to the House of Representatives a bill--H. R. 15095--providing a 15-percent increase in social security benefits, effective for January 1970. The bill would make no other changes in the program. Because of the favorable long-range financial situation of the OASDI program as a whole, no changes in the contribution rates or contribution and benefit base are required to finance the 15-percent benefit increase.

Early in the next session of the Congress, the Committee on Ways and Means is expected to consider other social security, Medicare, and welfare changes, including any adjustments in the financing of social security that may be required by reason of such other changes.

Because of the time required to make the conversion to the higher benefit amounts, the first check that would reflect the 15-percent increase would be the April 3 check; a separate check covering the retroactive increase would be paid toward the end of April.

H. R. 15095 was introduced yesterday by Wilbur D. Mills, Chairman of the Committee, and John W. Byrnes, the ranking minority member of the Committee. Chairman Mills was quoted as saying that he expects the House to pass the bill next week. The Senate today passed an amendment to the tax reform bill which provides for the same 15-percent benefit increase as does the House bill but also would raise the minimum benefit to $100 and the contribution and benefit base to $12,000.

Robert M. Ball
Commissioner
December 15, 1969  
CONGRESSIONAL RECORD—HOUSE  
H 12385

Social Security Amendments of 1969

Mr. MILLS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 15095) to amend the Social Security Act to provide a 15-percent across-the-board increase in benefits under the old-age, survivors, and disability insurance program.

The Clerk read as follows:

H. R. 15095

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the “Social Security Amendments of 1969”.

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Sec. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS"

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...
(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) If two or more persons were entitled (without the application of section 202(j) and section 225) to monthly benefits for January 1970 for such individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or who died before such month."

(c) Sections 202(e)(4) and 202(f)(5) of such Act are amended to read as follows:

"(4) Section 215(c) of such Act for purposes of section 215(a)(4) of the Social Security Act is amended to read as follows:

"(c)(1) For the purposes of column III of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 203 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column II appearing in such table shall be the amount in such column on the line on which such individual's primary insurance amount is determined under section 215(c) of such Act instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

Sec. 3. (a) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46," and by striking out "$20" and inserting in lieu thereof "$23".

(b) Section 227(b) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(c) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(d) Section 228(b)(2) of such Act is amended by striking out "$30" and inserting in lieu thereof "$33".

(e) Section 228(b)(3) of such Act is amended by striking out "$30" and inserting in lieu thereof "$33".

(f) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(g) Section 228(b)(3) of such Act is amended by striking out "$30" and inserting in lieu thereof "$33".

(h) Section 228(b)(4) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(i) Section 228(b)(5) of such Act is amended by striking out "$30" and inserting in lieu thereof "$33".

JUDICIAL AUTHORITY OF THE SOCIAL SECURITY BOARD

Sec. 4. (a) Section 201(b) of the Social Security Act is amended to read as follows:

"(d) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to one-half of the primary insurance amount of his wife, or, in the case of a divorced wife, her former husband, for such month."

(b) Section 220(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$20".

(c) Section 215(b) of such Act is amended by striking out "$20" and inserting in lieu thereof "$20".
The SPEAKER pro tempore. Is a second demanded?

Mr. BYRNES of Wisconsin. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Arkansas (Mr. MILLS) will recognize the honorable Mr. BYRNES of Wisconsin.

Mr. BYRNES. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, the legislation before us, H.R. 15095, is a simple bill. It would provide nothing more than a 15-percent across-the-board increase in social security benefits to everyone who is entitled to social security benefits next January or any month thereafter.

An important factor in arriving at the decision to recommend a 15-percent increase at this time was the recent review of the long-range cost estimates prepared by the Office of the Chief Actuary of the Social Security Administration. These estimates show at the present time the cash benefits part of the social security program has an actuarial surplus of 1.16 percent of taxable payroll. This is sufficient, entirely sufficient, to meet the cost of a 15-percent benefit increase. Accordingly, it would not seem reasonable to withhold the benefit increase—a benefit increase that witness after witness testified was very badly needed—until all the other problems connected with amending the social security law are solved.

The SPEAKER pro tempore. The time of the gentleman from Arkansas has expired.

Mr. MILLS. Mr. Speaker, I yield myself 5 additional minutes.

The SPEAKER pro tempore. The gentleman from Arkansas is recognized for 5 additional minutes.

Mr. MILLS. Mr. Speaker, I am sure that the Members would be interested in some examples of the effect of the bill on social security payments. I am informed that under the bill the following increases would take place:

First, the average benefit paid to a retired worker would be increased from $254 a month to $292 a month.

Second, the average benefit paid to an aged couple would go from approximately $170 to $196 a month.

Third, the average benefit paid to an aged widow would go from $88 a month to $96 a month.

Fourth, the average benefit paid to a widow with two children would be increased from $254 a month to $292 a month.

Fifth, the average benefit paid to a disabled worker would be increased from $113 to $130.

Sixth, the average benefit paid to a disabled worker with a wife and children would go up from $237 to $273 a month.

Seventh, in addition to special benefits paid to certain people aged 72 and over, would be increased from the present $40 for an individual and $60 for a couple to $46 and $69, respectively.

Mr. Speaker, altogether about 25 million social security beneficiaries, nearly 1 out of every 8 people in the country, would be benefited from the increases provided for in this bill.

As I mentioned earlier, the long-range surplus of 1.16 percent of taxable payroll is sufficient to meet the cost of the bill.

The cost of H.R. 15095 is 1.24 percent of taxable payroll, leaving an actuarial balance of minus .08 percent of taxable payroll after enactment of the bill. That suggests to us that the fund is actuarially in balance, because the actuary for HEW has said that any amount not in excess of a minus .10 is an acceptable margin.

In dollar terms enactment of the bill will mean higher benefit payments of $1.7 billion, or approximately $11 per month per beneficiary, for the fiscal year 1970 and is explained by two factors.

First of all, there would be 5 monthly payments under the committee bill, as against 4 before you. If it is enacted.

Whereas under the President's program there would have been only 3 monthly payments. Second, his recommendation was for a 10-percent benefit increase while the bill provides for a 15-percent increase.

Before concluding, I would like to point out that there are two typographical errors in the committee report. On page 3 of the report there is a statement to the effect that the benefit increase will be reflected in the checks issued on April 13, 1970. This date should be April 3, 1970, since the third day of the month is the day when checks are normally sent out. On page 3 there is a table showing some illustrative benefit increases under the bill. The first figure in the last column of that table is H.4. It should be $44.

It will be recalled that on Friday a week ago the Senate included the language of this bill as an amendment to the Tax Reform Act. After the House passed this bill it would be my desire to ask the House to consider the bill as an amendment to the Tax Reform Act. After the House passes this bill it would be my desire to ask the House to consider the language of the Senate amendment that is identical with the language of H.R. 15095, the bill before the House. I say that because I think it is much better for us to include it on that basis than to send another bill to the Senate, where the amendment in the year might well alter the number of amendments that would be offered to it.

Mr. Speaker, I would urge that the Members vote for the bill, and let us then take it to conference.
Mr. PEPPER. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Florida.

Mr. PEPPER. Mr. Speaker, in order to make the record clear, did the House Committee on Ways and Means report the bill that the able gentleman from Arkansas is now presenting prior to the time that the other body acted?

Mr. MILLS. The answer is yes; we sent them a copy of the bill on the day we reported it, so that they could act on it as we had written it.

Mr. PEPPER. I thank the gentleman. Mr. BURTON of California. Mr. Speaker, will the gentleman yield?

Mr. BURTON of California. Mr. Speaker, if I understood the distinguished chairman of the Committee on Ways and Means, the amendment read off that it would be his position to urge only that the language in the House bill be that approved by the House conference.

Mr. MILLS. What I am talking about, if I am correct, is that we will permit me to attempt to clarify it quickly, is this: I would not be in a position, and I would urge the conference not to accept all of the amendments that were adopted by the conference on the Social Security Act, particularly the amendment that has to do with the $100 minimum.

We can handle that later.

Mr. BURTON of California. Mr. Speaker, will the gentleman yield further?

Mr. MILLS. I will be glad to yield further to the gentleman from California.

Mr. BURTON. Mr. Speaker, in light of the lateness of the year I would urge that all of our distinguished colleagues on both sides view objectively the very difficult problems posed to the concurrent bills; that we are trying to provide meaningful public assistance and social security, because they really will not get anything under the bill.

I would offer no assurances in that regard, but I would urge that you look at this matter, particularly as contained in the Harris amendment.

As the distinguished ranking minority member of the Committee on Ways and Means and the distinguished chairman know, there is another procedural difficulty in the bill that will cost the State and Federal Governments from $30 to $50 million in grant computation changes unless the retroactive increases be required to be disregarded by the States.

It is somewhat a technobility, but there is $30 to $50 million that should not be wasted in bureaucratic grant changes. If we have got that kind of money we really ought to see to it that all the elderly people get some measure of increase under this bill. I am not advocating at this time the entire Senate social security package, obviously some of that can be gotten for further hearings by the committees on our side.

Mr. MILLS. Mr. Speaker, I would state to the gentleman that he may be assured that the matter is in the mind at least of the distinguished chairman of Ways and Means for future consideration.

Furthermore, the Department of Health, Education, and Welfare has assured me that he has no intention of making the States take this retroactive payment into account in determining the needs of welfare recipients. The States will be free to treat this payment as they choose under present law and practice they are free to ignore as unconsequential a $25 or casual income as inconsequential or casual income a $25 Christmas gift in determining a recipient's needs. The States will, therefore, not be forced to furnish any unnecessary paperwork to redetermine recipients' needs on account of the retroactive payment.

Mr. BURTON of California. I thank the gentleman.

(Mr. MILLS asked and was given permission to revise and extend his remarks.)

GENERAL LEAVE

Mr. MILLS. Mr. Speaker, I would ask unanimous consent that all Members may be permitted to extend their remarks just prior to the vote on the bill.

The SPEAKER pro tempore. Is there objection to the extension of the gentleman from Arkansas?

There was no objection.

The SPEAKER. The Chair recognizes the gentleman from Wisconsin (Mr. BYRNEs).

(Mr. BYRNEs of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. BYRNEs of Wisconsin. Mr. Speaker, I strongly support H.R. 15995, which provides an across-the-board 15-percent increase in social security benefits. The benefit increase is effective January 1 and will first be reflected in the check received on April 3 for March benefits. An additional check will be mailed in April to cover the increase attributable to the months of January and February. The increase will benefit 25 million individuals, including those who receive the special benefit for uninsured individuals age 72 and over.

Our citizens living on fixed incomes are hardest hit by the ravages of inflation. Those who have studied problems of the elderly agree that one of their greatest needs is an adequate income to meet their daily living expenses. Inflation is the greatest threat to an adequate income for our elderly citizens.

The inflation we have been experiencing in recent years has severely eroded the purchasing power of social security benefits. Since social security beneficiaries are the aged, the disabled, and widows who often have small children to care for, they comprise the segment of the population least able through their efforts to protect themselves against inflation. Although the annual amounts on which these individuals are currently working have been increasing, often faster than increases in the general cost of living, the income of these individuals has remained constant. Since we have received substantial benefits in the form of increased prices, in February 1968, the Consumer Price Index has risen by 9 percent. The Consumer Price Index increased 0.5 percent during September and the months of August, July, and June. These increases, as well as the 2.9 percent annual increase we have experienced in the last year.

Runaway inflation was a part of the fiscal mess the new administration inherited when it took office earlier this year. The highest priority has been assigned to economic policies that will put the Nation's fiscal house in order and control inflation consistent with avoiding intolerable levels of unemployment and other economic dislocations. The President and his advisors agree that this delicate task necessarily involves some delay between the period during which the new policies are implemented and when they become fully effective, particularly because the first head of steam inflation was permitted to build up. In view of the inflation that we have been experiencing and that will probably experience in the next few months, it is important that Congress enact an increase in social security benefits before adjourning this year.

In view of the urgency of action and the lateness of the hour in the current legislative session, the committee's bill is limited to restoring and protecting the purchasing power of social security benefits. This should not be interpreted as a lack of support for other needed improvements in our social security system.

The President has recommended and I have introduced comprehensive legislation for improving social security which includes not only an across-the-board benefit increase, but also automatic adjustments in the future to cost-of-living increases, increasing the amount of income that can be earned without losing benefits, increasing a person's benefit from 65 percent of her husband's benefit, providing more equity in benefit computations for men, and making many other changes that will improve the equity, administration, and financial soundness of the social security program.

In my judgment, we must also develop amendments that provide greater equity for working women and for individuals who continue to work after attaining retirement age. The retirement age should be simplified, particularly as it affects the self-employed. I have developed proposals in these areas that will make substantive improvements in our social security system. It is my hope that these proposals will be favorably considered by the committee when we consider further social security amendments early next year.

All of these structural improvements are important, Mr. Speaker, and should be assigned a high priority. Automatic adjustments in benefits commensurate with cost-of-living changes should be enacted to provide social security beneficiaries with the same protection against inflation that civil service and military retirees have long enjoyed—as the platform of both major political parties recognized last year. Simple justice requires providing widows with the same level of benefits their husbands would receive as of the date of death. Increased benefits an individual can earn without losing benefits must also have a high priority. But the appropriate means of achieving these goals may be the subject of disagreement, and technical details of these provisions require time to work out. Also, these amendments will require additional financing—either through a rate in-
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increase, an increase in the wage base, or a combination of the two. Financing decisions involve controversy and again, the technical details take time to work out.

Mr. Speaker, it would simply not be fair to social security recipients to delay another increase for several months while these details are being worked out. However, I do want to assure the Members that all of these improvements in the social security program are in the order of business when the New Congress convenes, and must be given a high priority.

I want to be equally emphatic in also pointing out that the committee's action does not indicate a lack of timeliness. We must act on the President's recommendations for comprehensive reform of our welfare laws, and to reexamine and enact needed amendments to our medicare and medicaid programs. Also, the comprehensive hearings the Ways and Means Committee recently conducted encompassed welfare, medicare, and medicaid, as well as social security, the time available for the committee does not allow consideration of those important and difficult areas.

These issues will, along with structural improvements in the social security law, be the first order of business for the Ways and Means Committee in the new Congress. I share the hope of the chairman that the committee will be able to recommend some very fundamental improvements in these programs by at least the end of next March. But we should not delay action on the urgently needed increase in social security benefits until that time.

The Ways and Means Committee has carefully reviewed the financing of the present program and exercised the same solicitude for its actuarial soundness that has characterized our efforts in the past. The Chief Actuary of Social Security has assured the committee that on the basis of his latest estimates, the existing tax schedule is adequate to finance an across-the-board 15-percent benefit increase.

The hospital insurance fund, which finances a service benefit and is a separate trust fund from the trust funds associated with social security, is currently running an actuarial deficit. The committee will have to correct this situation when it considers amendments to the medicare program next year—including the Health Cost Effec
tiveness Act recommended by the President—that are designed to reduce costs and improve the efficiency of the program. In this connection, it should be pointed out that the committee's action does not indicate a lack of timeliness. We must act on the President's recommendations for automatic adjustments in the earnings base, which will be considered next year, will also have a favorable impact on the actuarial imbalance in the hospital insurance trust fund.

Mr. Speaker, this is urgent legislation, and the committee does not permit action in an overwhelming vote may facilitate acceptance by the House of the proposal. This might expedite action on this increase which has already been delayed too long. I hope that all of my colleagues will join me in supporting this bill to provide much-needed relief to our social security beneficiaries.

Mr. MILLS. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio. (Mr. VANIK asked and was given permission to revise and extend his remarks.)

Mr. VANIK. Mr. Speaker, the effort to raise social security benefits began early this year when Members of this body recommended a 7-percent increase imposed upon millions of senior citizens as a result of the spiraling cost of living under runaway inflation. An overwhelming majority of the Members of this body introduced bills to increase benefits.

On May 8, over 100 Members of this body cosponsored a bill which I introduced providing for an across-the-board increase of 15 percent. At that time, the President was requesting a 7-percent increase in benefits, effective in January 1970. He stated that any increase beyond this amount would be inflationary. I would seek a Democratic caucus action on a resolution increasing benefits to 15 percent across the board effective this September. On September 25, the President sent up a package recommending only a 10 percent increase with checks to be mailed in April.

On October 7, the Democratic caucus unanimously adopted the resolution in recognition of the dire circumstances imposed upon millions of senior citizens as a result of the spiraling cost of living under runaway inflation. An overwhelming majority of the Members of this body introduced bills to increase benefits.

After the administration continued to press for its inadequate amendments to the law which would reduce contributions by $22.7 billion in the next 4 years and by $160 billion in the next 20 years. The administration was proposing a windfall for the States instead of better standard of living for the workers. The Social Security Administration was proposing a windfall for the States instead of better standards for these needy groups. Widows and survivor's benefits must be increased. The retirement test must be abolished.

The minimum payment must be made realistic. Provisions must be adopted to insure that only those social security beneficiaries who are disabled, and the blind actually receive the increased benefits we provide today. The retirement test must be abolished. The income base for benefits should reflect the real cost of living for the workers, and for those in between, we owe a par

Mr. BYRNEs of Wisconsin. Mr. Speaker, I yield 5 minutes to the gentleman from New York (Mr. CONABLE).

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

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1 For a worker who is disabled or who is age 65 or older at the time of retirement and a wife age 65 or older at the time when the couple's benefits begin.
2 Survivor benefits are for a widow and for a child and for 2 parents would be the same as the benefits for a man and wife except that the total benefits would always equal 150 percent of the worker's primary insurance amount; it would not be limited to $253 as it is under the present law.
3 Average monthly earnings of 75% or less under the present law, and of 70% or less under the bill.

$10 limit on wife's benefit is removed.

Mr. CONABLE. Mr. Speaker, I yield 5 minutes to the gentleman from New York (Mr. CONABLE).

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)
Mr. CONABLE. Mr. Speaker, I support this legislation. I urge my colleagues to do the same. I think most of them will join me in voting this increased need.

While doing so, I think there are several points that must be made if we are to face up to the economic implications of this legislation.

First of all, there is no question that it is inflationary. That does not mean we should oppose it. Despite the rampant inflation in this country, it is necessary to face the effects of inflation for those most vulnerable, even though, inflation being a spiral, the compensation itself will inevitably have an inflationary impact.

If, therefore, the point must be made that we still have a basic obligation to continue to move against the inflation that is damage to our economy, even though we are providing this symptomatic relief to those most vulnerable to inflation.

Why do I consider this inflationary?

First of all, it is pumping $4.2 billion in a calendar year into the hands of people who are not in the fortunate circumstances and because of their age are not likely to save much of it. They are going to spend it and spend it quickly. Inflation has made certain that most of what is advanced to spend it. Inevitably, therefore, it has more cumulative inflationary impact than if we were giving the money to people in a position to save.

Second, I think we must face up to the fact that this bill is going to have a serious impact on our hoped-for surplus. Under the unified budget concept, we would have run our trust fund accumulation in the social security trust fund up by $1.7 billion more than we will, having passed this bill. In other words, in the remaining part of the fiscal year, $1.7 billion will be paid out that otherwise would have gone into the trust fund, and been counted as part of our surplus.

Once again, I am not complaining about this so much as I am pointing out to you that the really sound aspect of this bill will be major factor in dissipating a hoped-for budget surplus which we deemed fiscally necessary at the beginning of the year.

I hope, Mr. Speaker, that these two points I have made about this bill will indicate to the Members of this body an increased need for fiscal restraint. We have a class of people in this country, those who are elderly and those who are disabled and those who are widows, who need the protection of this added spendable income, but we must understand the economic implications imposed on us by the economic implications of our efforts to protect them with this compensation piece of legislation.

Mr. DON H. CLAUSEN. Mr. Speaker, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from California.

Mr. DON H. CLAUSEN asked and was given permission to revise and extend his remarks.

Mr. DON H. CLAUSEN, Mr. Speaker, I rise today in support of the legislation now before us to increase benefits to this country’s millions of social security recipients.

It is absolutely essential, in my judgment, that this Congress act immediately, before irreparable harm is done to the economic well-being of our country, that we are well aware, present benefits are lagging far behind and remedial legislation is long overdue because of the effects of the present inflationary trends on the elderly.

Those depending on fixed incomes are being forced to pay the price of inflation and, combined with the present "tight money" situation, it is virtually impossible for these people to borrow money to meet current expenses or obtain suitable housing.

This situation is totally unrealistic and unacceptable, and we can and must act now to relieve this intolerable condition.

An immediate increase in benefits to the millions of elderly citizens now on social security will make it possible for them to, partially, take care of escalating costs of living. But, regrettably, this increase will offer only temporary relief at best.

In addition to this increase in benefits, I am firm in the conviction that the most realistic approach to this problem is to enact legislation by which social security increases in the future will be tied into and automatically governed by the cost-of-living index and I have introduced legislation in this session to bring this about. And, I shall continue my efforts in this regard.

The increase we are considering today will soon be obsolete and totally negated, if the spiral in the cost of living is not outdistanced by social security and other retirement benefits for our elderly. The inflationary trends must be checked. Certainly, this Nation must be more responsible to our senior citizens on social security and more responsible in fiscal matters, than it has been in recent years. This business of legislating "too little, too late," before their "golden years" has gone on far too long, and a solution is within our reach.

In this regard, I also hope the committee will give early consideration to the concept of social security increases that will make it possible for our senior citizens, our committee voted on an increase of 10 percent. Recognizing, that this increase now would be doing just that. That is why I urge that this bill, which reflects the wisdom and experience of our Committee on Ways and Means, be enacted as quickly as possible.

Mr. Speaker, I would also like to reiterate what the chairman of the Ways and Means Committee has stated in his statement. That is that the Committee on Ways and Means has already put on its agenda, as its first order of business when Congress reconvenes in January, the resumption of consideration of supplementary legislation, including welfare reform, medicare and medicaid, and the need for further increases in social security benefits.

Mr. MILLS. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. GILBERT).

(Mr. GILBERT asked and was given permission to revise and extend his remarks.)

Mr. GILBERT. Mr. Speaker, may I extend congratulations to the distinguished chairman of the Ways and Means Committee, to the distinguished ranking minority member of the committee, and to my fellow members of the committee for having the foresight to vote out a social security bill at this particular point in the legislative session.

We all know that inflation is one of the main problems of our elderly citizens, and, in fact, the President came out for an increase of 10 percent. Recognizing that 10 percent would be totally inadequate, and in order to give a quick and almost emergency-type increase to our senior citizens, the committee voted a 15-percent increase.

Mr. Speaker, this 15-percent increase has my support, of course, and I am going to vote for it. But I consider this a stopgap measure. It must be a small prelude to the consideration of genuine and meaningful social security reforms next year.

Separating an immediate increase from other social security legislation permits Congress to offer the fastest possible relief to social security beneficiaries beset by rapidly rising living costs. This approach will allow my committee
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the time necessary to give major social security reform the comprehensive review such complex proposals require without waiting for the 1972, and $55 to $64 for social security benefits, prices have risen by almost 10 percent. If one takes the position that benefits were adequate then, there might be some justification for just a 15-percent increase now. Ten percent would catch beneficiaries up to where they were before—and the additional 5 percent would help them pay for what inflation has cost them in recent years. But I do not agree that benefits were adequate then. And certainly we must do more than provide the 15-percent increase in the bill before us today.

Mr. MILLS, H.R. 14430, which is pending before the committee, would provide additional benefit increases, a two-step increase in the minimum benefit to $120 a month for all workers, and a general increase in the premium for medicare part B—now $4 monthly—and make other needed improvements in the social security and medicare programs. I am sure that in the coming months the committee will consider the proposals under my bill, H.R. 14430, and other pending social security legislation.

Mr. Speaker, I urge my colleagues to vote today for H.R. 15095, to provide a 15-percent increase in social security benefits. I urge my colleagues to vote for this humane measure, but with the recognition of its inadequacy and the need to have benefits raised to a livable level next year.

Mr. MILLS, Mr. Speaker, I yield such time as he may consume to the gentleman from Florida (Mr. GIBBONS).

Mr. GIBBONS. Mr. Speaker, I rise in support of H.R. 15095, Social Security Amendment of 1969. As we all know too well, the cost of living has been steadily increasing at an alarming rate. The spiraling inflation we are experiencing today has a particularly harmful effect on those older persons living on fixed incomes or who have not worked at all in their lifetime. In the inflationary times of rapid inflation, I had hoped how-ever, that the provisions of this legisla-tion I am especially pleased that the House has today taken an important step toward improving these conditions. The bill will increase regular and special social security payments by 15 percent. In addition, it will increase minimum social security payments from $55 to $64 a month for disabled workers. The bill also included the increases in help for the children of social security beneficiaries. This legislation should pass unani-mously.

Mr. ZABLOCKI. Mr. Speaker, I would like to take this opportunity to commend the distinguished chairman, the gentleman from Arkansas (Mr. MILLS), for ex-pediting House action on H.R. 15095. A 15-percent increase in social security benefits will indeed be a welcome Christmas present for the more than 25 million beneficiaries under this program.

The inflation which has hit us all has struck particularly hard at retired Americans who are trying to make ends meet in the face of alarming increases in prices and taxes. Their fixed incomes and often scant retirement resources have literally been stretched to the breaking point by inflation. In view of the seriousness of this situa-tion I am especially pleased that the House has today taken an important action in this regard. But I do not agree that benefits were adequate then. And certainly we must do more than provide the 15-percent increase in the bill before us today.

Mr. FEIGHAN. Mr. Speaker, the need to increase social security payments has been apparent to me for some time. On May 21 I cosponsored a bill to provide a 15-percent across-the-board increase for the 35 million elderly people, disabled people, and orphans receiving social security benefits. The bill also provided for annual cost-of-living increases and a minimum primary benefit of $80.

It is very gratifying to me, therefore, that the House of Representatives today has an opportunity to endorse at least one of these high-priority items. H.R. 15095 provides a 15-percent across-the-board increase for social security recipients, increase the minimum monthly payments from $55 to $64 for a retired or disabled worker. The bill becomes effective in January 1970 and the increases will be reflected in the March check, payable in April. A separate check covering the retroactive increase for the January and February payments would be paid in April.

These increases are long overdue and although this legislation encompasses only one aspect of the social security program, the distinguished members of the Committee on Ways and Means has assured this body that it intends to consider the many issues affecting the various programs under the Social Security Act as its first order of business when Congress convenes next year. The committee's plans to study the social security program in depth and to act on its inadequacies will be a great relief to the millions of people presently enrolled in the program, many of whom have written to me this year to express their dissatisfaction with the social security program. These people feel that they have been treated as second-class citi-zens by the Federal Government; that the Government has neglected them and ignored their needs.
This bill is then the initial activity we plan in behalf of our senior citizens. While it will be helpful, nothing will suf-

fice but a program that responds fully to the deficiencies of the present system. I look forward to enacting such legisla-

tion next year.

Mr. WILLIE of Ohio. Mr. Speaker, the House action in passing legislation providing for a 15-percent across-the-

board increase in social security bene-

fits effective January 1 is to be lauded. For many, many months now, retired Amer-

icans have watched helplessly as the purchasing power of their savings and pensions has eroded away under the pressure of the mounting costs of living.

For those who must support themselves on their earned social security benefits, it has become increasingly more diffi-
cult. Rapidly rising costs have meant lower living standards and increased ef-

forts to obtain the essentials of a decent

existence.

I strongly supported and voted for this immediate 15-percent increase in benefits because I believe it is necessary to continue to work for even more comprehensive reforms in the social security system.

There are two major reforms that je-

serve special mention: It is imperative that an inflation-proof cost of living incen-
tive clause be written into the social security statutes. This would eliminate the

serious time lag that is now present between the fact of increased costs, and the compensating increases in benefits.

I have introduced legislation to accom-

plish this and I believe its enactment would markedly improve the faith of our elderly citizens and our other
citizens, are not given certain health

benefits provided by the Government to its citizens who have not been employees of the Federal Government. The cost of hospital insurance benefits should be borne by the Federal Government for the nearly half of such persons involved and not by the individual.

The additional cost to the Federal

Government can be justified because under the present financing of FEHBA, the Government share as an employer is unreasonably low, especially when compared with what is done in private industry plans.

The retirement income credit provi-
sions were designed to give those persons such as our retired teachers, whose retirement income is taxable, a tax ex-

emption approximately the same as that received by beneficiaries of tax-exempt social security payments. An individual

who is 65 years of age is granted a credit against the tax liability on his retirement income—which includes annuities, inter-
est, dividends, and rents—up to $1,524.

The limitation no longer is fair or realistic, and should be relaxed to reflect the inflating increases. Congress has failed to adjust the retirement income credit pro-
visions of the Internal Revenue Code to reflect better the requirements of the years of 1965 or those of 1967—and, of course, the 15-percent increase in bene-

fits in the bill before us now.

There has been no increase in the re-


tirement income base since 1962 despite the 7-percent social security increase in 1965 and the 13-percent increase in 1967. Therefore, the intent to give fair treat-

ment to those who do not have tax-
exempt social security benefits has been neglected.

Mr. ADDABBO. Mr. Speaker, I rise in support of H.R. 15095, to provide a 15-

percent across-the-board increase in so-

cial security benefits. In addition to the general across-the-board increase, the legislation increases the minimum benefi-

it from $35 to $42 for single persons and $82 to $128 for couples and increases special payments to persons over 72 years of age as well as maximum payments.

One of our colleagues on the Commit-
tee, Mr. Wayne and Means, has called this legislation a "stopgap" measure to en-

able the committee to devote more time to the social security amendments and major reform items pending at this time.
Mr. Speaker, our goal must be to see that the social-security system provides real economic security to the elderly. That is not the goal of H.R. 15095 but as a stopgap measure it is clearly more realistic than the meager 10-percent increase proposed by the administration. Let us commit ourselves to major social-security reform today by approving this increase and immediately turning our attention to the real needs of our elderly citizens who have been caught in the inflationary spirals which have wiped out previous social security benefits increases.

Mr. MYERS. Mr. Speaker, I speak in favor of H.R. 14487. By our calculations today there are more than 25 million Americans age 65 and over who have become what could easily be called our "slighted society." These are the people who during good times and had and had no little something aside for their retirement years, paid taxes, sent their children to school, went to war, and who in the main were all-around good citizens who came through World War I, the depression years of the 1930's, World War II, and Korea. These are the Americans who made this country great, but they are also near the bottom of our list of legislative priorities.

I am glad that we have finally realized that these Americans desperately need an increase in social security benefits to meet today's spiraling cost of living. The last benefit increase was 2 years ago. Taking into account the rate of inflation the last 2 years plus the price rise expected this year, we can increase contented in this bill will barely cover past shortfalls and our "slighted society" will again fall back a step or two on the cost-of-living escalator. This increase does not make up for the fact that the retired have had to scrape these past 2 years, nor will it offset any of the increase in the cost of living that may occur in the next 2 years.

Historically, social security has never done more than barely keep up with the cost of living. It certainly has not kept pace with the rising standard of living.

Let us not linger any longer on this legislation. Let us pass this bill and then immediately upon our return next year chart our destiny clear of the shoals of shortfalls. We must not let the elderly people of our own birth become the "slighted society" of the boys. Congress has the duty to do what is right for the people. I know we will.

We can afford to do more for our senior citizens, Mr. Speaker, and I, therefore, urge the passage of H.R. 15095 to give them these increased benefits.

We need the advice, the wisdom, and the knowledge of our older citizens, but we can ask very little of them unless we can also restore their dignity. And the bill is threatened by a Presidential veto, Mr. Speaker, but I hope that the Members of Congress can unanimously—and in a nonpartisan spirit—grant these increased and very much deserved, substantial benefits.

Mr. ROSENTHAL. Mr. Speaker, I support the limited social security bill which we consider today but only as an immediate and temporary solution to the long-range problems of the social security system.

This bill provides for a 15-percent increase in social security benefits, effective January 1, 1970. It also increases the maximum benefit from 85 to $96 for single persons and $177 to $204 for couples.

This bill raises the special benefits for persons over age 72 from $40 to $46 for single persons and from $60 to $69 for couples.

Finally, this bill would provide for eventual maximum benefits of $250.70, including $76.30 for medicare benefits, for single persons, and for a new maximum of $376 for couples, instead of $233.

But the bigger problems of social security reform are not included in this bill. And the benefit increases, while important, are clearly not adequate. I urge Congress to consider early next year the comprehensive reforms which our older citizens need and deserve.

I have proposed, Mr. Speaker, a comprehensive social security bill—H.R. 14487—a 35-percent flat increase in benefits and an automatic cost-of-living increase regularly to eliminate the effects of inflation. Under my bill, costs would rise to $133 for individuals and to $220 for couples, with minimum benefits of $100 and $150 respectively.

My bill also provides:

- Full benefits to both men and women who retire at age 60 and restore to full benefits those who are already retired on reduced annuities;
- Benefits at age 55 for women who retire with 120 quarters of coverage;
- Prescription drug coverage, for an optional $1 a month;
- An increase in ceilings on earned income for persons over 65;
- Full benefits to widows and dependent widowers at age 50 and to disabled widows and widowers regardless of age;
- Reducing to age 60 the eligibility date for medicare benefits;
- Identical benefit rights for single persons who support brothers and sisters as those given married couples;
Giving Federal employees the right to elect social security coverage; and
Financing the social security system through whatever general revenues are needed to keep it actuarially solvent.

Mr. FOSTER. Mr. Speaker, H.R. 15095, the Social Security Amendments of 1969, has been presented to us as emergency legislation to provide a badly needed benefit increase to approximately 25 million people. I am happy to support this legislation and regret that it is not more. I am heartened, however, by the statement in the report of the Committee on Ways and Means that its first order of business for the next session will be a continued study of comprehensive changes in the social security and welfare programs.

The reports from my district bear out the statement in the committee's report that there is a "pressing and urgent need for an across-the-board increase in social security benefits."

The last time we considered a social security benefit increase we provided a 15-percent benefit increase effective for February 1968. In January 1968 the Consumer Price Index was 119. The latest index is for October when it was 139.3, a rise of more than 9 percent in 20 months. If the rate of inflation continues at this rate—average of 0.45 percent a month—the rise will be more than 11 percent by next April when the benefit increase will actually be cash in the beneficiaries pockets

Although, I would prefer a bill making more comprehensive changes in the social security program, I can understand the reasons why the committee did not want to delay the benefit increase. Funds are available to provide an immediate 15-percent increase in social security benefits.

I want to commend the Committee on Ways and Means for its responsible action in bringing a 15-percent benefit increase effective for February 1968. And, I very much favor this approach as it has been found successful in other Government retirement systems. This can be taken up, however, when the Ways and Means Committee considers additional changes in the social security law early next year.

At this time I would like to commend all my colleagues on the Ways and Means Committee for their expeditious handling of this benefit increase.

To have waited until other problems dealing with the social security law, including welfare reform, had been disposed of before bringing this legislation to the floor was to provide an injustice to the social security recipients who, month by discouraging month, see their benefit checks eroded by inflation.

Fifteen percent seems like a very generous figure. But, as we have seen, it is not. It is barely adequate and it is my hope that we must further increase benefits in the years to come.

Mr. SCHERLE. Mr. Speaker, no group of Americans is more entitled to adequate financial assistance than our senior citizens. For years working people have paid sound dollars into the Federal fund to provide for a dignified retirement. Now as they reach the time of rest and relaxation, they face the horrible realization that the "sound" dollars they paid into this program no longer exists and the social security payment they once relied upon has diminished in value. Inflation and extravagant Government spending have defeated the purchasing power of the dollar.

The law prevents social security recipients from earning incomes above a prescribed level without a reduction in their annuity. Some are disabled and cannot seek employment; others are unable to find work to supplement their meager incomes. These unfortunate people are vic-

News of circumstances—capitaves of a situation beyond their control. These people I am determined to help. Inflation caused by prolific Government spending will not be arrested overnight. An immediate solution is to increase the social security benefits, and this I will support.

Mr. ANDERSON. Mr. Speaker, I rise in support of H.R. 15095, a bill to increase social security benefits for the elderly, the disabled, and for widows and orphans. This bill calls for a 15-percent across-the-board increase in benefits for the 25 million people covered by the Social Security Act. I support this increase because I think it is long overdue. Those covered under the act have been severely victimized by inflation; the value of their checks has been steadily decreasing as the cost of living has soared to new heights. As President Nixon said in his September 25 message to Congress:

This nation must not break faith with those Americans who have a right to expect that Social Security payments will protect them and their families when and as needed.

Mr. Speaker, while I support this legislation before us today, I want to indicate that I consider it little more than a stopgap measure. This Congress must still face up to the need for a comprehensive reform of our social security system along the lines proposed by the President in his message to Congress. This should include a provision for an automatic adjustment in benefits that will reflect increases in the cost of living. I have introduced a bill to that effect, and I am pleased that this approach is also a part of the President's proposal.

This nation has also called for an increase in the amounts beneficiaries can earn annually without a reduction in their benefits; a revision in the one-dollar-for-one-dollar reduction in benefits for contributions earned; an increase in the contribution and benefit base from $7,800 to $9,000, as provided in 1972; and a series of additional reforms. The President used these words, "to insure more equitable treatment for widows, recipients above age 72, veterans, for persons disabled from childhood, and for the dependent parents of disabled and retired workers."

I strongly urge the passage of the bill before us today, and I also urge the continued efforts of the Congress to work for more comprehensive social security reform aimed at equitable and more realistic protection of our citizens.

Mr. Speaker, I rise in support of H.R. 15095, the Social Security Amendments of 1969. The 15-percent across-the-board increase in benefits contained in this legislation is the best Christmas present our senior citizens could possibly receive.

Improvement and strengthening of the Social Security Act should be accorded high priority in the first session of the 91st Congress. In a recent statement to the Ways and Means Committee, I outlined some of the major issues which must be reflected in the next consideration of social security next year. I included the statement at this point in the Recov.
December 15, 1969

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STATEMENT OF CONGRESSIONAL JOSEPH G. MANNING ON CONSENT CONSIDERATION OF THE WAYS AND MEANS ON SOCIAL SECURITY

Mr. Chairman and members of the Committee, first, let me thank you for the opportunity of presenting to you some of my views regarding the social security legislation. I am grateful that the Ways and Means Committee has seen fit to schedule consideration of this legislation after completion of its exhaustive work on tax reform and tax relief.

The Tax Reform Act, as proposed by the President, will be beneficial to our poor and middle income families for whom the high cost of living, coupled with the growth in federal taxes, has caused deep anxiety and resentment. However, there is one group whose financial plight will not be eased by lower taxes since their incomes fall far below the poverty level where in most cases they are not required to pay taxes. I refer, of course, to the social security beneficiaries—the most poverty-stricken group in our society. It is a sad fact that 40 percent of persons 65 years of age or older are classified as poor or near-poor.

On May 21, 1969, I introduced H.R. 11554 to provide a 15 percent across-the-board increase in social security benefits. On July 1, 1969, my bill would increase the minimum monthly benefit from $55 to $80 and raise maximum benefits from $295 to $395. Under this legislation, the level of benefits would be reviewed every three months and the benefit schedule would be increased upward when the cost of living increases 3 percent or more above the previous base period. This periodic cost-of-living mechanism is necessary to insure that social security benefits will not be eroded by rising prices as they have so often in the past. By this means, I hope to avoid the shameful situation which permits our senior citizens to fall deeper and deeper into poverty while the majority of Americans enjoy relative prosperity.

I was disappointed when President Nixon recommended that only 10 percent and that this meager increase be deferred until next April. The President, in his message to Congress, noted an increase was necessary in order to enable older Americans to keep pace with the inflationary spiral. I voted against this action. Inflation, which strikes retirees and other persons hardest, has driven the cost-of-living up more than 13 percent since Congress last enacted an increase in social security benefits in February, 1968. Prices, no doubt, will rise even further by April of 1970. In view of the Administration's recommendation, I think its action is too little and too late.

Mr. Chairman, an increase in social security benefits of at least 15 percent retroactive to this past July is imperative this year if our senior citizens are to hold their own in a time of greatly increasing prices. If we do not act promptly on a significant social security increase, this country's retirees will find themselves in a terrible financial bind. Social Security is a misnomer—a cruel hoax—if it does not enable its beneficiaries to at least keep pace with the cost of living.

Among other improvements I believe should be made in the Social Security Act are additional benefits in case of institutional limitation, the equalization of treatment for wives working under the social security program, and increased benefits for blind citizens.

Mr. Chairman, persons reaching the age of 65 today can look forward, thanks in part to the higher earnings base and the ability to continue to contribute to their society. We ought, therefore, to encourage our elderly citizens to employ their accumulated knowledge, and experience in worthwhile and gainful endeavors. One means of achieving this goal is to increase substantially the annual earnings limitation for social security recipients for 1970.

Under present law, couples working under social security do not receive a fair return on their contributions. To remedy this situation I would like to call the Committee's attention to H.R. 9054, which I introduced on June 10, 1969. The purpose of this legislation is to treat a working husband and wife as a unit and to increase the "earnings base" used in the computation of their benefits. These changes should be more equitable level of benefits for both husband and wife.

Mr. Chairman, I also urge the Committee to approve a liberalization of the conditions governing eligibility of blind persons to receive disability insurance benefits under the Social Security Act. My bill, H.R. 10252, would provide a partial solution to the financial catastrophe which engulfs many persons as a result of blindness. It would permit a blind person, who has worked in social security work for six quarters, to qualify for disability insurance payments and to continue qualified so long as he remains blind regardless of his earnings.

Mr. Chairman, I believe the Committee should include a section in its legislation which would extend Medicare coverage to the cost of drugs purchased by the elderly. Constantly soaring drug prices constitute a major element in the severe economic problems of the elderly. Today every dollar spent on drugs for the aged is twice as high as for the young and four out of five persons 65 or older have a disability or chronic condition requiring the purchase of drugs.

I believe our elderly citizens ought to enjoy the right to choose the type of health care they believe best suited to their needs. Therefore, I urge approval of my bill, H.R. 14343, which would extend Medicare coverage to hospice care.

Another area of importance to Medicare beneficiaries is the issue of home maintenance care. On July 1 I introduced H.R. 12994 to authorize payment under the medicare program for services furnished by a home maintenance worker as part of a home health service plan. The home health services may be such personal care, such as feeding, bathing, transfer in and out of a wheelchair, etc., is afforded to a Medicare recipient. I should recognize that many patients are able to care for their personal needs, but are not capable of performing household tasks, shopping and cooking without assistance. By providing these services, we will allow convalescent or ill older citizens to remain in the familiar surroundings of their home in their own community. Moreover, this legislation would save both medicare recipients and the public that pays more expensive types of institutional care.

Mr. Chairman, the improvements I have covered, together with those I am sure will be developed by the Committee, provide the basis for expanding the horizons of our nation's elderly citizens. Each year a large proportion of our population joins their ranks. Presently there are close to 20 million Americans over the age of 65. We should not consider increasing number of senior citizens as a burden for our nation, but as an opportunity of this century and, through the decades of the lives of all of us.

Mr. KASTENMEIER. Mr. Speaker, while I am somewhat relieved that the Ways and Means Committee has acted on the financial crisis our elderly citizens are facing by reporting a social security increase bill now, I feel a 15-percent raise is actually too little. Although I will vote for this bill, I am disappointed that the committee did not approve a larger increase. I frankly believe that the 25-percent across-the-board hike in benefits and a modest annual earnings increase of $110 a month for individuals and $165 for couples—which I recommended in my bill, is essential to meet the needs of our elderly.

Mr. Chairman, I urge the Ways and Means Committee not to have enough income to meet the most basic living expenses and yet they now are told they must wait three and a half more months before they actually receive a modest increase in benefits although the raise would be retroactive to January 1970. I am particularly concerned about those who receive a small amount of monthly benefits since this 15-percent across-the-board increase will mean only $9 to $11 more a month for them.

Consequently, I would like to express my support for the social security increase provision the Senate has approved since they would at least provide a substantial hike for those with lower payments—to a minimum of $40 with the $10 increase for a couple, as well as authorizing persons to take a reduced level of retirement benefits at age 60.

It seems certain the House will approve this bill, in an effort to provide a benefit increase as soon as administratively possible. However, the passage of this bill will not bring to an end the efforts of the Administration for increased social security and medicare programs and I hope the committee will consider additional legislation, including certain other benefit increases, at an early date.

Mr. EDMONDSON. Mr. Speaker, I support H.R. 15095 and commend the Committee on Ways and Means for bringing it to the floor.

Social security payments cannot be allowed to lag far behind increases in the cost of living without real hardship for the elderly Americans who depend upon this income for life itself.

Mr. Chairman, the additional payments provided by this bill is the minimum required to keep pace with cost-of-living increases, and must be approved. I cannot conceive of a veto of this measure and feel confident the President will give it his approval.

Mr. Speaker, I urge and predict overwhelming approval of this bill.

Mr. ANDERSON of California. Mr. Speaker, I rise in support of H.R. 15095, the Social Security Amendments of 1969, but do so with measurement and consideration. On the committees on Ways and Means for rejecting the President's proposed 7-percent increase—later revised to a 10-percent increase—while the total of the 10-percent increase is enough as neither would keep up with the cost of living, I also realize that pressure from the administration kept the committee from enacting a truly comprehensive measure designed to benefit those who really need the legislation—particularly those aged, and their dependents, widows and orphans. I commend the committee for recognizing that
this bill is only a stopgap measure and I, therefore, urge early consideration of a measure that would make major benefit increases and other improvements in social security.

Under H.R. 15095, the minimum benefit for a retired worker coming on the rolls after age 65, and for a disabled worker, would be increased from $55 to $64 per month. This is not enough. Social Security Administration studies have shown that most retired beneficiaries have little or no income in addition to their social security benefits. H.R. 15095 does not provide for automatic cost-of-living increases in benefits. The last time Congress considered a social security benefit increase—December 1967—the Consumer Price Index was 118.2. In October 1969, the Consumer Price Index was up to 139.8. The 15-percent increase in benefits now barely keeps pace with the cost of living.

For these reasons, I supported a 20-percent increase in benefits with an automatic cost-of-living increase in benefits with automatic cost-of-living increase whenever the Consumer Price Index rises more than 3 percent.

Many States have an old-age benefit plan. In many of the States, the plan is not an adequate income when added to social security. Some State payments decreased, resulting in a beneficiary receiving the same sum of money—only less comes out of the State treasury. Thus, social security increases in these cases did nothing for the aged, disabled, widowed, or orphaned. I believe that Congress intends for social security benefit increases to cover the essential, job market, and who are in dire straits.

It is obvious that insufficient attention has been given to the problem of inadequate income among the Nation's elderly. Discussions in progress by congressional committees on aging are moving so slowly that realistic improvement cannot be anticipated at any early date. The grave problem of these people, many of them, is not all of them living on less than minimum building income. The situation is sufficiently acute that immediate action should be initiated by the administration and by the responsible committees of Congress.

There is now discussion which I trust will very soon be supported by positive action by the administration and by Congress, an increase in the amount a retired person can earn without losing benefits and other payments to recipients of old-age assistance. These along with the current increase in social security payments are sorely needed. Living costs have escalated beyond reason. Frequently overlooked but an area of tragic need is that of the old-age assistance group who are presently held to a bare subsistence level. People in this group should be receiving twice as much as they now get.

There is equal need for major reforms in the Nation's welfare system. New emphasis on training programs to enable people to get jobs is a must. Present welfare programs place no incentive on earnings. In fact, efforts to be self-supporting are discouraged in the welfare demonstration program. As a result, the welfare rolls get bigger and bigger, despite the growing prosperity of the Nation. Improvement in the welfare program which will result in great benefit to the Nation can be achieved with little cost to the taxpayer.

All these attest to a job before Congress which is still to be completed, I urge action. These are problems which will not be solved by miracles or sound solutions.

Mr. GAYDOS. Mr. Speaker, I would like to compliment the distinguished chairman of the Committee on Ways and Means and other members of this committee for recognizing the critical need for an immediate increase in social security benefits and bringing H.R. 15095 to the floor as expeditiously as possible. We must remember that the purpose of this bill must not be viewed as a panacea for all social security ills, but merely a stopgap measure until a complete reevaluation of the Social Security Act can be undertaken.

I, along with other Members of this body have been besieged with mail from our senior citizens, all carrying the same message. Inflation has eroded their social security dollar to the point where it is now not enough to sustain a decent survival. H.R. 15095 will raise the minimum benefit from $55 to $64 for single persons and raise the benefit from $87.50 to $96 for married couples. A $6 increase of this magnitude for any person over 73 years of age will raise their benefits from $40 to $46 with a $9 increase from $60 to $69 for married couples. Maximum benefits will eventually go from $216 to $250 for singles and from $323 to $376 for married couples.

This is a start. The forgotten American is getting some recognition. We must continue to recognize his needs. If present trends continue, the insatiable appetite of inflation will have already begun gnawing away at the modest increase provided in this bill.

I believe heartening to note that the distinguished chairman of the Committee on Ways and Means has addressed himself to the problem and has promised a "full dress review" of the Social Security Act. He has given us his assurance that he will bring the bill before us today and hopes that the next session will produce a bill which will not only provide social security relief to individuals with a decent standard of living, but will also protect them from the merciless bite of inflation.

Mr. MATSUNAGA. Mr. Speaker, as a cosponsor of a similar bill, I rise in support of H.R. 15095, which would provide for a 15 percent across-the-board increase in social security benefits effective in January 1970.

I commend our Committee on Ways and Means, chaired by our distinguished colleague, the gentleman from Arkansas (Mr. MILLS), for recognizing the urgency of providing this increase and acting promptly to bring this legislation before this body.

Social security payments are the major source of income today for some 25 million Americans—the elderly, the disabled and their dependents, widows, and orphans. The number of recipients is growing yearly as the average life span of man is lengthened and more of our workers join the ranks of the retired. Those who depend solely on their social security check to defray current living expenses have found the benefits to be totally inadequate to meet even the minimum needs of living. The Department of Labor has pegged a "moderate" living standard at $4,200 a year for a retired couple. An estimated 10 million retirees are reportedly kept above the poverty line by their social security benefits. However, it takes a little imagination to picture the plight of the millions of other elderly Americans who, even with their social security payments, are forced to live in want and despair after completing their working years. Surely, our senior citizens and other social security beneficiaries deserve something better.

To meet this clearly demonstrated need, Congress must provide dramatic and significant increases in benefits for the old-age, survivors, and disability insurance programs of the Social Security Act. Anything less could fall far
short of our goal of elevating our elderly Americans to the desired level of self-respect and dignity.

Mr. Speaker, there should be no difficulty in voting for this bill, for to meet the demonstrated need the federal system is in a position to pay. We have been informed of an actuarial surplus of 1.16 percent of the payroll—an amount sufficient to pay the cost of the proposed 15-percent benefit increase.

This bill deserves our support, and I accordingly urge a unanimous vote in favor of the measure.

Mr. BROTMAN. Mr. Speaker, I support the bill which is today being considered by the House to raise social security benefits for 15 percent during the next session. Americans have worked hard all of their lives. They have saved and have paid their social security taxes. They would probably have enough on which to live were it not for the cruel tax of inflation which has eroded the purchasing power of their savings and their social security checks.

While the across-the-board increase we are discussing today is necessary to restore the inflationary losses already suffered by social security recipients, it is only a stopgap measure. I feel strongly that the only way to provide an automatic cost-of-living increases in benefits. Enactment of such a provision would do away with the necessity of having to come to Congress with an outstretched hand every time their Government pursues a policy of inflation.

Mr. Speaker, it is my sincere hope that when the remainder of the social security bill is reported during the next session, citizens of America have worked hard all of their lives. They have saved and have paid their social security taxes. They would probably have enough on which to live were it not for the cruel tax of inflation which has eroded the purchasing power of their savings and their social security checks.

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Mr. SPRINGER. Mr. Speaker, the 25 million people who receive monthly social security benefits have been hit harder by inflation than anybody else. They have had to pay the rapidly rising living costs but they have not shared the higher wages that inflation brought to most segments of the economy. Now it is their fair turn to receive in the form of a 15-percent across-the-board increase in their monthly social security benefits effective January 1.

We call this an inflation bonus because we are able to pay increased benefits without any boost in the social security tax rate due to a large actuarial surplus that has built up in the social security trust fund. The surplus derives from the fact that higher wages and salaries mean a bigger intake in social security taxes by the Government even while the tax rate itself remains unchanged. It is simple justice that we distribute some of this surplus promptly among all the retired and disabled persons, their dependents and widows and orphans, who are eligible for social security benefits.

I congratulate our Committee on Ways and Means for recognizing the pressing and urgent need for increasing the income of people on social security. I share the committee’s judgment that the 15-percent benefit increase should not be delayed by consideration of more complicated legislative proposals for the improvement of the social security system.

The committee has promised to make these issues its first order of business when Congress reconvenes in January. Meantime, it has gone ahead to assure a much-needed income boost for all social security recipients without getting it involved in arguments about other changes which may be overdue but which might help to create.

As it is, the increase we are approving today will not actually be paid until next April because of the time it will take the Social Security Administration to make the change effective. The first checks reflecting the new rates will be for March. They will go out in early April along with a separate check covering the retroactive increase for the months of January and February.

Mr. Speaker, this bill has my wholehearted support. These increases in social security benefits are long overdue. In the future we should see to it that social security beneficiaries should not have to wait so long to be compensated for their losses of income resulting from inflation. President Nixon has proposed tying future social security increases to the cost of living on an annual basis. That is the best way to handle the problem and I hope Congress will give serious consideration to this approach during the next session.

Mr. MCCLORY. Mr. Speaker, in my opinion the House is acting responsibly today in the passage of amendments to the social security law—increasing benefits across the board at the rate of 15 percent.

While this increase exceeds the amount requested by the President, it should be pointed out that the President had requested a self-sustaining cost-of-living provision so that benefits could be automatically adjusted to reflect the rising prices of food, lodging, and other essentials.

There is a tendency to play politics with the welfare of our older citizens—and to depart from the philosophy upon which social security was established—securing a self-sustaining provision acting to dole out benefits for which no corresponding revenue is provided.

By acting on the present needs of existing beneficiaries, the committee has recommended changes which do not require an immediate increase in rates or total of social security taxes.

It is heartening to know that other subjects related to those to which we are acting upon today will be reviewed carefully by the Ways and Means Committee early next year, with the production of a supplemental bill scheduled by March 1.

Mr. Speaker, I am pleased to indicate my support of the bill, H.R. 1505, and to depart from the philosophy upon which social security was established—securing a self-sustaining provision acting to dole out benefits for which no corresponding revenue is provided.

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It is heartening to know that other subjects related to those to which we are acting upon today will be reviewed carefully by the Ways and Means Committee early next year, with the production of a supplemental bill scheduled by March 1.
check will also be paid in April. Under this bill, the minimum benefit for a disabled worker, or a retired worker coming on the rolls at the age of 65 would increase from $40 to $46 per month. There would also be an increase in special payments for those people, who, at age 72 and older, may not have worked long enough to qualify for regular benefits. These payments would be increased from $40 to $46 for an individual, from $60 to $69 for a couple. These increases would help relieve the tremendous problems that people on social security face in meeting our day-to-day living expenses. Those people forced to exist on fixed incomes, and especially limited fixed incomes such as social security, find their resources grow smaller and smaller from day to day.

During the 2 years since Congress authorized its last increase in social security benefits, consumer prices for all commodities and services have increased from 116.3 points, based on a 1957—59 base, to 125.3. You can see that what we are proposing to extend the social security beneficiaries reflects little more than that required to break even, assuming that what we voted in 1967 was inadequate.

The 15-percent increase in no way reflects any gain in the net income of our social security beneficiaries, nor does it make any provisions for the future when even the most optimistic predictions express the hope that inflation will increase the cost of living by no more than 3 percent a year.

Accordingly, Mr. Speaker, I am firmly convinced that the 15-percent increase is an absolute minimum which the Congress can consider at this time. As the Representative of the largest congressional district in the State of California, both geographically and in population, I urge my colleagues to support the bill reported from the Committee on Ways and Means.

Mr. Speaker, in supporting this minimal increase in our social security benefits, I shall try to make one additional comment. As you know, mean-stamp benefits are modest at best and many people receiving them also are receiving other sources of income by which they augment their meager incomes. While most of these other sources of income are from private retirement plans, those with the most limited resources are receiving welfare assistance by reason of being disabled, blind or aged.

It has been our sad experience in the past that whenever the social security benefits are increased, the net result for these, probably the most deserving of social security recipients, has been an increase at all. The reason for this is that the States have reduced the welfare assistance by an amount equal to the increase in social security benefits which the States have programmed.

If we are going to provide increased incomes in order to meet the rising cost of living for these people, we should do more than increase the benefits which are given to those elderly blind and disabled welfare recipients who deserve it. This 15-percent increase we are voting here today should in no way be a windfall for the States. Both the Senate and House provisions must be made in the final analysis, that the increase we vote be passed on to the beneficiary.

Mr. Speaker, I rise to mention this specifically because I am assured that this is sure these are contained in the Senate bill and hope that in the final analysis, the Senate bill will prevail as far as this aspect is concerned. I am sure that if H.R. 15095 is the bill that we pass it in a manner in which it could be subject to an amendment, that this language would be incorporated in the bill by the House of Representatives.

With this comment, Mr. Speaker, I would like to conclude with a strong endorsement for H.R. 15095.

Mr. DINGELL. Mr. Speaker, the Committee on Ways and Means is to be commended for coming forward in an expeditious fashion with H.R. 15095, the proposed Social Security Amendments of 1969. The 15-percent across-the-board increase in social security benefits provided in this measure is sorely needed by recipients to meet substantially increased living expenses.

The legislation properly makes adjustments in minimum and maximum benefit levels which reflect the 15-percent general increase.

I also pleased that the legislation provides that the general increase in benefit payments shall become effective on January 1, 1970. Unfortunately, the time required for bookkeeping changes is such that the increases will not show up in beneficiaries' checks until April 1970. However, it is my understanding that the Social Security Administration will incorporate a retroactive payment in the checks mailed on April 1, 1970, so that beneficiaries will in due course receive the additional payments.

The legislation recommended by the committee goes well beyond that administration's proposal for a 10-percent across-the-board increase both in terms of the size of the increase and its due date. I feel that the committee's recommendation is very much more equitable than that of the administration. In fact, I believe that to be fully equitable, the legislation should be more generous than that proposed by the committee. However, in view of President Nixon's veto threat the committee's proposal is probably the best that can be hoped for at this time.

This being the case I want to voice my support of H.R. 15095.

However, I look upon H.R. 15095 as essentially a stopgap measure. The Committee on Ways and Means has promised to proceed with its full scale review of the social security program. I am confident that the committee will report out comprehensive reform every year which I hope will include, among other things, provisions for cost-of-living benefit increases, substantial liberalization of disability provisions, improvements in the medicare program, and necessary financing revisions.

Mr. COHELEAN. Mr. Speaker, I rise to support H.R. 15095, to provide a 15-percent across-the-board increase in social security benefits.

The need for this change cannot, in my mind, be overemphasized. According to the recent Census Bureau, there are today 19,530,000 persons of our country's population, who are 65 years old or older. Of this group nearly 18 million receive social security benefits and in the most part, these 18 million persons rely on their social security benefits to live.

A few older people work. Many, however, are forced to retire, many justifiably wish to retire, many cannot work because of poor health, and many are widows who lack training and work experience.

In earlier times the problems of old age, disability and unemployment did not constitute major potential problems. In those times a higher death rate at younger ages, the need for farm labor, and the family farm usually provided social care for the aged and disabled. Today, however, the social, cultural and economic forces have changed. We have in our society a large group of older citizens. We are faced with an economy that is causing untold hardship on people with fixed incomes.

In our industrialized society, there is a premium placed on youth. What this means is that many of our older citizens are forced to retire at a designated age and they are unable to find jobs to supplement their retirement pensions. The increasing urbanization of our society has resulted in a shortage of space in young families to provide even room for older relatives. In addition, the cost of home ownership or older relative can be crushing and burdensome to younger families whose limited resources are already stretched.

It was the promotion of these conditions, exacerbated by the depression, that led to the adoption of the Social Security Act of 1935. The basic premises of the Social Security Act of 1935 have been accepted throughout this century, and has not been fully recognized is that once we accept the social security system, in other words, we must make sure that it provides adequate coverage for those people who depend on it. I know from firsthand experience the hardships faced by our retired citizens. When I am home in the district, I have attended meetings in which my constituents discuss problems that require legislation. It is heart-rending to
see justifiably proud retired people asking for congressional relief from the low and inadequate social security benefits. I do not have to tell the Members of this body the difficulty people over 65 have trying to live on their social security benefits. According to the Social Security Administration, the average payment to persons over 65 is a mere $58 a month. Is it any wonder then that in this age of galloping inflation, this pittance is insufficient to cover the bare necessities of life? I realize that many older citizens have additional sources of income, but there are literally millions who rely solely on their social security benefits.

Elderly persons on fixed income cannot continue to exist in their present circumstances. This bill will provide a 15-percent across-the-board increase in social security benefits, effective January 1, 1970. It also allows for the following additional benefits: First, increase in the minimum benefit from $53 to $64 for single persons and $86 to $104 for couples; second, the special payments for persons 72 and over from $40 to $66 for single persons and $60 to $99 for couples; and third, provide maximum benefits for single persons and from $323 to $476 for couples.

My colleague, the gentleman from Ohio (Mr. Vanik) has recently said on the floor of the House that Mr. Robert Myers, respected actuary for the social security system, concluded that a 15-percent across-the-board increase could be made in social security benefits without increasing the taxable base or the tax rate.

In addition, Mr. William Hayward, district manager of the Social Security Administration in my home district of Oakland, has informed me that a 15-percent increase falls in line with actuarial estimates of the elderly's needs.

Mr. Hayward stated that a 15-percent increase is needed to offset past increases in the cost of living and also bring the minimum benefits to a livable standard.

Mr. Speaker, this is a matter of urgent importance. We can no longer afford to ignore the plight of those of us who live on fixed incomes and who rely on social security as their main means of existence. For all practical purposes, it is these people who, in large measure, bear the cruel and unfair burden of inflation. This bill represents a marked improvement in our social security system — an improvement long overdue. I urge the support of my colleagues for this important bill.

In conclusion, Mr. Speaker, I hope that the committee will act quickly next session, as I am informed they will, to further modify the social security laws.

Mr. NELSEN. Mr. Speaker, I wish to place myself firmly on record in support of the proposal on which we will be voting today which increases social security benefits by 15 percent across the board.

These increases would become effective this coming January.

Because of devastating rises in the cost of living over the last few years, many of the elderly simply cannot get by any longer without an upward adjustment in benefits. Inflation has been ruinous to the small, fixed incomes upon which they must rely.

Furthermore, because of an existing surplus in the old age and survivors fund, this increase in benefits will not necessitate any increase in social security tax rates among employees and employers, who are also suffering from the sharp pinch of inflation.

It is to be hoped, therefore, that the House will quickly approve the recommendations of our Ways and Means Committee, so that final action can be completed before Congress adjourns.

Mr. FASCCELL. Mr. Speaker, since monthly Social Security benefits were first paid in 1940, there have been increases from time to time to take into account rises in the cost of living as well as to improve the economic position of social security beneficiaries. The most recent increase was provided by the Social Security Amendments of 1967, and was effective with the benefits payable for February 1968.

Between February 1968 and October of this year, the consumer price index rose approximately 9.1 percent from 119.0 to 129.8. Moreover, it can be expected to rise an additional 2 percent or so before the end of this fiscal year. Therefore, security benefits are received next April.

The need for a social security benefit increase at this time is obvious. As the report of the Ways and Means Committee points out, recent revisions in the cost estimates for the social security program show that a 15 percent benefit increase is possible at this time with no increase in social security taxes. In addition, the evidence presented to the Committee showed a positive need for an immediate across-the-board increase in benefits.

I wish to congratulate the chairman of the Ways and Means Committee for bringing this matter to the floor as quickly as he did and to urge swift passage of this proposal.

Mr. DONOHUE. Mr. Speaker, as a sponsor of similar legislation, I most earnestly urge and hope that this House will speedily approve this bill, H.R. 15095, to provide at least a 15-percent across-the-board increase in benefits under this program. We must remedy the real losses of the millions who benefit by the program. We must act now to protect the needy, the elderly, and less fortunate — those who have a very modest means of livelihood. We can defer consideration of time-consuming reforms needed in the overall program but we cannot defer any longer the worsening economic conditions of the millions who benefit by the program. We must remedy the real losses suffered by those who now receive social security benefits by increasing payments to meet today's prices.

Mr. Speaker, I urge and support immediate action to alleviate the hardships of those who must depend on these benefits to live.

Mr. MONAGAN. Mr. Speaker, I rise in support of H.R. 15095, a bill which provides an across-the-board increase of 15 percent in social security benefits.

The need for this legislation is clear and pressing. Many of our elderly and disabled citizens rely upon their social security payments as their sole source of income, and in these times of skyrocketing prices it is no wonder that people
such as who they are on fixed incomes have a difficult time making ends meet. The cost of living has risen 4.7 percent since February 1968 when the last social security increase was voted. It is incumbent upon Congress to raise payments as much as we can within the limits of fiscal restraint. On September 8, I was privileged to attend a meeting of the Ways and Means Committee on social security legislation and I was very pleased to learn that an increase of at least 15 percent was proposed. At that time I stated my belief that such an increase could be granted without a tax increase and I am pleased to know that the committee report on this bill bears out my belief. The rise in payroll also provides a rise in payroll taxes.

I congratulate Chairman Wtraîa D. Mills and the Ways and Means Committee for recognizing the need for increased payments and I especially urge the immediate approval of this bill.

Mr. CHAMBERLAIN. Mr. Speaker, I rise in support of H.R. 15095, providing for an across-the-board increase in social security benefits of 15 percent effective January 1, 1970.

This action is imperative in view of the inflation that has occurred since the last cost-of-living adjustment some two years ago. It is obvious that if we do not act now we are robbing 25 million Americans—the elderly, the disabled, the widows, and orphans—to take further benefit reductions in terms of real income.

The bill before us today does not include all of the reforms that are needed in our social security system. While I had hoped that the committee's study of these other areas would have been completed by now, I am certain that more review and deliberation is necessary. At the earliest possible date I believe the Ways and Means Committee must, and I have every reason to believe that it will, return comprehensive reform. I am encouraged by the assurances given by Chairman Mills in this regard. I would particularly hope that favorable consideration would be given to the Administration's proposal for automatic cost-of-living benefit increases in order to eliminate the problem of these benefits lagging behind the rest of the economy.

I also want to urge that changes be made in the retirement test to minimize as much as possible the present limitations which stifle the incentive to work. Too many of our people in their later years are having a difficult enough time as it is without being penalized for wanting to supplement their modest incomes.

I further agree with the President's recommendation that the level of permissible outside earnings be tied automatically to the cost of living to insure continued fairness. The administration proposal that would permit a widow at age 65 to receive the full benefits of the amount her husband would have received at age 65, rather than the 62 percent as under present law, I also want to urge that this be adopted.

These are just some of the areas that need action. By what we do today, we are making a good start but we must make these other concerns the first order of business next year and finish the job.

Mr. GRAY. Mr. Speaker, this day is long overdue for 25 million Americans who draw social security. H.R. 15095, granting a 15 percent across-the-board increase in all forms of social security benefits, will mean a welcome new opportunity for the elderly, widows, orphans, and retirees. In the 21st Congressional district of Illinois we now have approximately 69,000 persons drawing social security benefits with total annual payments of over $74 million. When this bill becomes law, it will mean an additional $11,800,000 per year to my people.

Mr. SPEAKER. I am concerned that some beneficiaries will not get the 15 percent increase from this bill. I want to urge that these other measures be considered. I hope that the Senate will agree to the conference recommendation that the level of permissible outside earnings be tied automatically to the cost of living to insure continued fairness.

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December 15, 1969

CONGRESSIONAL RECORD — HOUSE

H 12401

Older folks will remember that the greatest economic depression that this country took place in the early 1930's and was caused by millions of unemployed, low wages, and lack of buying power. In those days, industry, manufacturers, banks, and real estate operators were making huge profits. An amount of buying power became low, factories and business slackened or closed—over 14 million were out of work and the financial pillars of our Government were shattered. Our system of Government was on the verge of collapse. Communist agitators were active in the major cities of our Nation creating more discontent and consternation among the unemployed and the millions who were on relief rolls. It took over 10 years during the middle 1930's to rebuild the foundation of our economic system and establish prosperity and buying power for our citizens.

I do hope that the Ways and Means Committee, when they return their verdict on the tax reform bill, will not disregard the fact that this social security increase legislation, the 19% increase in Federal tax exemptions, to millions of families, will be a major stroke in building a barrier against the threat of another depression. The theory expounded that increasing the buying power of all will aid in relieving the tax burden on the salary and wage earners who constitute the buying power of the country and prosperity and full employment could be restored.

I do hope that the Ways and Means Committee and the Congress for making a good start on tax reform in this first session of the 91st Congress and equalize the tax burden and relieve the burden on wage and salary and low-income citizens who pay almost two-thirds of the Federal taxes of the Nation.

I congratulate the Ways and Means Committee and the Congress for making a good start on tax reform in this first session of the 91st Congress.

Mr. PEPPER. Mr. Speaker, we are all deeply gratified that the able chairman of the Ways and Means Committee brings before the House this afternoon H.R. 15095 providing for a 15-percent across-the-board increase for all beneficiaries of the social security program. While a 15-percent increase for all social security beneficiaries is very much better than the 10 percent the President recommended and which makes up for the cost-of-living increase which social security beneficiaries have had to bear. We all recognize that a 15-percent increase in social security benefits however desirable and necessary is woefully inadequate in this modern age of skyrocketing prices, hospital costs, and inadequacies and maladjustments that exist in social security and old age assistance programs, across the board, and other related programs, to correct the shortcomings, inadequacies and maladjustments that exist in social security, Medicare, and Medicaid, hospitalization and other basic, urgent, and needed, social programs.

I want to express my feeling that the President would not sign such a bill.

With this conclusion, I did not agree, because I believed the President, notwithstanding his reservation, because of the high budget would, nevertheless, sign the bill, and because he will be convinced, as we are, that it is just, right, proper and necessary. I also found out sometime ago from the actuararies handling the social security funds that a 15-percent raise would be adequate to meet the needs of the people who are deserving of and entitled to such benefits. I have made it clear that I would vote against withdrawal, and this is another very strong argument: namely, that the bill is not going to cost the Treasury anything from the tax revenues.

While I am greatly delighted and enthused that Congress is passing this bill, I still remain very much concerned about skyrocketing costs, and the inadequacy of tax revenues adequate to meet the demands of inflation.

I think one of the most critical questions pending in the country today is the rapid development of poverty conditions affecting social security and old age assistance recipients and victims of hunger and privation in this country.

It must be obvious to anyone who understands current benefit allowances that these fine people—veterans of industry, the soldiers, the professions, and other callings in American life, who worked hard during their active, gainful years to sustain and educate their families and now in their declining years, find themselves without the means to support themselves in common decency, must be helped now.

I have been a longtime supporter of Congress in my early youth and later, when I worked at different times, during college vacations, under the great Senator David I. Walsh of Massachusetts, on the Senate side, I played an active role in helping to shape up the original social security bill and related legislation.

I was never satisfied, however, with the benefits. In fact, with the particular overall plan, that was set up at the behest of the original bill presented to the Congress.

I had other thoughts about the way social security problems should be handled but they entailed a merger of various concepts relating to social security and survivor benefits, sickness, health, and unemployment compensations which would make adequate, annual income to cover the needs of our older people, adjusted to economic income, and buying power levels in the country. and thus do justice to many ordinary people in their advanced years.

While labor, industry, and the Congress, to some considerable extent have sought to implement the principles, I am sorry to state that the Federal Government has not as yet done so fittingly, but is moving fast enough, by any means, to correct the shortcomings, inadequacies and maladjustments that exist in social security, Medicare, and Medicaid, hospitalization and other basic, urgent and needed, social programs.

However, I will not enter into this subject at this time, because I merely want to get across this idea—that social security benefits and medical benefits are the backbone of our economy and the related programs to help the aged and retired people and the disabled, are not functioning properly, adequately or effectively in our society at the present time. I blame no one for this, but urge corrective action to come to grips with these programs.

Let me insist that these benefits are woefully inadequate in this modern age of skyrocketing prices, hospital costs, and
medical fees, drugs, medicines, rents, and about everything else we use in this economy for comfort and decency in sustaining tolerable conditions in the home, and providing proper care and treatment in event of disability and sickness.

It is obvious that current funds and administrative mechanisms cannot do this job, as they are presently constituted.

Congress should and must, as I have urged many times in these areas without further delay, act on a design to do patchwork, but with a major purpose and plan to reorganize, revamp, rephase, reconstitute and, if necessary, consolidate, all the agencies that are involved, above all, to find a way to meet the mandatory demands and needs of the aged, the disabled, elderly people, and retirees in this country, who cannot possibly get along as they are at present, but must have much larger incomes to keep body and soul together, to pay for necessary food, clothing, medical care, and other needs, to keep people as comfortable, and happy as possible in their advanced years.

This cannot be a casual, short-time, stop-gap program. It must be a concentrated, broad, long-time, accelerated drive featuring recodification, restructuring, and new alignments of the contributions, grants, entitlements, services, and fund benefits to make this great, social, economic, and political system that it should be, to do the big job that has to be done, to rescue our older people from dire poverty, and speedily give them a place of comfort, decency, and adequate care and services of many kinds that they need to live as decent human beings. Speed, scope, simplification, efficiency, system, and sense must prevail in such a massive, corrective, and remunerative effort as they are at present, but must have much larger incomes to keep body and soul together, to pay for necessary food, clothing, medical care, and other needs, to keep people as comfortable, and happy as possible in their advanced years.

I hope that the leadership of the Congress will give this matter top priority as a great national program, which cannot be subordinated, downgraded or defeated by a restricted, crash basis to meet current contingencies and urgent social needs of countless fellow citizens and residents of our country and in the future.

Mr. Speaker. I intend to continue my labors to press for early consideration and action on such a program. Few things have higher priority in our contemporary society than prompt justice for social security recipients and other people in advanced years.

I urge our appropriate committees to plan and put out a crash basis program in this field.

Congress must act now.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I am ready to vote for an increase in social security benefits. I do not consider this an ideal reform of the social security law nor a sufficient increase in benefits. But I know that more progressive and substantial changes in the social security law will be forthcoming in the second session of this Congress, and I certainly hope it will be in the early part of the second session.

At the beginning of the 91st Congress, I supported as a minimum 15-percent across-the-board increase in social security benefits with automatic cost-of-living increases. I still believe that is the absolute minimum increase that must be enacted. I have supported and will continue to fight for legislation that will contain these improvements in the social security system:

First, and across-the-board benefit increases—the first on January 1, 1970, and the second on January 1, 1972, and a two-step boost in the minimum benefit bringing it to $120 a month by the end of 1972.

Second, base a worker's social security benefit on his highest 10 years' earnings out of any 15 consecutive years after 1950.

Third, at age 65, provide a widow's benefit amounting to 100 percent of the deceased spouse's benefit—the present law limits it to 81 1/2 percent at age 65. It is our duty here and in the future, for beneficiaries who continue working. Increase the income a person can earn and still get full social security benefits.

Fourth, raise the lump sum death benefit to $550.

Fifth, provide the minimum benefit brought it to $120 a month, thus lowering their retirement benefits excessively.

Sixth, reduce the disability benefit waiting period from 6 months to 3 months and liberalize the definition of disability.

Seventh, eliminate the age-50 limitation for disabled widows and increase the benefit for them to that of regular widows' benefits.

Eighth, do away with the requirement that disabled persons be certified as capable of doing any work which will put their average earnings by including years up to age 65, thus lowering their retirement benefits excessively.

It is difficult for me to imagine that anyone could be opposed to these necessary and minimum increases in social security benefits. It is impossible, absolutely impossible, for any senior citizen to live a healthy life in a decent environment on the poverty benefit levels. I would ask anyone to try to live on anything near $100 a month. With that type of income, one can have no recreation, no facilities for a decent diet, poor housing facilities and no new clothing, even infrequently.

Adequate social security benefits are the right of those people who have contributed to the social security system or have worked during their earlier years.

Every man who has worked in the United States has contributed to the growth and productivity of this Nation. He deserves to share in the wealth of this Nation and to partake in the bountiful goods he has helped make available. It is our duty in the Congress to promote those retired persons who have earned funds to have a decent and happy retirement. They must not be plagued with thoughts of where the next meal will come from, they must not be forced to deny themselves a movie because it would mean less food on the table.

There are those few who say that this increase or any further increases will be inflationary. I oppose this added increase, which will surely go for staples and very minor pleasure, will be inflationary. I am not sure it will be. But even if it is, I am somewhat bemused by those stalwart opponents of inflation that are quite willing to fight the artificial expansion of our economy with unemployment, decreases in home building, and the inadequacy for our senior citizens. I do not know why representatives of industry, the working man, and postal workers always have to bear the brunt of anti-inflation measures, particularly the senior citizens. Those people on fixed incomes suffer the most. They get the same number of dollars, but each dollar is worth less. Why must they be asked to hold the line to resist inflation caused by others? Why must those who offered to suffer more be asked to suffer some more to benefit the whole? I would rather see cuts in nonessential defense spending and our space program than any increase in social security or funds for medical research, or providing food for the hungry. For the elderly and the poor can least afford inflation and most critically need added income for their survival.

The senior citizens of this Nation helped to build it. Most of them contributed to social security in the belief that it would provide for them in their old age. They must be protected and massive increments in social security benefits are necessary to do so. This increase is the right, not a privilege, but the right of every senior citizen, and if there is anyone here who thinks this 15 percent increase is sufficient, I would like him to read the following article from the Boston Record American of Tuesday, December 2, 1969.

At the present time in the United States there are 2.1 million persons receiving the minimum social security payment of $55 a month and 53,000 disability workers who receive the minimum allotment. In many States, including the Commonwealth of Massachusetts, these people will not benefit from the social security increase we passed today. Every additional dollar they get from social security is counted against the income against old age assistance. After the Social Security amendments of 1967, I, along with many of my colleagues, sponsored legislation that would allow increases in social security to be counted against old age assistance. I have spoken with the chairman of the Ways and Means Committee about the need for a change in the law so that legislation passed by the Congress to increase the income of our neediest citizens will not be thwarted and these people will get the gains and benefits they so rightly deserve.

I submit the following article:

FIFTEEN PERCENT INCREASE WONT BE HELP

Nearly 50,000 of the neediest Social Security pensioners in Massachusetts and 1.8 million in the nation won't receive a penny more when Congress approves the 15 percent increase in SS payments.

Involved in that group are the people whose incomes are so low that it is supported by Old Age Assistance.

Under present laws, persons receiving state old age payments—called Old Age Assistance in Massachusetts—are allowed a fixed amount of income.

Total includes any income from Social Security.

If the SS allotment is increased the increase must be deducted from the state welfare figure set for the recipient.
Presently, the average monthly payment for Old Age Assistance recipients in Massa- chusetts is $125.26. It is expected the cost of living increase will push that figure to $130.70. If the poverty index is expected to be nearly $8,500 OAA recipients in the state next year.

The 15 percent Social Security Increase that is now to be given to those who get the Social Security Increase but that amount will be deducted from their OAA pay- ments, so that in effect, they will not receive any more money.

The state Dept. of Public Welfare has a budget of $101,700,000 for the fiscal year. HR. 11348 is $125.26. The Social Security Increase will actually benefit the department as it will be able to sice its OAA payments.

The House Ways and Means Committee was aware that the needy would not benefit by the 15 percent increase when the legislation was drafted.

However, it was felt it could not get involved in the intricacies of welfare legislation and still produce a Social Security increase bill in time for enactment this year.

It is expected the problem will be considered early next year when the committee undertakes extensive overhaul of both the Social Security and the welfare program.

In Massachusetts, Sen. Sam Harmon (D-Mattapan) has already filed a bill for consideration next year to make any Social Security increases non-deductible from monthly checks of Old Age Assistance recipients.

One way to ease the situation would be for the states to re-estimate minimum living budgets, thus giving all welfare recipients an Increase.

There are more than 25 million Social Security beneficiaries in the nation. Included are 12.4 million retired workers, including 2.1 million receiving the minimum payment of $85 monthly, and 1.3 million disabled work- ers, among whom $8,000 receive the minimum payment.

Mr. FLOWERS. Mr. Speaker, I whole-heartedly join in support of H.R. 15095 to provide an across-the-board increase in social security benefits of 15 percent for the 25 million elderly people, disabled people, their dependents, and widows and orphans who now get monthly soc- ial security benefits. Were it not for the Social Security program, I believe that these families would have been in a much worse condition than they now are.

But if we go ahead today and approve this 15-percent increases across-the-board in social security payments, and the other body acts promptly, we will be able to take a step in the right direction to fight poverty. This bill will go further to combat poverty than all the programs of the Office of Economic Opportunity put together because there is a built-in mechanism for making it automatic and every year the people who are going into the hands of people who desperately need these funds and who will spend these increases quickly to satisfy their needs and thus prevent our senior citizens from being driven below the poverty line.

This is an important piece of legisla- tion. It is estimated that it will effect one out of every eight persons in the country. Ordinarily I would voice strong protest against consideration of such an important measure under the suspension of the rules. In this case, however, I think that the circumstances in this instance there may be sufficient justification to warrant a par- liamentary situation which allows no amendment and provides only a limited amount of time to each side of the aisle. The bill provides for a 15-percent across-the-board increase effective January 1, 1970, but of course it will take sometime to make the necessary changes in procedures, and the experts tell us that the first check which could reflect the new rates will be for March, payable in April. Mr. Speaker, I urge that the first check covering the retroactive increase for January and February also be pay- able in April.
Now, Mr. Speaker, late last winter after the House was so overly generous to grant itself a raise of unprecedented proportions, I commented on the floor that because of this ill-advised and unwarranted congressional pay increase we had all literally thrown our guns out the window, and lost all of our weapons to fight inflation. We could no longer say we were not complacent. How could we accept a 40 percent increase and then shake our heads when the classified Federal employees and our faithful postal workers were turned down a reasonable increase in pay? Worst of all, how could we delay, as long as we have the consideration for our senior citizens dependent upon social security who are hurt the worst by the cruelty of inflation?

In recognition of this situation which the Members of Congress let themselves in for, on last May 15, 1969, under the 1-minute rule I took the floor of the House to introduce the bill for the increase of the minimum of my own bill—companion to several others—calling for a 15 percent increase in social security payments. At that time my verbatim comments were as follows:

I admonish and warn the Members of the House that if we adjourn this Session and go home with large salary increases for ourselves without an increase in the Social Security benefits we deserve the wrath that will come down on our heads.

With only a few days left before the Christmas recess we have allowed ourselves to be placed in the baselessly situation of entitling ourselves to more of the same at everyone's expense. Notwithstanding that we are in these waning days of the first session of the 91st Congress, we at least and at last have a chance to say to those forgotten recipients of social security who have been hurt most due to fixed and limited income of their old age, I would like to call attention to the fact that at one time they were gainfully employed and set aside a little of their earnings each and every month, not only for their old age, and the care of their loved ones, under social security.

In the information I have received points out the fact that at one time they were gainfully employed and set aside a little of their earnings each and every month, not only for their old age, and the care of their loved ones, under social security.

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I have cosponsored two bills which would increase benefits. The first is H.R. 11349 (the Vanik Bill), which would provide across-the-board increase, with a minimum retirement benefit of $80 payable to those aged 65. In addition to improving the adequacy of the basic benefit, this bill also provides for cost-of-living increases, and also provides for cost-of-living increases. To me, this is the minimum increase this Congress should report out this year. Anything less would be morally inadequate.

The second bill I have cosponsored is H.R. 14021 (the Gilbert Bill). This bill is a comprehensive proposal and provides a more realistic program geared to meet today's needs.

There are many outstanding features contained in H.R. 14021, the most significant of which are: its staged 20 percent across-the-board increases in the monthly benefits—20 percent in 1970 and 20 percent in January 1972; cost-of-living increases; raising the monthly minimum benefit to 90 in January, and to $120 in January, 1972; increasing the lump sum death payment to $500 by January of 1970—which doubles the existing benefit of $250; and, the coverage of long-term non-legend drugs—such as insulin—under the medicare program.

It also calls for the coverage of disabled workers under the medicare program. But the most notable provision is that which gradually increases the Government contribution to approximately one-third the total cost of the program.

This is a bold program which deserves support.

H.R. 616

Under present law a social security beneficiary who is under age 72, is permitted to earn as much as $1680 a year and still receive all of his benefits. When a beneficiary earns more than the stipulated $1680 a year, his benefits are reduced $1 for every $2 he earns, up to $3880 per year. Over $2880, his benefits are reduced $1 for every $1 he earns. And, no benefits are withheld for any month in which he earns less than $140, regardless of his total earnings in the year.

I have introduced a bill which would amend the Social Security Act so that a beneficiary whose earnings have not exceeded $3600 a year would be permitted to earn as much as $4600 a year, and still receive all of his benefits. If he earns more than $3600 a year, his benefits would be reduced $1 for every $2 he earns, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600, his benefits would be reduced $1 for every $2 earned, up to $4600.
Under our present economic condition, the existing retirement test is far too severe. It prevents a beneficiary from supplementing his income by working. As a result, it deprives average retired workers, who now get a monthly benefit of $100, and which Congress has intended to deny hospital insurance benefits to uninsured individuals who are members of certain organizations or have been convicted of certain offenses, and those provisions which provide supplementary medical insurance benefits to persons who have been convicted of certain offenses.

Since I first introduced legislation to repeal these provisions, a Federal court has found them to be contrary to the intent of Congress and have been not being enforced by the Department of Health, Education, and Welfare. Now these unconstitutional restrictions should be stricken from the statute.

H. R. 614

Although it does not pertain directly to the social security program, I should like to again call the attention of the Committee to the plight of handicapped and disabled workers who are able to work, modern hardship or danger, public transportation to travel to and from work. I have been disappointed that the recent tax bill did not deal with this problem. For many years I have introduced legislation (H. R. 644 in this Congress) to provide a deduction for income tax purposes for expenses paid for transportation to and from work.

In addition, H. R. 644 provides an additional exemption for income tax purposes for a taxpayer or spouse who is physically or mentally incapable of caring for himself. I urge the Committee to act promptly on this matter.

Mr. BYRNES of Wisconsin. Mr. Speaker, I yield back my remaining time.

Mr. MILLS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken.

Mr. MILLS. Mr. Speaker, I object to the vote on the ground that a quorum is not present as follows:

[Roll No. 323]

Yeas—397, nays 0, not voting 36.

Abele, Abraham
Andrews, Al
Andrews, Eldridge
Andrews, W. X.
Ayer, Albert
Ayers, N. D.
CONGRESSIONAL RECORD — HOUSE
December 15, 1969

H2406

Mr. ALBERT. Mr. Speaker, there was no objection. House Resolution 740 was laid on the table. A motion to reconsider was laid on the table. The doors were opened.

Mr. Cunningham with Mr. Anderson of Iowa, Mr. Kirwan with Mrs. Chisholm, Mr. Dawson with Mr. Gallagher, Mr. Gude with Mr. Mann, Mr. Cunningham with Mr. Anderson of California, Mr. Kirwan with Mrs. Chisholm, Mr. Dawson with Mr. Gallagher, Mr. Gude with Mr. Mann. The result of the vote was announced as above recorded. The doors were opened. A motion to reconsider was laid on the table. House Resolution 740 was laid on the table.

GENERAL LEAVE

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed (H.R. 15099), Social Security Amendments of 1969.
Mr. HALPERN, Mr. Speaker, unavoidable circumstances made it impossible for me to arrive at today's session of the House in time for me to vote for H.R. 15095. I am delighted the measure won overwhelming approval and I hope it is only the first important step toward further liberalization of our social security benefits.

The 15-percent across-the-board rise in social security that the House considered today is a commendable step forward, and I support it. But, it falls far short of the reality of today's needs and should be brought up to a 50-percent boost in the next 3 years.

I am a cosponsor of legislation calling for sweeping social security reforms, including a 3-year progression increase to 50 percent, starting with an immediate 15-percent raise in benefits which I think the Nation's retirees need and deserve. Thousands of retired citizens are desperately in need and the 50-percent increase is vital if they are to achieve a life of dignity and security.

I understand that the added benefits under the bill being considered today would increase the minimum from $55 to $64 for single persons and $82.50 to $96 for couples; and provide eventual maximum benefit increases of $218 to $250.70 for single persons and from $323 to $376 for couples. I advocate bringing these up to a minimum of $120 monthly for individuals and $180 for couples, and the maximum monthly benefit for individuals would be $314 and for couples, $471 in the next 3 years.

The average monthly individuals benefits under today's bill would rise from $100 to $116, and the average for a retired couple would rise from $170 to $196. This is far from enough, and should be at least brought up to the realistic figures of $144 monthly for individuals and $242 for retired couples.

These new average rises, commendable as they may be, are still much less than the $355 a month the U.S. Labor Department says a retired couple needs to live modestly in New York.

In New York City today, there are a million men and women age 65 or over, the great majority of whom must make do on fixed incomes that are being steadily reduced by the inexorable rise in prices every month.

Two years ago when Congress raised social security benefits by 13 percent, the Consumer Price Index stood at 119. Last month the CPI had risen to 129.8, a rise of 9.1 percent. We can assume that by the time the proposed 15-percent increase is actually paid, in 1970, the rise will be about 10 percent or more.

Social security has fallen pitifully short of its original intent, which was to replace income loss due to retirement, disability, or death. As a result, millions of elderly are impoverished social castoffs, in an era of unprecedented prosperity for the great majority of Americans.

Out of 24.7 million retired people receiving social security, 8.2 million are classified as poor. This includes 5.8 million out of 16.6 million age 65 or over. If
the 15-percent increase is approved, perhaps 1.8 million would rise out of poverty, but millions of retirees would still be impoverished.

It is my fervent hope that the Ways and Means Committee will give priority to the dire need for realistic revisions of social security early in 1970.

The committee should increase benefits another 35 percent by 1972, to bring it to $120 a month by that time, to abolish the monthly premium payment for medicare part B—doctor—insurance, and to extend medicare coverage to out-of-hospital drugs, among other needed liberalizations. And in particular, let me stress the need to lift the outside earnings limit for senior citizens. The present limitation is ridiculous. How can we expect people to work with dignity and pride for such a pittance. And, how can we encourage productivity and usefulness among our senior citizens when our laws say they cannot work for above poverty wages?
Mr. ANNUNZIO. Mr. Speaker, I rise in support of H.R. 15095—the social security amendments of 1969. This legislation was conceived as an emergency measure to meet the most pressing needs of 25 million people, nearly one-eighth of the Nation, who depend on social security benefits for their major source of income.

Although this bill comes before us as an emergency measure which requires immediate action, I am assured by the report of the Committee on Ways and Means that it was not a hasty measure. Rather it grew out of the evidence presented to the committee at public hearings and executive sessions which were held beginning last October 15. This evidence showed, as the committee report states, "a pressing and urgent need" for a social security benefit increase "as quickly as possible."

As we consider H.R. 15095, I want to emphasize that it is not the definitive social security legislation for the 91st Congress. Rather, it is a stop-gap. It is an immediate answer to a pressing need. The cost of living is up 9.1 percent from February 1968, the date of the last social security increase. And, it will be up 10 or more percent by the time the increased checks are actually received by social security beneficiaries in April.

The Committee on Ways and Means has assured us that when we reconvene for the second session of the 91st Congress that it will continue its consideration of further changes in the social security and welfare programs. I understand this to mean that next spring we can expect another social security bill, a comprehensive bill which will cover all aspects of the program, including, I would hope a second round of benefit increases. Since we can expect comprehensive social security and welfare legislation as soon as it is humanly possible for the committee to report it, I urge, in the meantime, enactment of H.R. 15095 as a stopgap but highly important measure.
CORRECTION OF VOTE

Mr. LOWENSTEIN. Mr. Speaker, on rollcall No. 323 I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

Mr. Speaker, inadvertently the correction of the vote, printed on page H12434 listed the rollcall number incorrectly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.
Mr. PEPPER. Mr. Speaker, I am sure you are aware that all over the country there is a strong demand for increased benefits, particularly to senior citizens, as well as other beneficiaries under social security legislation. We all take just pride in the House for passing H.R. 15095 providing an across-the-board increase of 15 percent in benefits to the beneficiaries of our social security program. We would all hope I am sure that we can at an early date extend much more substantially such benefits. One of the very progressive and forward looking bills which
has been introduced in the House is H.R. 14430, introduced by the able gentleman from New York, Jacob Gilbert, and known as the Gilbert bill. I am very much pleased that the mayor and the city council of one of the very outstanding cities of my congressional district have endorsed the Gilbert bill because the mayor and the city council recognized the need for the enactment of such legislation. I insert the resolution of the mayor and the city council of North Miami Beach in the RECORD immediately following my remarks:

Resolution by Mayor and City Council of North Miami Beach, Fla. (A resolution urging the U.S. Congress to pass the Gilbert Bill—H.R. 14430)

Whereas, the attention of the Mayor and the City Council has been directed to national legislation, to-wit: the "Gilbert Bill" now pending before the Congress of the United States as H.R. 14430; and

Whereas, the City of Miami Beach enjoys the residence of many individuals presently depending upon Social Security, in whole or in part, to sustain themselves; and

Whereas, the City, as most of the nation, has suffered the effects of the inflationary trend now nationally existent; and

Whereas, our citizens are burdened constantly with rising costs for food and all services; and

Whereas, reluctantly, and in order to sustain the level of service necessary to care for its citizens, the City has been unable to prevent a necessitous raise in taxes; and

Whereas, it is recognized that such rising costs and expenses of living are particularly burdensome upon individuals whose income is fixed on straight dollar figures with no opportunity for a commensurate increase in accordance with rising cost of living; and

Whereas, it has been determined by the City Council that it is important to the health, safety and welfare of a substantial and cognizable number of its citizens that additional income be made available to those of its citizens presently living, or to be living, under Social Security.

Now, therefore,

Be it resolved by the City Council of the City of North Miami Beach, Florida:

Section 1: That the Mayor and City Council of the City of North Miami Beach, on behalf of themselves and the City of North Miami Beach, do hereby urge the Congress of the United States of America to pass the "Gilbert Bill", more particularly known as HR 14430, for the reasons above stated, and commend to their Representatives and Senators in Congress, to-wit: Honorable Claude Pepper, Honorable J. Herbert Burke, Honorable Dante B. Fascell, Honorable Spessard L. Holland, Honorable Edward J. Gurney, that they move forward expeditiously and assiduously to aid in the passage of this worthy and needed legislation.

Section 2: That the City Clerk be and she is hereby directed to forward suitably certified copies of this Resolution to the Congressional Representatives and Senators hereabove set forth.

Approved and adopted in regular meeting assembled this 2d day of December, 1969.

David M. Pappas,
Mayor.

Attest:

Virginia H. Moore,
City Clerk.
CORRECTION OF VOTE

Mr. WYDLER. Mr. Speaker, on rollcall No. 323 I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER pro tempore (Mr. HECHLER of West Virginia). Is there objection to the request of the gentleman from New York?
There was no objection.
Mr. HANNA. Mr. Speaker, in March of this year, a noted task force reported to the Special Senate Committee on Aging the following conclusion:

The average social security benefit payable to an elderly couple who retired in December 1950—even though it has been adjusted over the years—would now purchase a significantly smaller fraction of the Retired Couple's Budget for a Moderate Standard of Living than at the time of retirement.

What this means is that the cost of living has been rising at such a pace, even though social security payments have increased more than 100 percent since 1950, a retired couple actually can purchase less now than he did 20 years ago.

The Department of Labor has determined that a retired couple can have a moderate standard of living with an income of around $340 a month. A poverty, or what has been termed a "lower budget" for an elderly couple averages $220 a month.

Breaking these figures down, the Department of Labor would allow about $15 a week for food for retired couples living at the lower budget. Housing transportation, clothing are similarly scheduled.

Now, of course, these figures are just for the lower budget $220 a month. Present social security benefits are almost 100 percent less than the minimum poverty budget. Today most retired couples depend upon social security for the major portion of their budget. The maximum payment of $118 per month of the retired poor is supplemented by State welfare—old-age assistance—checks. In no instance do welfare payments bring their recipients up to the minimum poverty budget.

In other words, the majority of elderly Americans receive a monthly income that is less than what the Department of Labor considers to be a poverty budget. At the conclusion of this statement, I will attach a report, complete with tables, that was released by the Department of Labor late in October of this year. The report identifies the costs of living for the elderly. It defines the types of budgets and indicates the costs of each.

One additional item needs to be discussed. The average budgets included in the report take into account the differences in the cost of living in various sec-
California, an elderly retired couple will find the lower budget costing from 5 to 8 percent more than the average. As a result, an older couple in California at present costs more and finds it much more difficult to make ends meet.

Most of these people have really never been able to enjoy the raises in social security that Congress has provided in the past two decades. Most States reduce the amount of old-age assistance payments in direct ratio to the rise in social security payments. When you couple that hard fact with a declining income and an inflation in the past year, the elderly poor are being crushed with no real relief in sight.

The 15-percent raise we are talking about really does not solve the depressing financial squeeze now hurting millions of older Americans. The average raise amounts to around $17 per month per couple. With the Consumer Price Index increasing at almost one-half percent a month, 15 percent will not begin to even keep the recipients even with the pace of rising prices. Since 1955, the rise in benefits have not equaled the rise in prices and the standard of living has declined.

The current conditions in our economy have most seriously hurt those on a fixed income. Older Americans depending on social security for the major part of their income have been hurt more than other groups.

A 15-percent raise is the very least we can do. A 15-percent raise is a minimum given in 2 years to slap themselves on the back with self-congratulations for their generosity. It is merely a holding action. Hopefully, it will prod us into a meaningful program in the immediate future. If we cannot do better soon the suffering will be tragic.

The report and tables follow:

### Three Budgets for a Retired Couple

In spring 1967, the Bureau of Labor Statistics presented a report analyzing the living costs of a retired couple. The three budgets were developed to meet the needs of public assistance families, labor unions, and individuals concerned with retirement planning.

The budgets have been developed to meet the needs of public assistance families, labor unions, and individuals concerned with retirement planning. The budgets are part of the "Measuring Retirement Needs" series of the Bureau of Labor Statistics.

The budgets are part of the "Measuring Retirement Needs" series of the Bureau of Labor Statistics. The style of living provided by the lower budget is concerned with retirement planning.

The family also has an allowance of $54 for personal care, including $25 for health and well-being, and to participate in community activities. The goods and services selected for the lower budget are as follows: nutritional and alcoholic beverages, and housekeeping and personal care services.

The clothing allowance is $111, and the medical care allowance is $235.

### 1967 Consumer Expenditure Survey

The findings are from the "Measuring Retirement Needs" series of the Bureau of Labor Statistics. The budget levels and city size determined whether the couple owned an automobile and how much they patronized public transit.

### Transportation Costs

Transportation costs stepped up to $131 as the budget level increased. The transportation costs for the lower level were $87, and for the intermediate, $582 for the higher budget. These allowances provide for ownership and operation of an automobile for some couples.

### Housing Costs

The budget levels were based on the cost of goods and services, and routine repair and maintenance charges. The higher budget provides for the purchase of a new car.
ing from one area to another, or costs incurred by recent arrivals in the community. Within each budget, the incidence indexes reflect differences among areas in prices, climatic or regional differences, in the quantities and types of items required to provide the specified level of living, and differences in State and local taxes.

The annual cost of the lower budget in spring 1967 amounted to $9,110 in Honolulu and $2,934 in small Southern cities. In active terms, with U.S. average cost equals to 100, this constitutes a range of 87 to 116, or 33 percent. For the other two budgets, Honolulu families spend $4,429 for the intermediate and $7,319 for the higher.

In small Southern cities, families averaged $3,223 for the middle budget and $4,027 for the higher.

Of the mainland cities, the lower and intermediate budgets total costs were highest in Hartford—$9,022 and $4,343, respectively. The highest cost mainland city for the higher budget was Boston—$7,198.

For all three budgets, food, rental shelter, and transportation were most expensive in Honolulu, medical care in Los Angeles, and clothing in Portland, Maine. The cost of homeowner's insurance was highest in New York for the lower and middle budgets and in Boston for the higher budget.

PUBLICATIONS


Other published bulletins in the series are:


TABLE 1—ANNUAL COSTS OF A LOWER BUDGET FOR A RETIRED COUPLE, SPRING 1967

<table>
<thead>
<tr>
<th>Area</th>
<th>Cost of family consumption</th>
<th>Food</th>
<th>Total housing</th>
<th>Total budget costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Renter families</td>
<td>Owner families</td>
<td>Renter families</td>
<td>Owner families</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Urban United States</td>
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<td>$2,723</td>
<td>$2,636</td>
<td>$2,556</td>
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<td>$2,750</td>
<td>$2,690</td>
<td>$2,610</td>
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<tr>
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<td>$2,602</td>
<td>$2,536</td>
<td>$2,462</td>
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<tr>
<td>Northeast:</td>
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<td></td>
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<tr>
<td>Boston, Mass</td>
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<td>$2,689</td>
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<td>$2,764</td>
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<tr>
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<td>$2,872</td>
<td>$2,722</td>
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<td>$2,576</td>
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<td>$2,591</td>
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<td>$2,874</td>
<td>$2,784</td>
<td>$2,714</td>
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</table>

Note: Because of rounding, sums of individual items may not equal totals.

* A husband age 65 or over and his wife.

** The total cost of the budget includes an allowance for gifts and contributions.

*** The total represents the weighted average costs of renter and homeowner families. The weights in the lower budget were 40 percent for families living in rental dwellings; 60 percent for homeowner families.

** The average contract rent plus the cost of required amounts of housing fuel, gas, electricity, water, specified equipment, and insurance or household contents.

**** Additional costs include the cost of food, fuel, shelter, transportation, medical care, and household equipment.

The average costs of automobile owners and nonowners were weighted by the following proportions of families: Boston, Chicago, New York, Philadelphia, 120 percent for owners; all other metropolitan areas, 45 percent for car owners, 55 percent for nonowners; nonmetropolitan areas, 45 percent for car owners, 55 percent for nonowners.


Pluses with populations of 25,000 or more.
Cost of family consumption

<table>
<thead>
<tr>
<th>Area</th>
<th>Renter and owner combined 3</th>
<th>Renter families</th>
<th>Home-owner families</th>
<th>Total 1</th>
<th>Food 2</th>
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</thead>
<tbody>
<tr>
<td>Urban United States.</td>
<td>$6,039</td>
<td>$5,359</td>
<td>$6,906</td>
<td>$1,328</td>
<td>$2,656</td>
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<tr>
<td>Metropolitan areas.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>New York, New Jersey</td>
<td>$5,359</td>
<td>$4,698</td>
<td>$5,864</td>
<td>$1,410</td>
<td>$1,865</td>
</tr>
<tr>
<td>Nonmetropolitan areas.</td>
<td></td>
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</tr>
<tr>
<td>Midwest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Chicago, Ill.</td>
<td>$4,698</td>
<td>$3,975</td>
<td>$4,530</td>
<td>$1,787</td>
<td>$2,235</td>
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<tr>
<td>Mid-Atlantic</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Baltimore, Md.</td>
<td>$3,975</td>
<td>$3,306</td>
<td>$3,710</td>
<td>$1,487</td>
<td>$1,985</td>
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<tr>
<td>Other</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Other family consumption</td>
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<tr>
<td>Nonmetropolitan areas.</td>
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<tr>
<td>South</td>
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<tr>
<td>Atlantic</td>
<td></td>
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</tr>
<tr>
<td>Atlanta, Ga.</td>
<td>$4,914</td>
<td>$4,140</td>
<td>$4,744</td>
<td>$1,468</td>
<td>$1,932</td>
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<tr>
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<tr>
<td>Other family consumption</td>
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<tr>
<td>Nonmetropolitan areas.</td>
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<tr>
<td>West</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Mountain</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Bakersfield, Calif.</td>
<td>$5,561</td>
<td>$4,898</td>
<td>$5,329</td>
<td>$1,362</td>
<td>$1,827</td>
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<td>Other</td>
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<tr>
<td>Other family consumption</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Nonmetropolitan areas.</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

1 A husband age 65 or over and his wife.
2 The total cost of the budget includes an allowance for gifts and contributions.
3 The total represents the weighted average costs of renter and home-owner families. The weights in the intermediate budget were 35 percent for families living in rental dwellings; 65 percent, for homeowners.
4 Average contract rent plus the cost of required amounts of heating fuel, gas, electricity, water, specified equipment, and insurance on household contents.
5 Taxes: insurance on house and contents, water, real property, heating fuel, gas, electricity, and specified equipment, and home repair and maintenance cost.
6 The average costs of automobile owners and nonowners were weighted by the following properties of families: New York, 25 percent for car owners, 75 percent for nonowners; Boston, 60 percent for car owners, 45 percent for nonowners; Philadelphia, 45 percent for car owners, 55 percent for nonowners; all other metropolises, 60 percent for car owners, 40 percent for nonowners; nonmetropolitan areas, 65 percent for car owners, 35 percent for nonowners.
7 For a detailed description, see the 1967 edition of "Standard Metropolitan Statistical Areas," prepared by the Bureau of the Budget.
8 Places with populations of 2,500 to 50,000.

Notes at end of tabe.
### Table 2—Annual Costs of a Higher Budget for a Retired Couple: Spring 1967—Continued

#### Cost of Family Consumption

<table>
<thead>
<tr>
<th>Housing (shelter, house furnishings, household operations)</th>
<th>Shelter</th>
<th>Personal Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total budget costs</strong></td>
<td><strong>Food</strong></td>
<td><strong>Transportation</strong></td>
</tr>
<tr>
<td>Renter and owner combined families</td>
<td>Renter families</td>
<td>Total 1</td>
</tr>
<tr>
<td><strong>Urban United States—Continued</strong></td>
<td><strong>Total</strong></td>
<td><strong>Food</strong></td>
</tr>
<tr>
<td>West: Total budget costs</td>
<td>5,761</td>
<td>1,354</td>
</tr>
</tbody>
</table>

#### Notes

1. A husband age 65 or over and his wife.
2. The total of the budget includes an allowance for gifts and contributions.
3. The total represents the weighted average costs of renter and owner families. The weights in the higher budget were 50 percent for families living in rental dwellings, 25 percent for homeowners.
4. The total includes an allowance of $13 per year for living away from home. The allowance is the same for all areas. This allowance is not shown separately or included in any of the housing subcategories.
5. The average costs of automobile owners and nonowners were weighted by the following proportions of families: Boston, Chicago, New York, Philadelphia, 75 percent for car owners, 25 percent for nonowners; all other metropolitan and nonmetropolitan areas, 100 percent for both.
6. Average contract rent plus the cost of required amounts of heating fuel, gas, electricity, water supplied equipment, and insurance on household contents.
7. Taxes, insurance on house and contents; water, refuse disposal, heating fuel, gas, electricity, and specified equipment; and home repair and maintenance costs.
9. Citys with populations of 50,000 to 100,000.

Note: Because of rounding, sums of individual items may not equal totals.

### Table 4—Indexes of Comparative Costs Based on a Lower Level Budget for a Retired Couple: Spring 1967

#### Cost of Family Consumption

<table>
<thead>
<tr>
<th>Housing (shelter, house furnishings, household operations)</th>
<th>Shelter</th>
<th><strong>Total costs</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total budget costs</strong></td>
<td><strong>Food</strong></td>
<td><strong>Transportation</strong></td>
</tr>
<tr>
<td>Renter and owner combined families</td>
<td>Renter families</td>
<td>Total 1</td>
</tr>
<tr>
<td><strong>Urban United States—Continued</strong></td>
<td><strong>Total</strong></td>
<td><strong>Food</strong></td>
</tr>
<tr>
<td>West: Total budget costs</td>
<td>5,761</td>
<td>1,354</td>
</tr>
</tbody>
</table>

See footnotes at end of table 6.
December 17, 1969

E 10745

CONGRESSIONAL RECORD — Extensions of Remarks

i—Continued
TABLE 4.—INDEXES OF COMPARATIVE COSTS BASED ON A LOWER LEVEL BUDGET FOR A RETIRED COUPLE, SPRING 1967

Cost of family consumption
furnishings,
Housing (shelter,
household operations)
Total budget costs a
Renter
and

Renter
and

owner
Area

Urban United States—ContInued
South:
Atlanta, Ga
Austin, Tes
Baltimare, Md
Baton Rouge, La
Dallas, Tex

families

94
95

92
92
98

Nashville, Tenn
Orlando, Fla
Washington, D.C.—Md.—Va

Nonmetropolitan areas'
West:

96
95
95
96
105

99

Bakersfield Calif

101

Deever, Co(o.

Honolulu, Hawaii
Lo, Angeles—Long Beach, Calif
San Diego1 Calif
San Francisco—Oakland. Calif
Seattle—Everett, Wash

Nonmetropolitan areas '

116
106
102
110
111
101

94
96
95
95
96
105
87

101

111
87

87

91

88

100
100
127
110
104
112
114
100

94
93
92
94
92
90

80
84
95
76
87
95

90
89
98
93

91

99
108
74

63
68
84
59
80
89

116
116
124
125
119
115
129

78
89

69
77
91

68

101
79

81

84

92
78
85
96
110
69

97

74
86
80
94
70

83
84
117

130
68

101

108
112

110
112

120
121

102
105

94

94

92

96

91

98

109
103

116
106
102
110

125
99
97
103
108
104

99
80
93
96

121
107

ily con-

personal
care

Medical
care

97

99
100
100
97
103

89
99
95
93
94
91
96

sumption

114
101
107

112
127
129

102
87

99
99
99
95

105
105
102
105
110
103
109
77

128
118
143
127
125
136
134
138

100
106
99
104
96
112
110
104

108
101
100
115
110
110
105
99

98
99
116
109
109
112
108
83

116

85

89
90
146

101

99
101

111
101

tation'

114
103

99
101

108
109
102

families 0

87
95
108
105

99
102

101

families

Otherfam-

and

owner Transpor-

Renter

combined 4

Total

Food

92
92
98

91

93
94
97
96
94
102

94

Total

90
96
89
94
95
94
95
92

101

91

Durham, P1.0
Houston, Ten

owner
families

Renter

cornbined $

Clothing
Home-

owner

Home-

98
103

91

COUPLE, SPRING 196 7'
TABLE 5.—INDEXES OF COMPARATIVE COSTS BASED ON AN INTERMEDIATE LEVEL BUDGET FOR A RETIRED

LU.S. Urban Average Costs=100l

Cost of family consumption
Housing (shelter, house furnishings,
household operations)

Shelter

Total budget costs

Renter
and
owner
corn-

Renter

100
106

100
106

81

81

122
114
117

127
115
122

113
106
119

98

96
134
108
91
98
105

93

Renter
and

Home-

owner
cornArea

Urban United States

Metropolitan areas'
Nonmetropolltan areas '
Northeast:
Boston, Mass
Buffalo, N.Y

Hartford, Cone
Lancaster, Pa
New York-Northeastern New Jersey
Philadelphia Pa.-New Jersey

Pittsburgh, a
Portland, Maine
Nonmetropolitan areas '
North Central:
Cedar Rapids, Iowa
Champaign-Urbana, Ill
Chicago, Ill-Northwestern Indiana.
Cincinnati, 0hioKentucky-lndlana
Cleveland Ohio
Dayton, Ohio

Detroit Mich
Green ay Wis
Indianapolis, Ind
Kansas City, Mo.-Kans
Milwaukee, Wis

Minneapolis-St Paul, Mine

St. Louis Mo-Ill
Wichita, Kans

Nonmetropolitanareas'
South:
Atlanta, Ga
Austin, Tea
Baltimore, Md
Baton Rouge, La
Dallas, Tea
Durham, N.C
Houston, Ten
Nashville, Tens
Orlando, Fla
Washington, D.C.-Md.-Va

Nonmetropolitan areas'
West:

Bakelsfield, Calif
Denver Cob
Honolulu, Hawaii
Los Angeles-Long Beach, Calif
San Diego, Calif
San Francisco-Oakland, Calif
Seattle-Everett, Wash
Nonrnetropolitafl areas a

See footnotes at end of table 6.

bined
100
104
89
110
109
113
102

Renter

familie,
100
104
89

108
107

112

101

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107
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105
99

102
100

111

104

105

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106
105
98
108

98

101

100

104
96
105
102
104
103
103
100
93

104
105
102

98

99
105
101

105
103
103
100

92
93
93
98
91

owner
families
100
104

89
112
111
113
102
113
105
100
106

99

Total I

Food

Total'

100
104
89

100

100
107
79

110

109
113
102
111
104
101
105
99

101

96
109
104
112
108
112
107
103
105
107

98

98

104
97

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96
96

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100

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101
105
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105
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97
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95
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105
103
103
100
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97
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102
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112
107
104
99
86

93
93
98

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94
95

83
87
96
77
89
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94
96

103
100

92

96
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92

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100
106
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124
107

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126
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104

97
95
102
806
99

99
109
114

81

Clothing
personal
care

Medical
care

Other lamily consumption

and

Home-

owner Transpor-

blued' families5 families'

tation'

100
107
80

100
99
103

100

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100

101
96

WI

107

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18

136
122
124
99
146
116
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65
86
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106
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98
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100

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103
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103
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114
108
107
111
110

99

83

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101
107

103
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99


TABLE 6.—INDEXES OF COMPARATIVE COSTS BASED ON A HIGHER LEVEL BUDGET FOR A RETIRED COUPLE, SPRING 1967

(U.S. urban average costs—100)

<table>
<thead>
<tr>
<th>Area</th>
<th>Total budget costs</th>
<th>Food</th>
<th>Shelter</th>
<th>Transportation</th>
<th>Clothing and personal care</th>
<th>Medical care</th>
<th>Other family consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renter and owner combined</td>
<td>Renter families</td>
<td>Home-owner families</td>
<td>Total</td>
<td>Renter families</td>
<td>Home-owner families</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban United States:</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Metropolitan areas:</td>
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<td>105</td>
<td>104</td>
<td>102</td>
<td>102</td>
<td>102</td>
</tr>
<tr>
<td>Nonmetropolitan areas:</td>
<td>85</td>
<td>83</td>
<td>80</td>
<td>85</td>
<td>76</td>
<td>75</td>
<td>77</td>
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<td>Northeast:</td>
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<td></td>
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<tr>
<td>New York—N.Y.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Boston, Mass.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Philadelphia, Pa.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Chicago, Ill.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
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<tr>
<td>Milwaukee, Wis.</td>
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<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
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<td>St. Louis, Mo.</td>
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<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
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<td>Detroit, Mich.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Cleveland, Ohio</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Other large cities:</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Smaller metropolitan areas:</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>South:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlanta, Ga.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Charlotte, N.C.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Jacksonville, Fla.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Miami, Fla.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Charleston, S.C.</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
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<tr>
<td>Other large cities:</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>117</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Smaller metropolitan areas:</td>
<td>119</td>
<td>119</td>
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<td>Portland, Ore.</td>
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<td>Other large cities:</td>
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<tr>
<td>Smaller metropolitan areas:</td>
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<td>117</td>
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The table reflects the average costs for spring 1967, which were revised prior to updating to spring 1968. The following provides a comparison of the costs for spring 1967:

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<tr>
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<tbody>
<tr>
<td>Food</td>
<td>795</td>
<td>825</td>
<td>851</td>
<td>7.9</td>
<td>3.4</td>
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<tr>
<td>Transportation</td>
<td>191</td>
<td>200</td>
<td>207</td>
<td>2.3</td>
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</tr>
<tr>
<td>Clothing and personal care</td>
<td>217</td>
<td>224</td>
<td>234</td>
<td>3.5</td>
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<tr>
<td>Medical care</td>
<td>199</td>
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<td>1.5</td>
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<tr>
<td>Total family consumption</td>
<td>2,236</td>
<td>2,311</td>
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PERSONAL ANNOUNCEMENT

HON. JOHN CONYERS, JR.
OF MICHIGAN
IN THE HOUSE OF REPRESENTATIVES
Tuesday, December 16, 1969

Mr. CONYERS. Mr. Speaker, previous commitments in my district unavoidably prevented my voting on rollcall 323. Had I been present to vote on H.R. 15095, the Social Security Amendments of 1969, I would have voted "yea."
Mr. DULSKI. Mr. Speaker, I am in full support of the pending legislation, H.R. 15095, to increase all social security benefits by 15 percent effective next month.

I commend the Committee on Ways and Means and particularly its chairman, the gentleman from Arkansas (Mr. MILLS) for bringing this measure before the House at this time.

Obviously, there are other adjustments which should also be made in the social security law. But the current need for an across-the-board increase in benefits cannot wait for the necessary deliberations of the committee on those details.

Our senior citizens, with their fixed incomes, are feeling the effects of inflation more than anyone else. For example, there is no provision in their benefits for escalation in line with the steady increase in the cost of living.

Incidentally, because of the time lag necessary to adjust the payment schedules of all of the individual beneficiaries, the first monthly check to show the proposed increase will not be received until the first week in April. But shortly thereafter an additional check will be sent to each beneficiary to cover the monthly increases for January through March.

Since January, I have sponsored a number of bills calling for changes in the social security law. One provided for the across-the-board 15-percent increase—the same amount called for in the pending bill—but it also provided for an automatic system to cover increases in the cost of living.

I remain convinced that we must install a semiautomatic system tied to the cost of living. However, I recognize the problem of the Ways and Means Committee in trying to deal with anything beyond the across-the-board increase at this point in the legislative session.

In this connection, I appreciate the assurance from the chairman that his committee will consider the other social security law changes when Congress reconvenes next month. There are a number of glaring inequities which must be acted upon.

Mr. Speaker, I hope that the pending bill, H.R. 15095, will have the unanimous support of the House and thus give assurance to our senior citizens in particular and to all Americans in general, that we recognize the inadequacy of the present system of benefits.
SUPPORT FOR SOCIAL SECURITY INCREASE

SPEECH OF
HON. WILLIAM (BILL) CLAY
OF MISSOURI
IN THE HOUSE OF REPRESENTATIVES
Monday, December 15, 1969

Mr. CLAY. Mr. Speaker, I support H.R. 15095, to provide for a 15-percent across-the-board increase in social security payments. One of my first acts in Congress was to introduce similar legislation—providing for a 15-percent benefit increase, and for cost-of-living adjustments in benefits. Since social security payments were increased, a year and a half ago, the cost of living has increased 10 percent. And the meager increase at that time still left the majority of social security recipients living on incomes below the subsistence level.

Inflation has had its most harsh effect upon older Americans. They have no way to fight it—no way out of the cycle. Sources of income for older Americans are limited. Full-time employment for the elderly is exceedingly difficult to find. Due to the restriction on the outside earnings imposed by social security regulations, the senior citizen suffers another squeeze.

Many of these citizens were not so fortunate as to participate in pension plans which would guarantee them sufficient retirement income. Many who felt they had saved and invested for their later years have seen their dollars washed away by inflation until their plans for self-sufficiency have become lost dreams.

These citizens cannot be blamed for their plight and they should not be required to suffer as they now do. There are 1.2 million social security recipients who must rely on old age assistance to supplement their meager social security payments. Many have lost their dignity through public assistance and others have humbly called upon offspring and other relatives to supplement their inadequate incomes.

At a time when all middle- and low-income Americans must pinch pennies, a father of three finds it difficult, if not impossible, to support parents and/or grandparents in addition to his immediate family.

It is shameful that we have delegated our older citizens to such an existence. Today, the average social security benefit is less than one-third the $3,900 which the Bureau of Labor Statistics says is necessary for a modest standard of living. The 2.5 million widows drawing survivor's benefits are living on average payments of $87 a month—or only $1,044 a year. For 80 percent of the older Americans dependent upon social security, the basic necessities of life must be compromised. They go without sufficient food, or clothing, or heat or lights, or housing.

These Americans have been robbed of their dignity—dignity and respect which should be a reward for the toil and tribulations of having lived and worked in this society.

Poverty knows no age limits. It hits the old and the young with equal strength, and equal cruelty. The young must cling to some hope for relief—that things will get better. The old who have had hard times in youth, the old who have worked but who could not anticipate the nature of the present economy, the old who are disabled, widowed, and those who have no families—none of these senior citizens deserve the hardships of old age which they now reap.

The 15-percent increase in social security benefits to be effective January 1, 1970—is the very least we can do for senior citizens now.
of our consideration of the social security system. Mr. Mills has promised to undertake an extensive review of all aspects of social security—disability insurance, hospital insurance, supplementary hospital benefits, and others—and report a comprehensive reform bill to the House next March.

Among the measures to which I hope the committee will give careful consideration is one which I, along with many of my colleagues, have long advocated. It calls for a standard cost-of-living increase in social security benefits, to be applied automatically—as they generally are to civil service and military retirement benefits. Certainly, our senior citizens should not be forced to bear the brunt of inflation, by living on fixed income when wages and prices for the rest of our society are rising. Raising their social security benefits to meet the rising cost of living is not generosity—it is only fairness, and I hope that the Ways and Means Committee will recognize this in their deliberations next year.

For now, however, I applaud the step we have taken—remembering, as I say, that it is only the first of many that we must take to give our senior citizens what they deserve. Yesterday's vote, if accepted by the Senate, will do much to improve the lot of our retired citizens. The average benefit paid to a retired worker would rise from $100 to $116 a month. For a married couple, benefits would rise from $170 to $196 a month. Average widows benefits would rise from $88 to $100 monthly. A disabled worker's benefits would rise from $113 to $130 a month. And a widow with two children would find her social security check rising from $254 to $292 a month. Some 25 million people would benefit from the increases provided in this bill. It is, let me reiterate, a beginning to what I hope will be an extensive revamping of our entire social security system. But this bill is a good beginning, and I am glad to support it.
Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.
The ACTING PRESIDENT pro tempore. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. H.R. 13270, an act to reform the income tax laws.

The ACTING PRESIDENT pro tempore. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

* * * * *
**TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS**

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Primary insurance amount under 1939 act, as modified)</td>
<td>(Primary insurance amount under 1967 act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If an individual's primary insurance benefit (as determined under subsec. (c)) is—</th>
<th>Or his primary insurance amount (as determined under subsec. (d)) is—</th>
<th>Or his average monthly wage (as determined under subsec. (b)) is—</th>
<th>The amount referred to in the preceding paragraphs of this subsection shall be—</th>
<th>If an individual's primary insurance benefit (as determined under subsec. (c)) is—</th>
<th>Or his primary insurance amount (as determined under subsec. (d)) is—</th>
<th>Or his average monthly wage (as determined under subsec. (b)) is—</th>
<th>The amount referred to in the preceding paragraphs of this subsection shall be—</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least—</td>
<td>But not more than—</td>
<td>At least—</td>
<td>But not more than—</td>
<td>At least—</td>
<td>But not more than—</td>
<td>At least—</td>
<td>But not more than—</td>
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</table>

| $15.49 | $15.49 | $15.49 | $15.49 | $15.49 | $15.49 | $15.49 | $15.49 |
| $12.76 | $12.76 | $12.76 | $12.76 | $12.76 | $12.76 | $12.76 | $12.76 |
| $11.84 | $11.84 | $11.84 | $11.84 | $11.84 | $11.84 | $11.84 | $11.84 |
| $10.01 | $10.01 | $10.01 | $10.01 | $10.01 | $10.01 | $10.01 | $10.01 |
| $7.24 | $7.24 | $7.24 | $7.24 | $7.24 | $7.24 | $7.24 | $7.24 |
| $6.32 | $6.32 | $6.32 | $6.32 | $6.32 | $6.32 | $6.32 | $6.32 |
| $5.40 | $5.40 | $5.40 | $5.40 | $5.40 | $5.40 | $5.40 | $5.40 |

*INCREASE IN SOCIAL SECURITY PAYMENTS*

Mr. LONG. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG's Amendment was to add at the end of the bill the following new title:

**TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS**

That this title may be cited as the "Social Security Amendments of 1969".

**INCREASE IN OLD-AGE, SURVIVOR, AND DISABILITY INSURANCE BENEFITS**

Sec. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

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*CONGRESSIONAL RECORD—SENATE*

December 4, 1969
December 4, 1969  CONGRESSIONAL RECORD — SENATE  S15689

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

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>At least</th>
<th>But not more than</th>
<th>At least</th>
<th>But not more than</th>
</tr>
</thead>
<tbody>
<tr>
<td>$105.50</td>
<td>$41.12</td>
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<td>$107.50</td>
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<td>$230</td>
</tr>
<tr>
<td>$115.00</td>
<td>$45.60</td>
<td>$239</td>
<td>$232</td>
</tr>
</tbody>
</table>

If an individual’s primary insurance benefit (as determined under subsection (d)) is—

- (a) less than the primary insurance amount under subsection (b), (c), or (e), the amount referred to in paragraph (b) of this subsection shall be—

  - (i) $122.50 at least $181.50
  - (ii) $123.30 but not more than $169.50

- (b) at least the primary insurance amount under subsection (b), (c), or (e), the amount referred to in paragraph (b) of this subsection shall be—

  - (i) $122.50 at least $181.50
  - (ii) $123.30 but not more than $169.50

- (c) if his average monthly wage (as determined under subsection (d)) is—

  - (i) $122.50 at least $181.50
  - (ii) $123.30 but not more than $169.50

- (d) if his average monthly wage (as determined under subsection (d)) is—

  - (i) $122.50 at least $181.50
  - (ii) $123.30 but not more than $169.50

- (e) if his average monthly wage (as determined under subsection (d)) is—

  - (i) $122.50 at least $181.50
  - (ii) $123.30 but not more than $169.50

The amount referred to in paragraph (b) of this subsection shall be—

- (a) at least $122.50
- (b) but not more than $123.30

If an individual’s primary insurance benefit (as determined under subsection (d)) is—

- (a) less than the primary insurance amount under subsection (b), (c), or (e), the amount referred to in paragraph (b) of this subsection shall be—

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  - (ii) $123.30 but not more than $169.50

- (b) at least the primary insurance amount under subsection (b), (c), or (e), the amount referred to in paragraph (b) of this subsection shall be—

  - (i) $122.50 at least $181.50
  - (ii) $123.30 but not more than $169.50

- (c) if his average monthly wage (as determined under subsection (d)) is—

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  - (ii) $123.30 but not more than $169.50

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  - (i) $122.50 at least $181.50
  - (ii) $123.30 but not more than $169.50

The amount referred to in paragraph (b) of this subsection shall be—

- (a) at least $122.50
- (b) but not more than $123.30

The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 205(a) or section 228 before January 1970, or who died before such month.

The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

The primary insurance amount under section 215(a) of the Social Security Act for months after December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or who died in such month, then, for purposes of section 216(a)(4) of the Social Security Act (if applicable), the amount in column II of the table appearing in such section 216(a) for such individual shall be the amount in such column on the date of such individual’s primary insurance amount (as determined under section 215(e) of such Act) instead of the amount in column IV equal to the primary insurance amount.
Despite the amendment on behalf of myself and the Senator from Connecticut (Mr. MANSFIELD), in a moment, I shall ask that the amendment be proposed by striking out "$40" and inserting in lieu thereof "$465".

Mr. LONG. Mr. President, the Senator from Vermont has in mind. I would hope, however, that he will withhold doing that until the amendment be temporarily laid aside and simply pass, before we go home, a 15-percent across-the-board increase; then, when we come back next year, we could avoid going into very many other questions. I hope the Senate will not have another opportunity to vote on the next measure before we adjourn for the Yuletide recess, if indeed there is one. For fear that we might not have another opportunity to vote on it, it will be offered as an amendment to this bill.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG. Yes. The minimum benefit would be $64, a 15-percent increase, rounded up to the next whole dollar. Basically, the bill simply provides a 15-percent across-the-board increase. Al- though that subsequent bill may have a much less revenue impact, I think my understanding is that the House of Representatives, in voting on this matter, has in mind sending to us next year a much more detailed bill, going into each of the details. I think the Senate from Vermont has in mind. I hope we could avoid going into very many other questions, such as the Senator from Vermont has in mind, the bill which would increase the minimum monthly payment to $90, which is the same amount recommended by the President for welfare recipients who are 65 years of age or older.

I have another amendment which would simply increase the minimum to $70, and then 15 percent across the board. I shall offer that amendment shortly.

Mr. LONG. Mr. President, the Senator has in mind. I would hope, however, that he will withhold doing that until the amendment be temporarily laid aside and simply pass, before we go home, a 15-percent across-the-board increase; then, when we come back next year, we can consider the more extensive measure which the House of Representatives is planning to send us.

Mr. PROUTY. If the Senator will yield further, I have an amendment at the desk which would increase the minimum monthly payment to $90, which is the same amount recommended by the President for welfare recipients who are 65 years of age or older.

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I have another amendment which would simply increase the minimum to $70, and then 15 percent across the board. I shall offer that amendment shortly.
have to accept the Senator's word for it. But I shall be glad, when we get the amendment before us for a vote, to have the latest information available so that I can respond more accurately to the Senator's question.

Mr. YOUNG of Ohio. May I say that years ago I served on the taxwriting Ways and Means Committee of the House of Representatives. Also, I was a Member of the other body at the time that President Franklin D. Roosevelt proposed the Social Security System. I have followed it with great interest since. The fact is that the present surplus in both the disability and the social security funds exceeds $33 billion. Very definitely, the system will continue to be actually sound, as all of us want it to continue to be, if we grant this 15-percent increase to every present recipient—child, man, and woman—who receives his social security check on the third day of every month.

Mr. LONG. Mr. President, the House Ways and Means Committee has been responsible in the way it has handled social security bills, and I am sure that the same would be true in this instance, so I have no doubt that the answer to the Senator's question would be "Yes."

Mr. YOUNG of Ohio. And that is true without any increase in contributions, as matters stand.

Mr. CRANSTON. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. CRANSTON. I ask that my name be added to the amendment as a co-sponsor.

Mr. LONG. I ask unanimous consent that the Senator's name be added, and also the name of the Senator from South Dakota (Mr. McGovern).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. YOUNG of Ohio. My name also.

Mr. LONG. I have already asked that the Senator's name be added.

Mr. President, I ask unanimous consent that the names of the Senator from California (Mr. Cranston), the Senator from South Dakota (Mr. McGovern), the Senator from Ohio (Mr. Young), the Senator from West Virginia (Mr. Byrn), and the Senator from North Dakota (Mr. Burdick) be added as co-sponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MAGNUSON. Mr. President, I could not hear the Senator. However, am I correct in understanding that this would not be a substitute for the measure next year when the Senator will have before his committee and there will be before the Ways and Means Committee the so-called package deal that will be 15 percent at that time, but will raise the minimum proposal, whether or not we raise the exemption from $7,500 to $9,000.

If we do all of that, it is my understanding—because I have been listening to testimony on the matter this week—that the fund is running about 1.16 percent above what the actuarians say we might have to pay out.

If we include that 1.16 percent and keep the reserve of close to $31 billion, we could increase the minimum up to $100, if we wish, and we would still have the fund intact and still keep the reserves. We are running at the present time 1.16 percent above what is needed. We could do this and still keep it sound, though the figure, as the Senator pointed out, of more than $30 billion is enough to keep it in sound shape and ready to do the job.

Mr. LONG. Mr. President, I thank the Senator.

Mr. President, I am not going to ask for a vote at this point. I prefer that we vote on the matter at a later time, after the Senators have had a chance to consider the matter further.

Mr. President, I ask unanimous consent that the amendment be temporarily laid aside.
The reading of the amendment be dis- 

Mr. MURPHY. Mr. President, I call up 

My amendment number 320 and ask that 

of the taxable year— 

amounts, not compensated for by insur-

(1) Section 213(a) (relating to allowance 

bded. 

The case for full income tax deduct-

that further debate on the pending 

I am happy to yield to 

Mr. LONG. Mr. President, if the Sen-

Mr. MURPHY. Mr. President, the amend-

Mr. MANSFIELD. Mr. President, will 

Mr. MURPHY. I am happy to yield to 

is before the Senate now. I cannot urge too strongly the 

Furthermore, that even under most favorable cir-

Now before the Senate hopefully in 

Mr. MURPHY. Mr. President, I ask for 

The yeas and nays were ordered. 

Mr. MURPHY. Mr. President, this amend-

Mr. MURPHY. Mr. President, this amend-

Mr. MURPHY. Mr. President, I ask 

Mr. MURPHY. If neither the taxpayer nor 

The case for full income tax deduct-

Mr. MURPHY. Mr. President, this amend-

For the yeas and nays. 

Mr. MURPHY. Mr. President, I ask 

Mr. MURPHY. Mr. President, if the Sen-

The PRESIDING OFFICER. The Sen-

At the proper place insert the following: 

At the proper place insert the following: 

(a) In General. 

(a) In General. 

amounts, not compensated for by insur-

I will yield. I ask unanimous consent 

The yeas and nays were ordered. 

Mr. MURPHY. Mr. President, this amend-

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The PRESIDING OFFICER. There is 

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the amendment be limited to one-half hour, 

It is so ordered.

The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1969.

Mr. MURPHY. Mr. President, this is a very simple amendment. May we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. MURPHY. Mr. President, I ask for the yeas and nays. 

The yeas and nays were ordered.

Mr. MURPHY. Mr. President, this amendment would restore the full medical expense and drug expense deductions for persons age 65 and over, which constitutes medical care of dependents aged 65 and over but the provision was subsequently deleted in a conference with the House. 

The case for full income tax deductibility for medical expenses of persons age 65 and over is clear and compelling and the immediate restoration of medical deductions as permitted before 1966 amendments to the Internal Revenue Code is badly needed. It is a matter of equity for older people whose fixed incomes make it most difficult for them to protect them- selves against such increases. At the same time, as additional persons, obtain the age of 65, inflationary pressures are increasing the number, already in the millions, who are subject to Federal income tax. 

The Social Security Amendments of 1967 added provisions restoring the full deduction for a person 65 and over but the provision was subsequently deleted in a conference with the House. 

The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1969.

Mr. MURPHY. Mr. President, this is a very simple amendment. May we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. MURPHY. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. MURPHY. Mr. President, this amendment would restore the Federal income tax treatment of medical care and drug expenses applicable for persons age 65 and over that existed prior to the changes made by the Social Security Amendments of 1966. The 1965 change, an income tax deduction was allowed without application of the 3-per-
cent floor for medical expenses or the 1-
percent floor for drug expenses of a tax-
payer and his spouse if either were 65 or over. The 1965 change limited the medical expense deduction to those in excess of 3 percent of the taxpayer's adjusted gross income and the cost of medicine and drugs could be deducted only to the extent that they exceeded 1 percent of the taxpayer's adjusted gross income. My amendment would restore the full medical expense and drug expense deductions for persons 65 and over without regard to the 3- and 1-percent floors.

The Senate of the Social Security Amendments of 1967 added provisions restoring the full deduction for a person 65 and over but the provision was subsequently deleted in a conference with the House.

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pressed repeatedly by the practically universal desire of older Americans to take care of themselves whenever possible. Unfortunately many, through circumstances beyond their control, have been unable to do so. The Senator from Vermont (Mr. PROUTY) be added as a cosponsor of my amendment. His leadership in this field is known by all Members of this body. His support and help has been great.

The PRESIDING OFFICER. Without objection, it is so ordered.

How much time does the Senator yield to the Senator from Vermont?

Mr. PROUTY. Mr. President, the amendment offered by the Senator from California (Mr. Murphy) will restore a much-needed mechanism of tax relief for older Americans, burdened by rising medical costs.

I commend Senator MURPHY for introducing this amendment; I am pleased to join him as a cosponsor and an advocate for its adoption.

I have offered this amendment before. It was adopted by the Senate in 1965, 1966, and 1967, but each time it was struck in conference.

I would like to review briefly the history of this tax provision.

Under a law enacted in 1948, taxpayers 65 and older benefited from a provision which allowed them to deduct the cost of medical care up to certain specified maximums, for themselves and their spouses, who were also 65 and older. Other taxpayers were denied deductions for their medical expenses except to the extent that these expenses exceeded 3 percent of their adjusted gross income. These provisions stood for 17 years, reflecting congressional concern over the fact that our older citizens were caught in a vicious inflationary spiral of increasing medical bills and decreasing incomes. They needed help, and allowing a deduction of medical expenses was eminently proper.

However, Mr. President, with the consideration of the Finance Committee in 1965, these tax deduction provisions were seriously challenged. At this time the House acted to repeal these provisions on the rationale that medicare would pay for virtually all medical costs. Medicaid, the supplementary health insurance for those with limited incomes, was added as a cosponsor of my amendment.

The PRESIDING OFFICER. Is there objection?

Mr. MURPHY. Mr. President, I yield to the Senator from Vermont (Mr. PROUTY).

Mr. PROUTY. Mr. President, inasmuch as the amendment is the same or almost the same as the one I have offered in the past, I hope that my friend the distinguished Senator from California, will permit me to be listed as a cosponsor.

Mr. MURPHY. Mr. President, I ask unanimous consent that the name of the Senator from Vermont (Mr. PROUTY) be added as a cosponsor of my amendment. His leadership in this field is known by all Members of this body. His support and help has been great.

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Mr. MURPHY. Mr. President, I ask unanimous consent that the name of the
Would the Senator consent to some limitation on the taxable income of people to be eligible for this benefit?

I have always worried about the fact that a large number of taxpayers with high incomes get a benefit which they do not need.

Could we put some limitation in this provision—$10,000 or $15,000—on income as the income limit for which this would be available?

Mr. MURPHY. Mr. President, I am aware of the Treasury Departments claims regarding this amendment. I just do not believe their estimates are accurate. They claim Medicare covers most of the older citizens expenses; yet, at the same time they argue the bill will cost over $200 million. If Medicare were covering most expenses, how can we take their estimates. They cannot argue both ways.

Based on the reflection of my mail, I would respectfully hope that my colleague would permit this amendment to go. If we find any inequities, I would be glad to join with him later in discussing a limitation.

Mr. JAVITS. I do not think we have to wait that long. Would the Senator be sympathetic, assume that the amendment is adopted—and I hope it will be—consideration in conference of what if any equity restrictions ought to be placed on it? It may be quite a fine question.

For example, the Senator from Delaware (Mr. Williams) just pointed out that in the case of catastrophic illness, this may be the thing that a limitation based upon an income level may have to be adjusted to that kind of catastrophe. But if I could feel that the Senator is sympathetic to the idea of that kind of consideration, I think we could leave the rest to the conferees.

Mr. MURPHY. As I said to my distinguished colleague while he was talking with the Senator from Delaware, usually I have never been one to say that there should be a limit or whether it should be $10,000 or $15,000. I simply do not believe there has been great abuse. If there is, I will gladly not only join but lead efforts to correct it. I also would point out that catastrophic illness can strike those with higher incomes and wipe them out. That is why I fear limitations.

I serve on the Special Committee on Aging, and I know of the great need. My mail reflects that there are untold cases in which people of means, who have been very successful, have worked hard all their lives, suddenly, in a year or two, can have everything they have stored up completely. Medical costs can be unbelievable.

I understand, of course, that in conference these things will be considered. I hope we can let it go on the merits and these things will be considered. I think we could leave the rest to the conferees.

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tended in this fashion is extremely inefficient and costly. When Medicare was adopted, the average medical expenses of the aged was solved in a uniform and equitable way and therefore the inequiable partial relief under the tax system was unjustified.

The inequity of this provision is demonstrated by the revenue loss involved in eliminating the percentage floors and the distribution of that revenue loss. Elimination of these floors will result in an annual revenue loss of approximately $210 million. (This estimate is confirmed by the Staff of the Joint Committee and apparently also by the analysts in the Library of Congress; Congressman Brown, Michigan stated at page 511940 of the November 1967 Congressional Record that the Legislative Reference Service in a study made for him estimated a revenue loss of $210 million for the tax year 1967.) Of this total, approximately 45 percent or $93 million goes to taxpayers with $2,000 or over an unlimited deduction for medical expenses. The less than 4 percent, or $4 million, is divided among all taxpayers with adjusted gross incomes of up to $5,000. To put it another way, the average revenue lost distributed among 60,000 people with incomes of over $50,000, for an average tax benefit of $150. The average revenue lost divided among 600,000 taxpayers with adjusted gross incomes up to $5,000, for an average benefit of $13 per taxpayer. Little can be said in defense of a provision aimed at financial problems of elderly people caused by medical expenses which gives over one hundred times more benefit to the elderly taxpayer with the least need than to the lower income elderly with the most need.

Sincerely yours,

HENRY H. FOWLER

TREASURY DEPARTMENT,
WASHINGTON, D.C., October 3, 1967.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Several bills have recently been introduced to allow persons age 65 or over an unlimited deduction for medical expenses. These bills would reverse the special exceptions provided for persons age 65 or over to deduct their medical expenses without regard to the 3 percent and 1 percent of adjusted gross income floors then in effect. It is possible that similar proposals have been considered by members with the Social Security legislation currently being considered by your Committee. For these reasons we consider it appropriate to inform you of the Treasury Department's views on this matter.

The attached memorandum sets forth the background of this problem and explains the reasons for the Treasury Department's opposition to the proposal.

The Bureau of the Budget has advised the Treasury Department that there is no objection from the standpoint of the Administration's program to the submission of our views.

Sincerely yours,

STANLEY S. SUBERRY

PROPOSALS FOR RESTORING THE UNLIMITED MEDICAL EXPENSE DEDUCTION FOR PERSONS 65 OR OVER

It has been proposed that the action taken in 1965 be reversed and that the special exceptions permitting persons age 65 or over to deduct their medical expenses without regard to the 3 percent and 1 percent of adjusted gross income floors then in effect be restored. It is possible that similar proposals have been considered by members of the Committee with the Social Security legislation currently being considered by your Committee. For these reasons we consider it appropriate to inform you of the Treasury Department's views on this matter.

The attached memorandum sets forth the background of this problem and explains the reasons for the Treasury Department's opposition to the proposal.

The Bureau of the Budget has advised the Treasury Department that there is no objection from the standpoint of the Administration's program to the submission of our views.

Sincerely yours,

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COMPARISON OF BENEFITS UNDER UNLIMITED MEDICAL EXPENSE DEDUCTION WITH BENEFITS UNDER MEDICARE PROGRAM

The following is a comparison showing how an elderly couple (both age 65 or over) would fare in 1967 under (1) the unlimited medical expense deduction and Medicare; (2) the current tax law and the Medicare Amendments of 1965; (3) the current tax law and the Medicare Amendments of 1965, but without the unlimited deduction. The amounts shown are after taking into account a $440 deductible.

The average reasonable charge for surgery under Medicare was estimated at $150. This was derived from a preliminary report based on bills representing a 5 percent random sample of all claims. Better off today is a reflection of the fact that the maximum benefit from the unlimited deduction would exceed 1 percent of the annual income of $55,000 or over.

The reason our elder citizens are so much better off today is a reflection of the fact that the maximum benefit from the unlimited deduction would exceed 1 percent of the annual income of $55,000 or over.

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Mr. LONG. I agree with the Senator. I am ready to vote, and I yield back the remainder of my time.

Mr. MURPHY. I am ready to vote, and I yield back the remainder of my time.

Mr. PRESIDENT. I announce that the PRESIDENT pro tempore of the Senate has the call of the Senate. Senator Young from Ohio (Mr. YOUNG) is necessary for the chair. All those having been yielded back, the question is on agreeing to the amendment of the Senator from California (Mr. Murphy). On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. INOUYE (after having voted in the negative). On this vote I have a pair with the Senator from Michigan (Mr. Hart). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. Anderson), the Senator from Indiana (Mr. Bayh), the Senator from Michigan (Mr. Hart), the Senator from South Carolina (Mr. Hollings), the Senator from Missouri (Mr. Symms), and the Senator from Ohio (Mr. Young) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. Goldwater) and the Senator from Pennsylvania (Mr. Scour) are absent on official business.

The Senator from South Dakota (Mr. Mundt) is absent because of illness.

The Senator from Colorado (Mr. Dominick), the Senator from South Carolina (Mr. Thurmond), the Senator from Nebraska (Mr. Hart), and the Senator from Tennessee (Mr. Baker) are necessarily absent.

If present and voting, the Senator from Colorado (Mr. Dominick). The Senator from Arizona (Mr. Goldwater) and the Senator from Pennsylvania (Mr. Scour) would each vote "yea."
The result was announced—yeas 46, nays 41, as follows:

[No. 172 Leg.]

**YEAS—46**

- Aiken
- Allen
- Bellmon
- Boggs
- Brooks
- Burnick
- Byrd, W. Va.
- Cannon
- Case
- Church
- Cooper
- Cotton
- Dodd
- Fannin
- Fong
- Fulbright
- Goodell
- Gurney
- Hartke
- Hatfield
- Hruska
- Jackson
- Javits
- Magnusc
- Mathias
- McGee
- McAlister
- Montoya
- Moss
- Murphy
- Packwood

**NAYS—41**

- Allott
- Bennett
- Bible
- Byrd, Va.
- Cook
- Cranston
- Curtis
- Dale
- Eagleton
- Eastland
- Enblender
- Ervin
- Gore
- Gravel
- Griffin
- Hansen
- Harris
- Holland
- Hughes
- Jordan, N.C.
- Jordan, Idaho
- Kennedy
- Long
- Mansfield
- McCarthy
- McCarthy
- McGehee
- McGovern
- Miller
- Mondale
- Muskie
- Nelson
- Pell
- Percy
- Pyznarek
- Randolph
- Russell
- Saxbe
- Spong
- Stennis
- Talbott
- Williams, Del.
- Williams, N.J.
- Yarborough
- Young, N. Dak.
- Young, Ohio

PRESENT AND GIVING A LIVE PAIR.

AS PREVIOUSLY RECORDED—1

- Inouye, against.

NOT VOTING—12

- Anderson
- Baker
- Bayh
- Domincott
- Goldwater
- Hart
- Hollings
- Mundt
- Scott
- Symington
- Thurmond
- Young, Ohio

So Mr. Murphy's amendment was agreed to.

Mr. JAVITIS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. PROUTY. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.
Mr. LONG. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LONG. Earlier today, I called up an amendment to the social security law and, having called it up for consideration, I then asked unanimous consent
### AMENDMENT NO. 367

Mr. LONG. Mr. President, I call up my social security amendment.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. Add at the end of the bill the following new title:

### TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

That this title may be cited as the “Social Security Amendments of 1969”.

### INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Sec. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

![Table for determining primary insurance amount and maximum family benefits](image-url)
under section 202(a) or section 223 before the Social Security Amendments of 1969.

the table appearing in subsection (a) of this Act to read as follows:

thereof 'December 1969'.

each time it appears and inserting in lieu thereof the following:

amended by striking out "January 1968" and inserting in lieu thereof the following:

had not been applicable to such total of benefits after the application of subsection (a) and (ii) if section 202(k) (2) is—

amounts determined under this title (includ-

tion in the preceding paragraphs of this subsection shall be—

but in any such case (1) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subsection (a) and (2) if section 202(a)(2) (A) as applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subsection (B) shall be applied, for and after the month in which section 202(a)(2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or.

c (the table appearing in subsection (a)) instead of

to one-half of the primary insurance amount of her husband

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

1967 act)

If an individual's primary insurance amount determined under subsection (g) 1is—

As determined under this title (without the application of section 202(J) and section 223(b)) to monthly wages, and

But not more than—

(2) (A) as applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subsection (B) shall be applied, for and after the month in which section 202(a)(2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or.

Nor his wife's insurance benefit for each taxable year beginning after December 1969.

(1) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefit under section 202 of such Act for January 1970, or he died in such month, then, for purposes of section 215(a) (4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line in which column I appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his ability insurance benefit is based.

The amount in column IV of the table appearing in such section 215(a) for such individual shall be—

or, in the case of a divorced wife, her former husband) for such month.

(2) except as provided in subsection (a), such wife's insurance benefit for any taxable year beginning after December 31, 1969, and so reported, shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

(1) striking out "and" at the end of clause (B);

(2) striking out "January 1968," and before January 1, 1970, and so reported, and (D) 1.10 per cent of the amount of the deceased individual's wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based.

The amount of a divorced wife's primary insurance benefit is based.

The amount determined under this title in the case of deaths occurring after December 1969.

The amount in column IV of the table appearing in such section 215(a) for such individual shall be—

ALLOCATION TO DISABILITY INSURANCE

Sec. 5. (a) Section 201(b) (1) of the Social Security Act is amended by—

but in any such case (1) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subsection (a), and (2) if section 202(a)(2) (A) as applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subsection (B) shall be applied, for and after the month in which section 202(a)(2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or.

c Section 215 (b) (4) of such Act is amended by striking out "January 1968," each time it appears and inserting in lieu thereof "December 1969".

d Section 215 (c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1967 Act"

"(c) (1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1967.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1, 1970, or who died before such month.

"(e) The amendments made by this section shall apply with respect to monthly benefits

(4) Section 227 (a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$323".

(2) Section 201(b) (1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$464".

Amount of her husband's insurance amount of her husband

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and before January 1, 1970, and so reported, and (D) $226 of 1 per cent of the amount of the deceased individual's wages and self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969."

Mr. LONG. Mr. President, I ask unanimous consent that my amendment be temporarily laid aside in order that the Senator from Michigan may offer his amendment.

Mr. GORE. I object, Mr. President.

The PRESIDING OFFICER. Objection is heard.

Mr. CURTIS. Mr. President, I should like to offer an amendment.

The PRESIDING OFFICER. It would require unanimous consent at this point,
and if we get involved in the social security amendment. The stated order of business tonight, made to the Senate as a whole that the matter be laid aside. I understand the position in which the Members and the leadership will be in question. I would hope that this matter would be kept under control and that the Senate would do what it could to maintain its record for integrity, and that if this matter is to come up, it come up after the consideration of the Mondale, the Javits, and the Metcalf amendments, and the disposal of the Cannon amendment, on which all time has been used.

I appeal to my colleagues to let us operate under the procedure agreed to; and once that part is out of the way, then whatever the Senate does is another ballgame.

Mr. MANSFIELD. Mr. President, I have heard enough.

Mr. GORE. Mr. President, will the Senator from Nebraska withhold the amendment, so that the leadership can keep its word or with the Senate for consideration tonight and tomorrow?

Mr. CURTIS. Certainly.

Mr. MANSFIELD. Will the distinguished chairman of the committee allow me to ask unanimous consent that the pending amendment be laid aside temporarily or otherwise and that I may ask that the Mondale amendment, under an agreement of the Senate, be laid before the Senate for consideration tonight and tomorrow?

Mr. CURTIS. Mr. President, will the Senator yield for an observation?

Mr. LONG. Mr. President, I am willing that it be laid aside for the purpose of offering another amendment. That does not bother me at all. That is what I did, to begin with. I want the Record to show that is the reason why I asked that it be laid aside.

Mr. CURTIS. Mr. President, if the Senator will yield, I would like to make an observation.

Mr. MANSFIELD. I yield.

Mr. CURTIS. Mr. President, in connection with the amendment I have offered, I was of the opinion it could be disposed of within the purview of the agreement. I did not anticipate asking for a rollcall vote. It is very much in the nature of a corrective amendment.

Mr. MANSFIELD. That would be perfectly all right. That is what the amendment of the Senator from Michigan, the acting Republican leader, would do. I understand there is no difficulty connected with it. But I want to get the Mondale amendment laid before the Senate and keep my agreement.

Mr. GORE. Mr. President, reserving the right to object, I have no desire whatever to interfere with the majority leader keeping his word or with the Senate proceeding. If the Long amendment should be the pending business before the Senate after the Mondale amendment it is entirely agreeable with me.

My point is I do not entirely agree that the House of Representatives has any priority over social security; the Senate has equal authority, equal jurisdiction on any revenue measure and with respect to any part of a revenue measure, if that revenue measure itself has originated in the House. For entirely too long the assumption has been that because the revenue measure may originate in the House that somehow the Senate did not have an equal right to amend, alter, or add to any measure, the piece of paper of which originated in the House.

Unless we add the social security increase to this bill it is not likely to become effective until March, and there is a cold winter ahead. People simply cannot not adequately live upon the small amounts they now receive.

I have no desire whatever to run ahead of the distinguished chairman of the committee. In fact, it seems to me the committee should have preference. If it is agreed that after the Mondale amendment is voted upon the Long amendment is still the pending business I would have no disagreement.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MANSFIELD. Mr. President, wouldn't it be possible, instead of pursuing that suggestion to just the Mondale amendment that it also be considered in relation to the Griffin amendment, the Javits amendment, and the Metcalf amendment, because commitments have been made; and then it could become the pending business.

Mr. GORE. Mr. President, that would meet my objection. I want to see social security increased in this bill.

Mr. MANSFIELD. And by at least 15 percent.
Mr. LONG. Mr. President, I call up my amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and the amendment will be printed in the Record.

The amendment (No. 367) ordered to be printed in the Record, was to add at the end of the bill the following new title:

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

SECTION 1. That this title may be cited as the "Social Security Amendments of 1969".

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Sec. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:
### Table for Determining Primary Insurance Amount and Maximum Family Benefits

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<thead>
<tr>
<th>(Primary insurance benefit under 1939 act, as modified)</th>
<th>(Primary insurance benefit under 1939 under primary insurance)</th>
<th>(Primary insurance amount)</th>
<th>(Average monthly wage)</th>
<th>(Maximum family benefits)</th>
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<td>$16.20</td>
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If an individual's primary insurance benefit (as determined under subsection (c) is—

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<th>(Primary insurance amount)</th>
<th>(Maximum family benefits)</th>
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The amount determined under the provisions of section 223(c) or (d) may be increased—

- By not more than—
  - (1) the amount determined under this section without regard to this paragraph, or
  - (2) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 215(b), section 222(b), and section 223(d)), by the multiple of $0.10, in effect prior to January 1970, for each such person for each such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10; but in any such case (1) paragraph (1) of this subsection shall not be applied to any total of benefits after the application of subsection (B), and (ii) if section 202(k)

(b) Section 202(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) When two or more persons were entitled (without the application of section 222(b)) to monthly benefit under section 202 or section 222 on December 31, 1969 on the basis of the wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

- (A) the amount determined under this section without regard to this paragraph, or
- (B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 222(b), and section 223(d)), by the multiple of $0.10, in effect prior to January 1970, for each such person for each such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10; but in any such case (1) paragraph (1) of this subsection shall not be applied to any total of benefits after the application of subsection (B), and (ii) if section 202(k)
(2) (A) was applicable in the case of any such benefit for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which subparagraph (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for any other month.

(b) Section 215(b) (4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof December 1969.

(d) Section 215(c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1967 Act and 1968 Act. (c) (1) For the purposes of column II of the table appearing in such section 215(a) for months after December 1968 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969, an individual shall be entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 as so defined. (2) Except as provided in subsection (q) of section 223 of the Social Security Act for months after December 1969, or he died before such month.

Mr. LONG. Mr. President, I suggest the absence of a quorum.

Mr. HARRIS. Mr. President, I ask unanimous consent that my name also be added as a cosponsor of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I ask unanimous consent that the name of the Senator from West Virginia (Mr. Randolph) be added as a cosponsor of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, the pending amendment provides for a 15-percent increase in social security benefits for 25 million current beneficiaries, effective with the January 1970 benefits.

The minimum benefit would be increased from $55 to $64 a month. The eventual maximum insured benefit for a married couple would be increased from $218 to $250 a month for a single worker, and from $323 to $376 for a married couple.

For those age 72 or over, the special payments would also be increased 15 percent from $40 to $46 a month for a single person and from $80 to $89 for a married couple.

The 15-percent increase would be financed from the actuarial surplus of 1.16 percent of taxable payroll. Additional payments from the 15-percent increase in fiscal year 1970 would be $1.7 billion. For the fiscal year 1971, it would be $4.4 billion.

Mr. President, I ask unanimous consent that there be printed at this point in the Record a tabulation I have had prepared showing the funds that the State would otherwise have as a result of the Social Security benefit increase, for an increase for some 3 million additional people on welfare who would not otherwise be helped by the amendment but who could be helped, at least to some degree, without additional Federal contribution.

Mr. LONG. Mr. President, the kind of thing the Senator advocates has a great deal of appeal to the Senator from Louisiana. On some occasions I have made amendments of that nature myself. I have rather consistently opposed amendments seeking to achieve the result that welfare payments not be reduced by the same amount that social security benefits are increased. The idea
of the Senator from Oklahoma—and that of his predecessor, former Senator Kerr, it is in need should not have their social security increases entirely offset by a reduction in their public welfare checks, as has happened in some instances.

In my judgment, however, that such a provision should not be put in the pending bill. If we seek to do so, I believe that the House of Representatives would take the view that it is sending us a social security package that we should take some doing to prevail upon them to accept their own bill as an amendment to this tax bill, because the Senate has some pride of authorship, and they studied this matter when we were working on this bill. I think the Senator is aware of that.

I would hope we could simply agree to an amendment which is identical with that proposed by the Ways and Means Committee, to say that we enact a 15 percent benefit increase before Christmas, and that we postpone consideration of the many other meritorious things that can be done in connection with the social security bill until we have a chance to take a good look at those measures and study them thoroughly.

And I am sure the Senator realizes that we will be evaluating many matters such as the one he has in mind. The Senator wants us to require that the States make certain changes in their welfare laws, and there are limits which would be put on our action by the Senate rules. I think the Senator is aware of that.

Mr. LONG. Let me mention to the Senator something that comes into play here. We have told that as some time for the Department of Health, Education, and Welfare to adjust their computers in order to send out checks that are 15 percent higher to 25 million beneficiaries. The Administration tells us that it will require until April 1 to change over and to put this new schedule of payments into effect.

Assuming that we could pass a 15 percent benefit increase before Christmas, and make it effective before the first of the year, it would nevertheless take until April 1 for the beneficiaries to actually receive the higher benefits. Thus a person now receiving $100 monthly on a social security check would receive a check in the amount of $145 in early April—a $115 new benefit amount plus $30 in back payments for January and February. I see that this is the interest of the members of the Finance Committee could do justice to a legislative proposal along the lines the Senator has suggested, that welfare checks should not be reduced by the amount of any benefit increase. That way the States would have an opportunity to be heard, rather than just telling the sovereign States that they must do something, without their having opportunity to present their case.

Something else should be considered in connection with this matter. I suspect that one of these days the Federal Government is going to preempt the field of social welfare for the needy and blanket welfare under Social Security those persons who presently must rely upon State welfare payments, relieving the States of the very heavy burden they carry in connection with providing benefits to meet the essential needs of needy persons.

Assuming that we proceed in the fashion I have suggested, we would have time to act on a measure of the sort the Senator from Oklahoma has suggested before the first social security increase checks actually reach those persons. I do not think that the welfare departments should be allowed to reduce welfare payments to persons on account of social security increases that have accrued to them but that have not actually received. And by the time they get the social security increase, I would hope that we could act to consider the kind of amendment the Senator from Oklahoma has suggested.

Mr. HARRIS. Mr. President, I believe that we should federalize the welfare system. I am in the process of trying to draft workable legislation which would do that.

In the meantime, I think there is an immediate problem in this bill, and that is the retroactive feature of the social security payment when it comes, unless something is written into the law. It seems to me that that might be dealt with in some fashion by which would be relatively noncontroversial and would not require additional Federal contribution in order to pass along some increase to those on the partial welfare.

First, it seems to me that a provision might be written into this bill that when the social security increase comes, the retroactive payment under social security not be considered as part of the resources available to public assistance recipients for the purposes of the retroactive period. If that amount of trouble the welfare departments would have in checking back, and so forth, would not make it worthwhile. Furthermore, these people are entitled to a benefit. That is No. 1, the retroactive feature, and its effect on welfare recipients.

Second, it seems to me that we might increase in this bill the provision we once had, that is the Senator's amendment he has in mind. I am sure the Senator agrees with that.

Third, for the other people, it seems to me that we might write into this bill that the balance of the money that the States would realize and which could be used as they pleased, because they would not need to spend it in order to get that increased social security that they should use it in trying to meet budgeted but unmet public assistance needs, or through some kind of blanket increase or general increase.

Some of my staff people are meeting presently with the staff of the Finance Committee with respect to one or two ways I think might be done at what I am calling public assistance. Basically, it is not talking about something that would be controversial, to the extent that it would require additional Federal contribution. I do not know that we can get ready to do it, perhaps if we can do it at all, to accomplish what I have discussed. Full welfare reform and more humane levels I hope will follow soon.

Mr. LONG. May I say to my good friend from Oklahoma, who has repeatedly demonstrated his great interest in meeting the needs of the people—who have very modest means, that the adoption of the amendment I have offered does not prejudice the Senator's right to offer the amendment he has in mind. I am sure the Senator agrees with that.

There are some Senators who would like to vote for this increase in social security benefits as a package. I think the Senator from Okla-
Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I send to the desk an amendment to the amendment of the Senator from Louisiana. The amendment is in order, as determined under sec. 205(a).

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<th>III</th>
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<tbody>
<tr>
<td>(Primary insurance amount under 1939 act as modified)</td>
<td>(Primary insurance amount under 1967 act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Primary insurance amount as determined under subsid. (c))</td>
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<td>(Maximum family benefits)</td>
<td>(Primary insurance amount under 1939 act as modified)</td>
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<td>$342...</td>
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The amendment to the amendment of the Senator from Louisiana, ordered to be printed in the Record, was, beginning on line 7, page 1 of amendment No. 317, strike out all down to and including line 11, page 9, and in lieu thereof insert the following:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1969.""
CONGRESSIONAL RECORD — SENATE

December 5, 1969

S 15775

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

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538
543
548
553
556

('0) SectIon 203 (a) of such Act is amended

for February 1970 on the basis of such wages

and self-employment income, such total of
benefits for March 1970 or any subsequent
month shall not be reduced to less than the
larger of—

"(A) the amount determined under this

subsection without regard to this paragraph,

"(B) an amount equal to the sum of the

amounts derived by multiplying the tenefit
amount determined under this title (IncludIng this subsection, but without the application of section 222(b), section 202(q), and

subsections (b), (c), and (d) of thIs seetion), as in effect prior to March 1970, for
each nuch person for such month, by 110
percent and raining each such Increased
amount, if it is not a multiple of $0.10, to
the next higher multiple of $0.10;
But in any euch case (i) paragraph (1) of

this subsection shall not be applied to such
total of benefits after the application of subparagraph (B), and (ii) If section 202(k) (2)
(A) was applicable In the case of any nuch

benefits for March 1970, and ceases to apply
after such month, the provisions of subparagraph (B) shall be applied, for and after the
month In which section 202(k) (2) (A) ceases

to apply, as though paragraph (1) had not

at this

more

At least—

184. tO

348.80

preceding
paragraphs

But sat

subsec.

182.90

344. 80

The amsust
referred to
in the

(c)) is—

205. 00
206. 00

176. 60
177. 80
179. 10
180. 30
181. 50

•

Or his average
monthly wage (us
determined under
sabanc. (h)) is—

And the
masimum
amount at
benefits
payable (as
prvsided in
sec. 203(a))
an the basis
at his wages
and sellemployment

mare

360.00
361.60

175.40

insurance
amount)

thun—

352. 00
356. 00

426
431
436
440
445
450
454
459
464

(Average
munthly wage)

.

Or his
primary

It an individual's
primsry insurance
benefit (an determined under
subsec. (d)) is—

200.00
201.00
202.00
203.00
204.00

by striking out paragraph (2) and InsertIng
in lieu thereof the following:
"(2) when two or more persons were entitled (without the application of section
202(3) (1) and section 223(b)) to monthly
benefits under section 202 or 223 for March
1970 on the basis of the wages and self-employment Income of such Insured Individual
and at least one such person was so entitled

or

insurance

Or bin average
monthly wage (as

primary

Ill

II

(Primary

207.00
208.00
209. 00

210.00
211.00
212. 00

2t3. 00
214. 00
215. 00

216.00
217. 00

218.00

561
564

575
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621
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628
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635
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649
657
667
677
686

696
706
716
726
735

567

591
595

419. 20
602
605
609
612
616
620
623
627

80

225.

424.80
228.

428. 00

20

432. 00

637
641
644
648

235.40

434.
436. 40

666
676
685
695
705
715
725
734
744

241.00
242.00
243.00

442.40
446.40
450.40
454.00

244. 00

458. 00

245.00
246.00
247.00
248.00
249.00

462.00
466.00
470.00
473.60
477.60

236.

237.60
238.70

437.60
439,

line on which in column LI appears his primary insurance amount (as determined un(c) Section 215(b) (4) of such Act is der section 215(c) of such Act) instead of
amended by striking out "January 1968" each the amount in column IV equal to the prstime It appears and Inserting In lieu thero.f mary insurance amount on which his dinability Insurance benefit is based.
"February 1970".
(d) Section 215(c) of such Act Is amended
5NCREA5E 5N SENEF5T5 FOR cERTAs5 5NDIto read as follows:
VIDUAL5 AOE 75 AND OVER
"PRIMARY INSURANCE AMOUNT UNDER 557 ACT
SEO. 3. (a) (1) Section 227(a) of the Social
'(c) (1) For the purposes of column LI of Security Act is amended by striking out "$40"
the table appearing in subsection (a) of this and Inserting In lieu thereof "$44," and by
section, an individual's primary Insurance striking out "$20" and Inserting in lieu thereamount shall be computed on the basis of of "$22.".
the law In effect prior to the enactment of
(2) Section 227(b) of such Act Is amended
the Social Security Amendments of 1969.
by striking out in the second sentence "$40"
"(2) The provisions of this subsection and Inserting in lieu thereof "$44".
shall be applicable only in the case of an
(b) (1) Section 228(b) (1) of such Act is
Individual who became entitled to benefits amended by striking out "$40" and insertunder section 202 (a) or section 223 before Ing In lieu thereof "$44".
March 1970, or who died before such month.'
(2) Section 228(b) (2) of such Act Is
(e) The amendments made by this section amended
by striking out "$40" and Inserting
shall apply with respect to monthly bane- In lieu thereof "$44", and by striking out
fits under title II of the Social Security Act "$20" and Inserting in lieu thereof "$22".
for months after February 1970 and with re(3) Section 228(c)(2) of such Act in
spect to lump-sum death payments under amended
by striking out "$20" and insertang
such title in the case of deaths occurring af- in lieu thereOf "$22".
ter February 1970.
(4) Section 228(c) (3) (A) of such Act is
(f) If an individual was entitled to a illsby striking out "$40" and insertability Insurance benefit under section 223 amended
In lieu thereof "$44".
of the Social Security Act for February 1970 Ing(5)
Section 228(c) (3) (B) of such Act Is
and became entitled to old-age Insurance
benefits under section 202(a) of such Act amended by striking out '$20" and inserting
for March 1970, or he died in such month, in lieu thereof "$22".
(c) The amendments made by subsectionn
then, for purposes of section 215 (a) (4) of
the Social Security Act (if applicable), the (a) and (b) shall apply with respect to
amount in column TV of the table appearing monthly benefits under title II of the Scin such section 215(a) for such Individual cial Security Act for months after February
shall be the amount In such column on the 1970.

been applicable to such total of benefits for
March 1970, or".


AUTOMATIC ADJUSTMENT OF BENEFITS

Sec. 4. (a) Section 215 of the Social Security Act is amended by adding after subsection (h) the following new subsection:

"(i) The amount in the first additional line in column IV shall be the amount in the last line of such column as determined under clause (ii), plus $1,000, but not less than the amount that is determined by multiplying such amount by the lesser of: (1) the average taxable wages of all persons for whom wages were reported to the Secretary for the first calendar quarter of the calendar year in which such benefit table is revised, rounded to the nearest multiple of $10, or (2) the average of the taxable wages of all persons for whom wages were reported to the Secretary in the calendar year in which such benefit table is revised, rounded to the nearest multiple of $10.

(b) Section 202(i) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(c) Section 202(j) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(d) Section 202(k) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(e) Section 202(l) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(f) Section 202(m) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(g) Section 202(n) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(h) Section 202(o) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(i) Section 202(p) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(j) Section 202(q) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(k) Section 202(r) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(l) Section 202(s) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(m) Section 202(t) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(n) Section 202(u) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(o) Section 202(v) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(p) Section 202(w) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(q) Section 202(x) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(r) Section 202(y) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(s) Section 202(z) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(t) Section 202(aa) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(u) Section 202(bb) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(v) Section 202(cc) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(w) Section 202(dd) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(x) Section 202(ee) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(y) Section 202(ff) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(z) Section 202(gg) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(aa) Section 202(hh) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(bb) Section 202(ii) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(cc) Section 202(jj) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(dd) Section 202(kk) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(ee) Section 202(ll) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(ff) Section 202(mm) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(gg) Section 202(nn) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(hh) Section 202(oo) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(ii) Section 202(pp) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(jj) Section 202(qq) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(kk) Section 202(rr) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(ll) Section 202(ss) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(mm) Section 202(tt) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(nn) Section 202(uu) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(oo) Section 202(vv) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(pp) Section 202(ww) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(qq) Section 202(xx) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(rr) Section 202(yy) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(ss) Section 202(zz) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(tt) Section 202(aaa) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(uu) Section 202(bbb) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(vv) Section 202(ccc) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(ww) Section 202(sss) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(xx) Section 202(fff) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".

(yyyy) Section 202(nn) of the Social Security Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the amount that is determined under subparagraph (A)".
tion 230) with respect to employment paid to an individual during the calendar year with respect to which such contribution and earnings base effective, is paid to such individual during such calendar year;

(2) (a) The following new subparagraphs are inserted in section 3125(b) of such Code (relating to Federal contributions and earnings base effective for such calendar year, minus (ii) the amount of the wages to such individual during such taxable year;

(3) (A) The second sentence of section 3122 of such Code (relating to Federal contributions and earnings base effective for such calendar year with respect to which such contribution and earnings base was effective).

(3) (B) Effective with remuneration paid after 1973, the second sentence of section 3122 of such Code is amended by striking out "$9,000" and inserting in lieu thereof "the contribution and earnings base effective for such calendar year".

(B) By inserting after "exceed $7,800" the following new subparagraph:

(4) Section 215(c)(2)(A) of such Code (relating to section (b)) for the two calendar years succeeding the calendar year following the year in which the determination is made.

(b) The contribution and earnings base for a particular calendar year shall be which:

(1) The product of $9,000 and the ratio of (A) the average taxable wages of all insured individuals who were taxable wages as reported to the Secretary for the first quarter of the calendar year in which a determination under subsection (a) was made to (B) the average of the taxable wages of all persons whom taxable wages were reported to the Secretary for the calendar year of 1971, such product, if not a multiple of $900, shall be rounded to the nearest multiple of $900, or

(c) The contribution and earnings base for the calendar year preceding such particular calendar year.

(b) That part of section 215(a) of the Social Security Act which precedes the tabulation in section 215(a) is amendable by striking out "or" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof "(or the amount equal to his primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (5); or, and"

(d) By inserting after paragraph (4) the following:

(5) If such insured individual's average monthly wages in any calendar year after 1973 exceeded $750, the amount equal to the sum of (A) $54.48 and (B) 28.47 per centum of such average monthly wages, such sum, if it is not a multiple of $1, shall be rounded to the nearest multiple of $1.

(c) So much of section 203(a) as precedes paragraph (2) is amended to read as follows:

Sec. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an insured individual exceeds the larger of: (I) the amount appearing in column V of the table in section 215(a) on the line on which appears in column IV such insured individual's primary insurance amount, and (II) the amount which is equal to the sum of $180 and 40 per centum of the average monthly wages (as determined under section 215(b)), which will produce the primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under (I) or (II) above, whichever is applicable: except that:

(1) When any such individual so entitled would (but for the provisions of section 202(k)(2)(A) to 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 benefits shall not be reduced to less than the larger of:

(2) The amount determined under clause (I) for the highest primary insurance amount of any insured individual (such primary insurance amount is determined under section 215(a)(15))

(d) (1) Section 201(c) of the Social Security Act is amended by striking out after the last sentence the following sentence: "The report shall further include a recommendation for such percentages as may be determined under paragraphs (2) and (3) of section 1401(a), 3101(a), and 3111(b) of the Internal Revenue Code of 1964,

December 5, 1969
which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated outgo of the Trust Funds during such year.

(e) Section 1817(b) of such Act is amended by inserting before the last sentence the following sentence: "The report shall further include a recommendation as to the appropriate tax rates in sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated income in relation to the estimated outgo of the Trust Funds during such year.

(e) The amendments made by subsections (b) and (c) shall apply with respect to payments under such title in the case of deaths occurring after January 1, 1973 and with respect to lump-sum death payments under such title in the case of deaths occurring after 1972.

CHANGES IN TAX SCHEDULES

Sec. 8. (a) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), and (4), and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1970, the rate shall be 0.90 percent of the amount of the self-employment income for such taxable year; 

"(2) in the case of any taxable year beginning after December 31, 1970, and before January 1, 1971, the rate shall be 0.90 percent of the amount of the self-employment income for such taxable year; 

"(3) in the case of any taxable year beginning after December 31, 1971, and before January 1, 1972, the rate shall be 0.90 percent of the amount of the self-employment income for such taxable year; 

"(4) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1973, the rate shall be 0.90 percent of the amount of the self-employment income for such taxable year; 

"(5) in the case of any taxable year beginning after December 31, 1973, and before January 1, 1974, the rate shall be 0.90 percent of the amount of the self-employment income for such taxable year; 

Sec. 9. (a) Section 214(a) (1) of the Social Security Act is amended by striking out "before-" and by striking out a sentence of subparagraph (A), (B), and (C) and by inserting in lieu thereof "before the year in which he died or (if earlier) the year in which he attained age 62.

(b) Section 215(b) (3) of such Act is amended by striking out "which began before he attained the age of 18", and inserting in lieu thereof "which began before he attained the age of 22".

(c) The amendment made by subsections (a) (1) and (b) shall apply only with respect to taxable years beginning after December 31, 1969. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1969.

AGE-62 COMPUTATION POINT FOR MEN

Sec. 9. (a) Section 214(a) (1) of the Social Security Act is amended by striking out "before-" and by striking out a sentence of subparagraph (A), (B), and (C) and by inserting in lieu thereof "before the year in which he died or (if earlier) the year in which he attained age 62.

(b) Section 215(b) (3) of such Act is amended by striking out "which began before he attained the age of 18", and inserting in lieu thereof "which began before he attained the age of 22".

(c) The amendment made by subsections (a) (1) and (b) shall apply only with respect to taxable years beginning after December 31, 1969. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1969.

entitlement to child's insurance benefits

passed November 17

SEC. 10. (a) Clause (II) of section 202(d) (1) (B) of the Social Security Act is amended by striking out "which began before he attained the age of 18", and inserting in lieu thereof "which began before he attained the age of 22".

(b) Subparagraphs (F) and (G) of section 202(d) (1) of such Act are amended to read as follows:

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the month in which he attains the age of 22, but only if he was not under a disability (as so defined) in such earlier month; or 

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the month in which he attains the age of 22, but only if he was not under a disability (as so defined) in such earlier month; or 

"(ii) the month in which he attains the age of 22, but only if he was not under a disability (as so defined) in such earlier month; or 

"(ii) the month in which he of Section 223(a) (2) of such Act is further amended by adding after the end thereof the following new sentence: No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223(d) except for paragraph (1) (B) thereof for any month in which he engages in substantial gainful activity.

(b) (2) of such Act is amended by striking out "which is a full-time student and has not attained the age of 22", and all that follows and inserting in lieu thereof "which is a full-time student and has not attained the age of 22".

"(A) (1) is a full-time student or (II) is under a disability (as defined in section 223(d), and 

"(B) has not attained the age of 22, but only if he has filed application for such re- 

entitlement. Such re- 

entitlement shall end on the earlier of (1) the first month 

during which he is a full-time student or (II) the month in which he attains the age of 22, but only if he is not under a dis-
ability (as so defined) in such earlier month; or
(2) if he was under a disability (as so defined) in the third month following the month in which he ceases to be under such disability or (if later) the earlier of—
(i) the first month during no part of which he is entitled to benefits under the Act; or
(ii) the month in which he attains the age of 22.

(e) Section 202(s) of such Act is amended—
(1) by striking out "before he attained such age" in paragraph (1) and inserting in lieu thereof "before he attained the age of 22"; and
(2) by inserting "before such child attained the age of 22" in paragraphs (2) and (3) inserting in lieu thereof "before such child attained the age of 22.

(f) The amendments made by this section shall be operative for months after December 1970, except that in the case of an individual who was entitled to a monthly benefit under such section for December 1970, such amendments shall apply only in the case of an application filed after September 30, 1970.

ALLOCATRON TO DISABILITY INSURANCE TRUST

Sec. 11. (a) Section 201(b)(1) of the Social Security Act is amended by—
(1) striking out "and" at the end of clause (B) and by inserting in lieu thereof "or"
(2) striking out "and" at the end of clause (B) and by inserting in lieu thereof "or"
(3) inserting in lieu thereof "husband's, or parent's";
(4) inserting in paragraph (6) after "husband's," the following: "parent's," and by striking out in such paragraph (6) "husband's, or parent's;"
(5) inserting in paragraph (3) after "husband's," the following: "parent's," and by striking out in such paragraph (3) "husband's, or parent's;"

WAGE CREDITS FOR THE UNFORMED SERVICES

Sec. 12. (a) Subsection 229(a) of such Act is amended by—
(1) striking out "after December 1967," and inserting in lieu thereof "after December 1970;"
(2) striking out "after 1967," and inserting in lieu thereof "after 1967;" and
(3) striking out all of paragraphs (1), (2), and (3), and inserting in lieu thereof "$300.

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1970 and with respect to lump-sum death payments occurring in such months, as the case may be, except that, in the case of any individual who is entitled, on the basis of the wages and self-employment income of any individual to whom section 229 applies, to monthly benefits under title II of such Act for December 1970, such amendments shall apply (A) only if an application for recomputation by reason of such amendment is filed by such individual, or any other individual, entitled to benefits under such title II on the basis of such wages and self-employment income, and (B) only with respect to such benefits for months after whichever of the following is later: December 1970, except that, in the case of any individual who is entitled to benefits under such title II on the basis of such wages and self-employment income of any individual to whom section 229 applies, to monthly benefits under title II of such Act for December 1970, such amendments shall be made notwithstanding the provisions of section 316(f)(1) of the Social Security Act; but such recomputation shall be regarded as a recomputation for purposes of section 215(f) of such act.

PARENT'S INSURANCE BENEFITS IN CASE OF RETIRED OR DISABLED WORKER

Sec. 13. (a) Paragraph (2) of section 202(a)(1) of the Social Security Act are amended to read as follows:

"(1) Every parent (as defined in this subsection) who has attained the age of 62; or
"(2) any individual who is entitled, on the basis of the wages and self-employment income of any individual who died or in prior to such month, of the benefit described in paragraph (1) of this section.

(b) Section 202(q) of such Act is amended by—
(1) inserting in paragraph (1) after "husband's," the following: "parent's," and by striking out in such paragraph (1) "husband's" and inserting in lieu thereof "husband's, or parent's;"
(2) inserting in paragraph (3) after "husband's," the following: "parent's," and by striking out in such paragraph (3) "husband's, or parent's;"
(3) inserting in paragraph (6) after "husband's," the following: "parent's," and by striking out in such paragraph (6) "husband's, or parent's;"
(4) inserting in paragraph (7) after "husband's," the following: "parent's," and by striking out in such paragraph (7) "husband's," and adding at the end thereof the following new paragraph:

"(11) For purposes of this subsection, 'parent's insurance benefit' means benefits payable under this section to a parent on the basis of the wages and self-employment income of an individual entitled to old-age insurance benefits or disability insurance benefits.

(c) Section 202(r) of such Act is amended by—
(1) by striking out "or husband's" in the heading and inserting in lieu thereof "husband's, or parent's;"
(2) by striking out in such paragraph (1) "husband's" and inserting in lieu thereof "husband's, or parent's;"
(3) inserting in such paragraph (2) after "wife's or husband's" the following: "parent's," and by inserting in lieu thereof "husband's, or parent's;"

(d) Section 203(d)(1) of such Act is amended by—
(1) by striking out in such paragraph (1) "husband's" and inserting in lieu thereof "child's, or parent's;" and by striking out "husband's, or parent's;"
(2) by striking out in such paragraph (1) "husband's" and inserting in lieu thereof "child's, or parent's;" and
(3) by striking out in such paragraph (1) "husband's, or parent's;"

(e) Subparagraph (C) of section 202(q) (7) of such Act is amended—
(1) by striking out "wife's" and husband's
increase benefits" and inserting in lieu thereof "wife's, husband's, or parent's insurance benefits", and (2) by striking out "the spouse" and inserting in lieu thereof "the widow of", (f) Section 222(b)(3) of such Act is amended—
(1) by striking out "husband's, or child's" where such word or words appear in the heading and inserting in lieu thereof "husband's, parent's, or child's"; and (2) by striking out "husband, or child" and inserting in lieu thereof "husband, parent, or child".

(g) Where—
(1) one or more persons were entitled (without the application of section 202(i) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for December 1970 on the basis of the wages and self-employment income of an Individual, and
(2) one or more persons are entitled to monthly benefits for January 1971 solely by reason of this section on the basis of such wages and self-employment income, and
(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment income is not less than the amount of the benefit to which such person referred to in paragraph (1) was entitled, the amendments made by this section shall be effective for monthly benefits for months after December 1970.

The requirement in section 202(b)(1) of the Social Security Act that proof of support be filed within two years after a specified date in order to establish eligibility for parent's insurance benefits shall, insofar as such requirement applies to cases where applications under such subsection are filed by reason of section 202(a) of such Act, as amended by this Act (or, would, but for the penultimate sentence of such section (as amended), be so reduced), then the amount of the benefit to which each person referred to in paragraph (1) of the subsection is entitled for December 1970 shall be increased, after the application of such section 202(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph (2).

(b) The amendments made by this section shall be effective for the first month of such individual's entitlement to benefits under such section 202 or 223, if such individual is entitled to benefits for such first month as of the date of enactment of such Act, but only if he became so entitled prior to attaining age 62, or

(c) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment income is not less than the amount of the benefit to which such person referred to in paragraph (1) was entitled, the amendments made by this section shall be effective for monthly benefits for months after December 1970.

Mr. WILLIAMS of Delaware. Mr. President, the amendment I have offered is the administration bill as introduced in the Senate. I shall point out the major differences between the administration bill and the measure which is pending before the Senate at this time.

I regret the way in which the circumstances have developed. I wish very much that we were able to do what I was able to do along with a bill which started out to be a major tax reform bill—a tax reform which is long overdue. I wish very much that I could have been able to awaken this body to the fact that we have a situation where we have to enact a measure of such importance on the floor of the Senate without committee hearings, and I also regret very much that we are disagreeing with the majority along with a bill which started out to be a major tax reform bill—a tax reform which is long overdue. I wish very much that we could have been able to agree to that bill which was introduced in this body.

Nevertheless, we have a social security measure before us. It is a fact of life. All we can do is cope with that situation.

Therefore, on behalf of the minority members of this committee I am submitting the amendment I am offering. The major differences in the proposals are as follows. As the Senator from Louisiana pointed out just a few moments ago, the proposals are introduced is comparable to the bill reported by the Ways and Means Committee, and it provides for a flat 15 percent.

Mr. BYRD of West Virginia. Mr. President, I may have order? I cannot hear the Senator.

The PRESIDING OFFICER. The Senator will be in order.

The Senator from Delaware may proceed.

Mr. WILLIAMS of Delaware. Mr. President, the proposal in the proposal of the amendment the Senator from Louisiana is for a flat 15 percent tax reduction which would be effective January 1, whereas the administration bill provides for a 10 percent increase effective in March. The Senator from Louisiana made the move to April of 1970, and, as with the earlier effective date on the measure of the Senator from Louisiana, there would be a retroactive
Mr. WILLIAMS of Delaware. It is 10 percent.

Mr. BYRD of West Virginia. By what amount is the minimum payment increased?

Mr. WILLIAMS of Delaware. It is 10 percent.

Mr. BYRD of West Virginia. I thank the Senator from Delaware.

Mr. WILLIAMS of Delaware. But there are other benefits which are in the administration bill to which I call attention in addition to the automatic cost-of-living increase.

For example, the income retirement test under existing law is $1,680. With an individual wage base.

and $2,880 they take back $1 for every $2 he earns and after that $2,880 figure is reached, they take back all a man's social security benefits across the board this amendment which he is advocating for a long time; and that is built-in permanent cost-of-living increases so that as the cost of living goes up 3 percentage points the social security benefits automatically would go up 3 percentage points.

Since the last social security increase the cost of living has gone up slightly over 9 percent, which means that had this provision been in effect retroactively those persons today would be enjoying the increase of 9.1 percent increased earning.

Mr. BYRD of West Virginia. Mr. President, will the Senator from Delaware yield further?

Mr. WILLIAMS of Delaware. I yield.

Mr. BYRD of West Virginia. Under the bill offered by the Senator from Louisiana it would be increased 15 percent.

Mr. WILLIAMS of Delaware. I thank the Senator from Delaware.

Mr. BYRD of West Virginia. Under the perfecting amendment being offered by the Senator from Delaware, as I understand it, the minimum payment would be increased by 15 percent.

Mr. WILLIAMS of Delaware. Yes; 10 percent.

Under the bill offered by the Senator from Louisiana it would be increased 15 percent.

Mr. BYRD of West Virginia. I thank the Senator from Delaware.

Mr. WILLIAMS of Delaware. In addition, the hospital insurance under present law is inadequately financed, a situation recognized as such by all concerned. This pending amendment provides proper financing by raising the eventual tax rate from six-tenths of nine-tenths percent.

Under existing law it goes to nine-tenths of 1 percent at some date in the projected future. We move to that nine-tenths of 1 percent immediately because it is needed in order to keep the fund solvent now.

There is also an additional benefit under the bill which is not embraced in the Long amendment, which provides 15 percent across the board. Under existing law a widow's benefits are reduced to 1/6 of the pension that her husband was receiving. This amendment would change that and allow a widow as the survivor to get 100 percent of the benefits her husband was receiving. The increased earning with the increase in the retirement test, as well as the escalation clause, in my opinion far outweigh much of the difference in the 5 percent variation.

But what is equally if not more important is that we have a bill here which is properly financed, so that those on social security today can look forward, knowing that the fund is being adequately financed by Congress and that they are guaranteed that amount for the remainder of their lives.

It seems to me that is very important to those living on retirement pensions. It is also important that the amount of the pension which they are receiving will be increased, yes; but what is even more important is that they will be given assurance that that which they are drawing today they can expect for the remainder of their lives, whether they live to be 75, 80, 90, or 100 years old.

Certainly the assurance that this fund is being kept actuarially solvent and that Congress will not tinker with it for political or any other reasons is necessary to finance the benefits that have been approved. That sound policy has been recommended by every administration that has been in power heretofore.

Sound financing has been recommended by every Secretary of Health, Education, and Welfare that has ever testified before a committee, including the able Senator from Connecticut (Mr. Ribicoff), who is recognized as one of the most able Secretaries of Health, Education, and Welfare that has ever sat, for instance, when they were before committees, that under no circumstances should Congress vote benefits for which it is not willing to pay. We should stand by that principle. I hope that this substitute will be adopted.

Therefore, I and other members of the committee have said that had hoped we could include provisions in a social security bill that would correct some of the discovered abuses in the medicare program, but I have not attempted to deal with those here. I do not think that we could propose them here on the Senate floor. There is no difference of opinion, I might say, on the part of myself and the chairman of the committee or any other members of the committee but that this is an area that does need our attention, and it is going to get the attention of the committee. I am confident that no matter what can be done will be given our attention at a later date.

Since we are going to have to vote today I think the very least we can do is to approve an actuarially solvent benefits plan which they will be needed the most, and that is in the low income brackets. They are the
ones hit by this income test. Of course, the widows, likewise, are benefited.

I am not arguing or trying to argue that there is not a difference; certainly the 15 percent is more attractive than the 25 percent that the Senator's bill is set up about that. Twenty percent is more attractive than 15 percent, and 25 percent is more attractive than 20 percent.

But there is a limit as to what we can do in any given year, whether it be 15 or 10 percent, or whatever percentage it is, those who vote for it should at least include the method to pay for it; otherwise, we are only making a false promise.

Mr. PROUTY. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. PROUTY. I am sorry that I cannot support the Senator. I appreciate how he is. I should like to point out—and I will do it more in detail later on—that the surplus in the social security fund at the end of fiscal year 1969 was $32 billion. At the end of fiscal 1970 it will be $35.8 billion. The outflow, $2.85 billion, the gain, $6.7 billion. The surplus will be, at the end of June 30, 1970, $38.7 billion. And when we get up to 1973, we will have a surplus of $75 billion.

All the actuaries have told us that this is perfectly proper and sound financing. I have offered an amendment which is now at the desk, which I do not intend to call up at this time, which provides for a $90 minimum and a 10 percent across-the-board increase.

Mr. WILLIAMS of Delaware. Could I ask that point first, because it seems the Senator wants to make a speech. The figures he quotes are figures that are based upon assumptions which will not develop under the proposal of the Senator from Louisiana.

Mr. PROUTY. They were given to me by the social security actuaries.

Mr. WILLIAMS of Delaware. But that is based on assumptions which I will explain to the Senator, namely, the assumption that they will accept the recommendations of President Johnson and President Nixon providing an increase in the social security tax. What the Senator has done is take the figures that would result from those increases, but his amendment has eliminated the increases. The Senator is living in a dream world.

Mr. PROUTY. Well, I will discuss that in more detail later.

Mr. WILLIAMS of Delaware. I respect that, but nevertheless the distinguished Senator is taking credit for taxes which are not proposed in his bill.

Mr. PROUTY. As a matter of fact, the cost of the Long amendment is $3.24 of that—that is payroll—under the Williams amendment it is $2.25; and the one that I would have to do for the tax rates which are contained in the Long amendment it is 1.25; and the one that I am talking about is 1.24 of that. That is payroll under the Williams amendment. It is based on the assumption which I have made that we will have a surplus in the social security fund adequate to pay benefits for 12 months. That is a dangerously low level.

The reason why it is a dangerously low level is that we may run into a period of recession. We have had them before, and we may have them again. If we are certain of our acts, if we continue such irresponsible actions as we have had in Congress in the last few days. In a period of recession, rising unemployment will result in few contributions to the trust fund because it is based on contributions from wage earners. As unemployment increases the contributions from wage earners decrease; but still, the people who are eligible to go into retirement and the outgo increases. So in a period of any kind of recession the outcome will increase substantially, and the income will drop. That is why we have to have some reserve.

Mr. PROUTY. Nobody disagrees with the need for having a reserve, but we are building up a tremendous reserve. By 1973 we will have a surplus of $73.5 billion.

Mr. WILLIAMS of Delaware. We will not have a surplus of $73.5 billion.

Mr. PROUTY. 我 am still talking on the actuaries. I am not relying on my own figures.

Mr. WILLIAMS of Delaware. I do not know which actuaries.

Mr. PROUTY. Mr. Myers, the chief actuary for the Social Security Administration, and another actuary who has been working closely with the Finance Committee of the Senate and the Ways and Means Committee of the House.

Mr. WILLIAMS of Delaware. I never heard of those figures being presented to the committee.

Mr. JORDAN of Idaho. Mr. President, will the Senator yield for a question? Mr. WILLIAMS OF Delaware. I yield.

Mr. JORDAN of Idaho. The Senator's amendment reduces the payroll tax increases by $2.25 billion, plus an adjustment tied to the increase in the cost of living. Is that correct?

Mr. WILLIAMS of Delaware. That is correct.

Mr. JORDAN of Idaho. As contrasted with the amendment which the Senator from Delaware would amend of a straight 15 percent increase, with no escalar clause tied to the increase in cost of living.

Mr. WILLIAMS of Delaware. That is correct.

Mr. JORDAN of Idaho. Is it not entirely possible that a 10 percent increase with an escalator clause tied to the cost of living may be better than a straight 15 percent increase with none of the ancillary benefits the Senator has enumerated?

Mr. WILLIAMS of Delaware. Yes, it would be better. Because in addition to the side benefits I have mentioned, it also provides for an automatic cost-of-living increase. It is soundly financed into the future because as the automatic cost-of-living increase comes in, the contributions increase. So in the future, while it is going to mean an extra cost for the fund, there is also triggered into effect an automatic increase in the tax rate.

In other words, future increased benefits are tied into the increased cost of living, but there is also tied into it a permanent system of financing it, because when the cost of living goes up 3 percent and the benefits are accordingly increased 3 percent, there is triggered into effect an increased tax rate to finance the cost. Therefore, those under the social security system would know that not only are the benefits we are granting them today adequately financed but also the increased costs projected into the future are also financed.

We have provided for financing of hospital insurance, which is underfinanced by all estimates.

Mr. JORDAN of Idaho. If the escalator provision had been in effect under the present social security law, recipients would be getting nearly 10 percent more than they are presently getting, and they would have had increases in their payments tied to the cost-of-living increases.

Mr. WILLIAMS of Delaware. Yes. As the cost of living increases 3 percent it would trigger into effect increased benefits of 3 percent.

Mr. JORDAN of Idaho. If the President desires, in his message to Congress, he might emphasize that he is not breaking faith with those Americans who have a right to expect that Social Security payments will protect them and their dependents.

The impact of an inflation now in its fourth year has undermined the value of every Social Security check and requires that
we once again increase the benefits to help those among the most severely victimized by the rising cost of living.

In the Social Security program, the Congress remedy the real losses to those who now receive Social Security benefits by increasing payments by $10 per month. But beyond that step to set right today's inequity, I propose that the Congress make certain once and for all that for the retired, the disabled and the dependent never again shall bear the brunt of inflation. The way to prevent future unfairness is to attach the benefit to economic changes in the cost of living.

This will instill new security in Social Security. This will provide peace of mind to those concerned with their retirement years, and to their families. By acting to raise benefits now to meet the rise in the cost of living, we keep faith with today's recipients. By acting to make future benefits automatic, and to increase with rises in the cost of living, we remove questions about future years; we do much to remove this system from biennial politics; and we make fair treatment of beneficiaries a matter of certainty rather than a matter of hope.

In the 34 years since the Social Security program was first established, it has become a vital part of the way of life for so many Americans. Today approximately 25 million people are receiving cash payments from the Social Security program. Quarter of a million other Americans; the Social Security check generally represents the greater part of total income. Millions of younger people receive benefits under disability or survivor provisions of Social Security.

Almost all Americans have a stake in the social security program of America. Some 92 million workers are contributing to Social Security this year. About 80 per cent of American households are being protected by Social Security. A third of all workers in America are covered by Social Security. The Social Security program is an essential part of life for so many Americans, we must continue to re-examine the program and be prepared to make improvements.

In this Administration's review and evaluation is the Advisory Council on Social Security, a16-member advisory body of 16 Education and Welfare appointed in May. For example, I will look to this Council for recommendations regarding the coverage for women; changing work patterns and the increased contributions of working women to the Social Security program. The recommendations of this Council and of other advisers, both within the Government and outside of it, will be important to our planning. As I indicated in my message to the Congress on April 14, improvement in the Social Security program is a major objective of this Administration.

There are certain changes in the Social Security program, however, for which the need is so clear that they should be made without awaiting the findings of the Advisory Council. The purpose of this message is to recommend to the Congress:

I propose an across-the-board increase of 10% in Social Security benefits, effective with wages in 1970. This increase in the Social Security program is a necessary first step to make up for increases in the cost of living.

I propose that future benefits in the Social Security program be automatically adjusted to account for increases in the cost of living.

I propose an increase from $1680 to $1800 in the contribution and benefit base, beginning in 1972, to strengthen the system, to help keep future benefits related to the growth of his wages, and to meet part of the cost of the improved program. From 1965 to 1971, benefits automatically be adjusted to reflect wage increases.

I propose a series of additional reforms to ensure more equitable treatment for widows, recipients age 72, and persons disabled in childhood and for the dependent parents of disabled and retired workers.

I propose that the suggested changes are only first steps, and that further recommendations will come from our review process.

The Social Security system needs adjustment now so it will better serve people receiving benefits today, and those corrections are recommended in this message. The system is also in need of long-range reform, to make it better serve those who contribute for future years, and that will be the subject of later recommendations.

**THE BENEFITS INCREASE**

With the increase of 10%, the average family benefit for an aged couple, both receiving benefits, would rise from $170 to $188 a month. Further indication of the impact of a 10 per cent increase on monthly benefits is also in need of long-range reform, to extend this to parents of workers who are disabled or who retire.

4. Child's insurance benefits for life, if a child is in receipt of a benefit for any reason, is also in need of long-range reform, to extend this to parents of workers who are disabled or who retire.

5. The proposed benefit increases will raise the income of more than 25 million persons who will be on the Social Security rolls in April, 1970. Total budget outlays for the first full calendar year in which the increase is effective will be approximately $8 billion.

Benefits will be adjusted automatically to reflect increases in the cost of living. The uncertainty of adjustment under present law is ended when the needs are already apparent is unnecessarily harsh to those who must depend on Social Security benefits for survival.

Benefits that automatically increase with rising living costs can be funded without increasing Social Security tax rates so long as the amount of earnings subject to tax reecks the rising level of wages. Therefore, I propose that the wage base be automatically adjusted so that it corresponds to increases in earnings levels.

These automatic adjustments are interrelated and the present law package. Taken together they will depoliticize, to a certain extent, the Social Security system and give a greater stability to what has become a cornerstone of our social security system.

**REFORMING THE SYSTEM**

I propose a series of reforms in present Social Security law to achieve new standards of fairness. These would provide:

1. An increase in benefits to a widow who begins receiving her benefit at age 65 or later. The benefit would increase the current benefit by 30%. Social Security benefits will be reduced by a full dollar for every dollar of added earnings until all his benefits are withheld; in effect, we impose a tax of more than 100% on these earnings.

2. Non-contributory earnings credits of about $150 a month for military service from January, 1957 to December, 1967. During that period, individuals in military service were covered under Social Security but not given the same benefits for room and board, etc. A law passed in 1967 corrected this for the future, but the men who served before 1957 (prisoners of war for servicemen) to 1967 should not be overlooked.

3. Benefits for the aged parents of retired and disabled workers. Under present law, benefits are payable only to the dependent parents of a worker who has died; we would extend this to parents of workers who are disabled or who retire.

4. Child's insurance benefits for life, if a child receives permanently disabled before age 22. Under present law, a person must have become disabled before age 18 to qualify for these benefits. The proposal would provide Social Security beneficiaries for doing additional work or taking a job at higher pay. This is wrong.

In my view, many older people should be encouraged to work. Not only are they provided with added income, but the country retains a benefit of the Social Security test which may limit his exemption.

6. A fairer means of determining benefits payable on a man's earnings record. At present, a worker who retires at age 65 in 1970).......

7. The present retirement test actually penalizes Social Security beneficiaries for doing additional work or taking a job at higher pay. This is wrong.

In my view, many older people should be encouraged to work. Not only are they provided with added income, but the country retains a benefit of the Social Security test which may limit his exemption.

**CHANGES IN THE RETIREMENT TEST**

A feature of the present Social Security law that has drawn much criticism in the so-called "retirement test" which limits the amount that a beneficiary can earn and still receive full benefits. I have been much concerned about provision, particularly about its effect on incentives to work. The present retirement test actually penalizes Social Security beneficiaries for doing additional work or taking a job at higher pay. Under this proposal, 1. Under the approach used in the present retirement test, people who earned more than the exempt amount plus $1200, would continue to have $1 in Social Security benefits withheld for every $1 received in earnings. A necessary second step is to eliminate from present law the requirement that when earnings reach $1680 above the exempt amount, Social Security benefits will be reduced by a full dollar for every dollar of additional earnings until all his benefits are withheld; in effect, we impose a tax of more than 100% on these earnings.

To avoid this, I would eliminate this $1 reduction for each $1 earned and replace it with the same $1 reduction for each $2 earned above $1200. This change would reduce a disincentive to increase employment that arises under the retirement test in its present form.

The amount a retired person can earn and still receive his benefits would also increase automatically with the earnings level. It is a necessary for the Congress to change related to changes in the general level of earnings.

These changes in the retirement test
would result in added benefit payments of some $300 million in the first full calendar year. These people would receive this money—some who are now receiving no benefits at all and some who now receive benefits but who would get more under the new program. These increases are not by any means the solution of all the problems of the retirement trust fund, however, and I am asking the Advisory Council on Social Security to give particular attention to this matter.

CONTRIBUTION AND BENEFIT BASE

The current benefit base and the annual earnings on which Social Security contributions are paid and that can be counted toward Social Security benefits—has been increased several times since the Social Security program began. The further increase I am recommending—from its present level of $7800 to $8000 beginning January 1, 1972—will produce approximately the same relationship between the base and general earnings levels as that of the early 1950s. This is important since the goal of Social Security is the replacement, in part, of lost earnings; if the base on which contributions and benefits are not raised with cost increases, then the benefits deteriorate. The future benefit increases that will result from the increase I am recommending today would help to prevent such deterioration. These increases would, of course, be in addition to result from increases that will be across-the-board increases in benefits that is intended to bring them into line with the cost of living.

FINANCING

I recommend an acceleration of the tax rate scheduled for hospital insurance to bring this social trust fund into actuarial balance. I also propose to decelerate the rate schedule of the old-age, survivors, and disability insurance trust fund in current law. These funds taken together will produce approximately the long-range surplus of income over outgo, which will meet much of the cost. The combined rate, known now as "the social security contribution," already scheduled by statute, will be decreased from 1971 through 1976. This, in 1971 the currently scheduled rate of 5.5 percent to be paid by employees would become 5.1 percent, and in 1973 the currently scheduled rate of 5.6 percent would become 5.2 percent. The actuarial integrity of the two funds will be maintained, and the ultimate tax rates will not be changed in any way, which will be continued.

The voluntary supplementary medical insurance (SMI) of title XVIII of the Social Security Act is not related to Medicare coverage, is not adequately financed with the current 94 premium, our preliminary estimates indicate that there will have to be a substantial increase in the premium. The Secretary of Health, Education, and Welfare will set the premium rate in December for the fiscal year beginning July 1970, as he is required to do by statute.

To meet the rising costs of health care in the United States, this Administration will soon forward a Health Cost Control proposal to the Congress. Other administrative measures that have already been taken to hold down spiraling medical expenses.

In the coming months, this Administration will propose a Social Security program that will not only one million people would receive this money—some who are now receiving no benefits at all and some who now receive benefits but who would get more under the new program. These increases are not by any means the solution of all the problems of the retirement trust fund, however, and I am asking the Advisory Council on Social Security to give particular attention to this matter.

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FINANCING

I recommend an acceleration of the tax rate scheduled for hospital insurance to bring this social trust fund into actuarial balance. I also propose to decelerate the rate schedule of the old-age, survivors, and disability insurance trust fund in current law. These funds taken together will produce approximately the long-range surplus of income over outgo, which will meet much of the cost. The combined rate, known now as "the social security contribution," already scheduled by statute, will be decreased from 1971 through 1976. This, in 1971 the currently scheduled rate of 5.5 percent to be paid by employees would become 5.1 percent, and in 1973 the currently scheduled rate of 5.6 percent would become 5.2 percent. The actuarial integrity of the two funds will be maintained, and the ultimate tax rates will not be changed in any way, which will be continued.

The voluntary supplementary medical insurance (SMI) of title XVIII of the Social Security Act is not related to Medicare coverage, is not adequately financed with the current 94 premium, our preliminary estimates indicate that there will have to be a substantial increase in the premium. The Secretary of Health, Education, and Welfare will set the premium rate in December for the fiscal year beginning July 1970, as he is required to do by statute.

To meet the rising costs of health care in the United States, this Administration will soon forward a Health Cost Control proposal to the Congress. Other administrative measures that have already been taken to hold down spiraling medical expenses.

In the coming months, this Administration will propose a Social Security program that will not only one million people would receive this money—some who are now receiving no benefits at all and some who now receive benefits but who would get more under the new program. These increases are not by any means the solution of all the problems of the retirement trust fund, however, and I am asking the Advisory Council on Social Security to give particular attention to this matter.

CONTRIBUTION AND BENEFIT BASE

The current benefit base and the annual earnings on which Social Security contributions are paid and that can be counted toward Social Security benefits—has been increased several times since the Social Security program began. The further increase I am recommending—from its present level of $7800 to $8000 beginning January 1, 1972—will produce approximately the same relationship between the base and general earnings levels as that of the early 1950s. This is important since the goal of Social Security is the replacement, in part, of lost earnings; if the base on which contributions and benefits are not raised with cost increases, then the benefits deteriorate. The future benefit increases that will result from the increase I am recommending today would help to prevent such deterioration. These increases would, of course, be in addition to result from increases that will be across-the-board increases in benefits that is intended to bring them into line with the cost of living.
increased social security benefits without at the same time increasing the taxes. We should do that now.

We talk about the fact that there is a lot of money in the trust fund. By and large, over a period of years, the trust fund will be able to pay the benefits for 1 year. Sometimes the trust fund will get over that amount, and then again it will dip down. The reason for that is that we cannot change the tax laws too often; it makes it confusing for the taxpayers. And we cannot always anticipate the outflow; it depends upon the economic well-being of the country.

If we vote for the proposal of the distinguished chairman of the Committee on Finance, we will be going on record as voting for a social security increase without providing the revenue. We will be going on record, in my opinion, as voting for a proposal that is not right for the American people and other beneficiaries of social security. We will be voting for a provision that accepts the idea that in spite of our debts and our deficits, we can vote money out of the Treasury without putting some back in.

Mr. President, that is not the way to serve the elderly. It is not the way to serve the widows and the orphans who will be the beneficiaries under this measure. The administration proposal, in the long run, will provide more real benefit than the Long amendment, for two basic reasons. One is that it writes into the law automatic increases when the cost of living goes up. Second, it adheres to the principle of no increase in benefits without a corresponding increase in revenue. That is important at all times, but particularly in times of inflation.

Our votes should be cast for the Williams substitute, not alone because it is an administration measure, not alone because it is for the financing. Our votes should be cast for the Williams substitute because it is better, and will provide benefits with more purchasing power for the recipients, in the long run, than will a departure from the long-established principle that you cannot vote benefits out of the thin air without increasing taxes, and thereby help anyone. It will just delude them. It may help people a little while, but before long, its effect will be felt in our economy.

Mr. President, the way to serve the beneficiaries of social security is to adhere to the principle that when benefits are increased, taxes must be increased. It is also important that we serve the widows and the orphans who have no money in the trust fund. We should not vote for a proposal that is not fair to the American people and other beneficiaries of social security. We will be voting for a provision that accepts the idea that in spite of our debts and our deficits, we can vote money out of the Treasury without putting some back in.

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Mr. President, I urge a favorable vote on the Williams substitute. I yield the floor.

Mr. MILLER. Mr. President, I am pleased to be a cosponsor of the pending amendment. In the cost-of-living index is best measured by the amount of increase in the consumer—retail—price index. During 1968 this price index rose from 118.4 to 123.7.

This, of course, means that the purchasing power of the dollar has gone down. Based upon a 1939 dollar worth 100 cents, the dollar had fallen to 46.6 cents by December 1968. By December 1968, it was down to 39 cents. Preliminary estimates show that cost of living inflation for 1968 amounted to over $37 billion; and erosion in the value of bank deposits, savings, pension and life insurance reserves, and Federal and corporate bond amounts to another $38 billion. In short, inflation for 1968 took away more purchasing power from the American people than the individual income tax collected during 1968.

Congress has not been entirely unmindful of the impact of inflation on social security pensions and has periodically increased them. But, there has usually been a timelag of several years during which the pensioners have suffered from a drop in their purchasing power. Since the last increases were effective under both the Social Security Act and the Railroad Retirement Act in February 1968, the consumer price index rose 4 percent through December 1968. Prompt help should be available to pensioners under the acts when they are hit by the loss in purchasing power of the dollar. They should not have to wait 1, 2, or 5 years for such relief through general amendments to the Social Security and Railroad Retirement Acts. This is especially so when such increases often fall to compensate fully for changes in living costs.

Our older people on social security have had a big drop in purchasing power taken away by inflation from their pensions alone since 1965. Even with the 7 percent increase in social security pensions in 1965 and the 13 percent increase of last February, most social security pensions today are worth less than they were in 1958.

I direct your attention to a table which shows increases in social security pension benefits in the long run. There is much to be said for the fairness of such a change in the law. After all, if a majority of the Members of Congress persist in deficit spending, why should not the Congress provide for an automatic offset against the hardship the resulting inflation brings on?

Mr. TOWER. Mr. President, I feel that the proposal to raise the social security benefits to 15 percent, as opposed to the administration's proposal of 10 percent, would be an undue encouragement of inflation in a time when we are taking extreme pains in Congress to slow down the dangerous rate of inflation. The administration feels that a 10 percent increase in benefits is necessary to bring those individuals on social security up with recent cost-of-living increases. But it does not appear financially sound at this time for Congress to try to do much more than keep the benefits in line with cost-of-living increases.

It is in the best interests of the elderly and retired, who live on fixed incomes, that Congress and the administration bring inflation under control as soon as possible. For this purpose we have before us government expenditures for the coming year on such items as very needed flood control and reservoir projects, military installations, and general construction. I do not feel that Congress should legislate increases in the current levels of Federal payrolls that are not absolutely essential. The extra 5 percent of this proposal is nonessential.

It is before such a 10 percent increase in social security benefits but will oppose the 15 percent proposal.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the quorum call.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.
The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Delaware in the nature of a substitute. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia (when his name was called). On this vote I have a pair with the senior Senator from Alabama (Mr. SPARKMAN). If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withhold my vote.

The roll call was concluded.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from California (Mr. CRANSTON), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. CARR), the Senator from Oregon (Mr. HAYTFIELD), and the Senator from South Carolina (Mr. THRUMOND) are necessarily absent.

The Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDY) is absent because of illness.

If present and voting, the Senator from Arizona (Mr. GOLDWATER) and the Senator from Kentucky (Mr. COOK) would each vote "yea."

The result was announced—yeas 34, nays 56, as follows:

Yeas—34

Albany Goodell Pearson
Baker Griffen Percy
Belmont Gurney Sace
Bennett Hansen Scott
Boggs Hruska Smith, Neb.
Cooper Javits Smith, N.Y.
Cotton Jordan, Idaho Stevens
Conyers Mathias Tower
Dole McClellan Williams, Del.
Dominick Miller Young, N.D.
Fong Packwood
NAYS—56

Allan Hart Moss
Allen Haluske Muskie
Bayh Holland Nelson
Bingaman Hruska Smith, S.D.
Brooks Hughes Pell
Burdick Inouye Prouty
Byrd, Va. Jackson Proxmire
Cannon Jordan, N.C. Randolph
Case Kennedy Ribicoff
Church Long Russell
Dodd Magnuson Schriver
Denton Mansfield Spong
Eastland McCarthy Senns
Edwards McGee Stennis
Ervin McGovern Tydings
Furbush McIntyre Williams, N.H.
Gore Morehead Yarbrough
Gravel Mondale Young, Ohio
Harris Montoya

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY REPORTED—1
Byrd of West Virginia, for.

NOT VOTING—9

Anderson Goldwater Symington
Cranston Mundt Thurmond

So the amendment of Mr. WILLIAMS of Delaware in the nature of a substitute was rejected.

The PRESIDING OFFICER. The Senator from Vermont is recognized.

Mr. PROUTY. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. PROUTY. Mr. President, on behalf of myself and the distinguished Senator from New Hampshire (Mr. CORTROX), submit to the Senate the amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

Mr. PROUTY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

Mr. MANSFIELD. Mr. President, I would like to know what the amendment provides.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read as follows:

The yeas and nays were ordered.

Mr. PROUTY. Mr. President, I ask for the yeas and nays on the amendment. The yeas and nays were ordered.

Mr. PROUTY. Mr. President, on Wednesday, I had ordered printed an amendment to the tax reform bill, which would have provided an emergency social security benefit increase of 10 percent—[Laughter]—on pages two through three of amendment No. 297 is amended by striking out all the figures contained in columns I through V, down to and including the line headed "End of amendment" (Mr. LONG) for "1925 20.00 61.10 84 85 70.30 105.50" and inserting in lieu of the matter stricken the following:

"20.00 61.10 84 85 70.30 105.50"

Mr. PROUTY. Mr. President, may we have order?

The PRESIDING OFFICER. Mr. SAXBE in the chair. The Senate will be in order. The Senator from Vermont has the floor.

Mr. PROUTY. Mr. President, I ask for the yeas and nays on the amendment. The yeas and nays were ordered.

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Mr. PROUTY. Mr. President, may we have order?

The PRESIDING OFFICER. Mr. SAXBE in the chair. The Senate will be in order. The Senator from Vermont has the floor.

Mr. PROUTY. Mr. President, I ask for the yeas and nays on the amendment. The yeas and nays were ordered.

Mr. PROUTY. Mr. President, I believe that it is important to review and study the need for a comprehensive revision of our social security system.

As I was ordering my amendment, the chairman of the House Ways and Means Committee announced that his committee had ordered reported a bill to provide an across-the-board benefit increase of 15 percent. Mr. President, I commend the chairmen of the House Ways and Means Committee announced that his committee had ordered reported a bill to provide an across-the-board benefit increase of 15 percent. Mr. President, I commend the chairmen of the House Ways and Means Committee for his action. Likewise I commend the chairmen of the Senate Finance Committee for his action. Mr. President, I believe that neither the bill reported to the other body nor the Long amendment embodied in the amendment the Senator from Louisiana (Mr. LONG) is simple. One might call it the six-dollar-and-thirty-cents amendment. For that is the additional increase over and above that provided by the amendment of the Senator from Louisiana which my amendment would provide to those elderly recipients now receiving the meager minimum benefit.

Mr. President, the amendment offered by the Senator from Louisiana, embodies the provisions similar to the social security bill reported Wednesday to the other body. It applies benefit boosts of 15 percent at each benefit level. I agree that for now this increase of 15 percent is right for every benefit level but that at the lowest end of the scale it is.

Currently, the minimum benefit is $55. A 15 percent increase, rounded off, would boost this figure to $64. My amendment to the Long amendment would raise the minimum to $70.30. The difference is $6.30.

Six dollars and thirty cents a month: To most Americans in these affluent times, that seems a trifling amount. But we are not dealing with those caught up in affluence, we are considering those Americans bypassed by current riches.

Six dollars and thirty cents a month to those older Americans now eking out an existence on a minimum benefit of $55 is, indeed, a large sum.

Six dollars and thirty cents a month: How long will it take for this small sum to vanish in the inflationary spiral? A review of our history does not portend well for this sum. In December 1967 when Congress enacted the 13-percent benefit increase, the Consumer Price Index was 118.2. By October of this year, the Consumer Price Index had risen to 129.2. In other words, three-quarters of the last benefit increase has already been eroded by inflation. While this erosion of benefits is shocking itself. It is even more tragic when we recall that the 1967 benefit increase was in itself insufficient replacement of buying power.

Inflation, the cruelest tax of all, batters the income of all Americans and erodes the benefits of all social security recipients. It is, however, my contention that the cruelty of inflation is proportionately greater at the lowest levels of fixed income.

Mr. President, I ask Senators to consider these cruel facts.

At present, at least 1.1 million social security beneficiaries are forced to be on the welfare rolls in order to meet their basic needs.

At present, at least 8 million recipients continue to be in the category of abject poverty.

Mr. President, I believe that it is intolerable that such a situation exists in our country. The contrast between the "haves" and the "have-nots" is becoming more and more vivid.

The Senate has not sat idly by while this contrast became more vivid. In December 1967, the Senate acted to alleviate to some extent the hardship facing older Americans. At that time, the Senate passed a major social security bill which would provided a minimum benefit of at least $570 a month.

Mr. President, I remember well the evening that the Senate passed that bill.
It gave me momentary satisfaction, because year after year, from 1961 on, I proposed bill after bill and amendment after amendment to provide a $70 minimum monthly benefit. I have spoken of the plight of our older Americans. I realize that precedent and plight must be accompanied by an appraisal of the cost of this amendment to the taxpayer.

In my opinion the cost figures, I want to point out that, at the present time, the social security system is heavily over.financed. In his most recent estimates, Mr. Myers, the Chief Actuary of the Social Security Administration, projects an actuarial surplus of 1.16 percent of payroll. What does this mean?

First, it means that there is a reserve of more than $38 billion in the social security account at this very minute. Under the present benefit structure, that surplus will reach almost $80 billion by the end of 1974.

Mr. President, when we project the situation to the year 2025, we find that the reserve in the OASI trust fund will be $953.1 billion. Quite frankly, I for one, cannot justify such a large surplus.

I ask unanimous consent that an explanation of how the increasing income going into the social security trust fund, outgo from the social security trust fund, and the ever-increasing surplus in the fund be printed in the Record immediately following my remarks.

The PRESIDING OFFICER (Mr. SCHWEIKER in the chair). Without objection, it is so ordered.

(See exhibit 1.)

Mr. PROUTY. Mr. President, the amendment offered by my good friend from Louisiana (Mr. Long) would have a level cost of 1.24 percent of payroll. My amendment to his amendment would increase the cost to 1.30 percent of payroll.

In dollar terms, my amendment would be $4.2 billion over the same period.

Mr. President, at the outset, I said that my amendment to the Long amendment is a simple one. But this is not to say that the problems of our elderly are to be simply solved. The entire social security system needs careful review and study aimed at comprehensive reforms. I am sure that the distinguished Chairman of the Finance Committee agrees that such review will be necessary in the near future.

But for now, I urge Senators to accept the amendment that the Senator from New Hampshire (Mr. Corroon) and I offer.

It will provide an additional $6.30 a month, or $75.60 a year, to 3 1/2 million older Americans.

It is too little for the recipients, but surely it is not too much to ask of the Senate.

EXPLANATION OF PROUTY-COTTON AMENDMENT TO THE LONG SOCIAL SECURITY INCREASE PROPOSAL

If inflation has continued to erode the buying power of those receiving social security benefits, then the least benefits, even though they are provided for by the taxpayers, would increase benefits without a corresponding increase in taxes, I do want to say that the points raised by the distinguished Senator from Vermont are well taken. There are many reasons for that. The cost of social security is borne by the economy generally. The employers' tax added the cost of the goods we buy. If that were not so, employers would have been out of business long ago. A considerable amount of the employees' tax is, likewise, passed on because of the increased prices, which in turn increase the cost of the production of goods and other items which people buy. So the social security costs are carried by the economy generally.

If we are to tax the American people to provide benefits for a certain segment, who has the best claim on those benefits? The people least able to provide for themselves.

The most generous benefits should go to the people receiving the least. Why are their benefits low? Because the benefits are based upon average wage earners. But some people who have the least opportunity to provide for their old age get the least benefits, even though they are provided for by the taxpayers.

Social security benefit schedules should be revised in favor of those who draw the least amounts.

I, therefore, commend the distinguished Senator from Vermont in doing what I do not wish to do. I do not wish to hazard the deep criticism of the proposal before us, which would increase benefits without a corresponding increase in taxes, because the projected surpluses in funds and surpluses in the Social Security Trust Fund will never again change the law—and that will never happen. But I commend the Senator and expect to vote for his amendment.

Mr. PROUTY. I am grateful to the Senator from Nebraska. I appreciate the objectivity with which he is approaching this matter.

I should point out that President Nixon, in his old-age assistance recommendations, suggested $90 a month as a minimum under old-age assistance. I feel a little guilty, and I feel certain the distinguished Senator from New Hampshire (Mr. Corroon), a co-sponsor of the amendment, also feels a little guilty, to have to hold this figure down to $70. However, we do not want to propose such a great benefit that the already high social security tax would have to be increased.

Senator in 1967 that I was able to offer an amendment to the 1966 Tax Adjustment Act which provided needed benefits to more than 1 million elderly persons who did not qualify for social security. As it passed the Senate, it was $40 a
month. After it went to conference, it came back at $35 a month. Now, under
the proposal of the distinguished Senator from Louisiana, benefits will be $43 a month.

Even though that seems like such a small amount, I received thousands of
letters from elderly persons all over the country expressing deep appreciation for the
increase in their benefits.

How they can be grateful for so little is beyond me, but they are. It is money
they desperately need.

Many household pets receive better food and shelter than many of the elderly
people of this country; I think that is true, and I often wonder how our society
will measure up on this score.

We have not done enough for older Americans, but I think as a practical
matter, the Social Security System is as far as we can go at the present time.

Mr. ALLOTT. I yield.

Mr. COOPER. I have just heard the
distinguished Senator from Nebraska
speak on the Senator's amendment, which
he covered well. I want to asso-
ciate myself with what he said and also
with what the Senator from Vermont,
Senator Proumy, has been saying. I re-
member very well when the Senator from
Vermont initiated his program to help
them with their lower income, those
who are really poor. I commend the
Senator from Vermont and I will sup-
port his amendment.

Mr. PROUTY. I thank the Senator.

Mr. ALLOTT. Mr. President, will the
Senator yield?

Mr. ALLOTT. Mr. President, will the
Senator yield?

Mr. PROUTY. I yield.

Mr. ALLOTT. Mr. President, I am privileged to join him
in support of his amendment.

I asked the Senator to yield because
I think the people of America, particu-
larly the older people, should realize how
difficult it has been, not just in the
last few months or just in the last few
years, but for many years. In behalf of the
elderly people of this country in trying
to provide an adequate social security
income for them.

He is entirely right when he says that
probably most of the pets in this country
are fed on better diets and live in better
circumstances than do our older people.

When we step to realize that, I think it
is entirely right when he says that
one should not only do a great many elderly
people in this country, but also in the
State we appreciate his efforts in this
very vital area.

Mr. PROUTY. I am grateful to the
Senator from Colorado. I certainly know
he has been most helpful and as con-
cerned with the problems of our
elderly people.

For the benefit of Senators, I may say
that I have had placed on the desk of
each Senator a statement showing the
burden that the Social Security fund from a
surplus of $32 billion at the end of
fiscal 1969 to $953.1 billion in the year
2025.

If anyone studies those figures, he will
understand that the fund is amply flan-
ced at the present time. Moreover, the
tax base will increase under existing law. This fact
alone will create even a larger surplus.

Mr. LONG. Mr. President, it is my un-
derstanding that the House Ways and
Means Committee, with which this amend-
ment is being considered along with
many other measures, has been conduct-
ing very lengthy hearings and has con-
cluded that the figures of this sort should
be put into consideration in the context of a
more detailed bill which might involve
an increase in social security taxes.

If this amendment is added to the bill,
additional revenues will be needed if the
social security trust fund is to be ac-
tually sound.

Mr. President, the House of Repre-
sentatives, ably represented in confer-
ence by the senior members of the Ways
and Means Committee, has consistently
refused to accept any Senate increase in
social security benefits requiring in-
creased taxes, unless the Senate bill also
provided for the necessary financing. In
the past, it has been futile for the Senate
to vote for any increased benefits if we
did not provide for the revenues needed
to pay for those benefits.

I am sure the Senator from Vermont
feels that his amendment is meritorious,
but there are also good arguments for
other amendments to increase social se-
curity benefits in other ways.

To illustrate the increasing mini-
num benefit substantially is a compli-
cated problem. I would point out that in-
creases in minimum benefits apply to
many people who have worked in em-
ployment covered under the social se-
curity program for only brief periods of
time and who receive annuities from other
retirement programs. If we look into
this in any detail, we find that in many
instances, those people who have made more for
benefit increases of a different sort than
an increase in the minimum as is pro-
sed here.

I bring this up to demonstrate that
this is the sort of problem that really
should be studied by the Senate Finance
Committee, so that the merits of
the Senator's proposal may be weighed
against other suggestions which could
be made for the most appropriate bene-
fit structure under social security.

For example, the President of the
United States, who suggested that the
earnings limitation should be raised so
that people could earn somewhat more
money without getting their social secu-
rity benefits reduced. Many other
amendments could be suggested as addi-
tions to the bill.

If the Senate wants to vote the amend-
ment of the Senator from Vermont into
the bill, it ought to be aware of the fact
that, desirable though it may be to
provide a higher minimum benefit, no
tax is being provided to pay for this
benefit, and thus the social security program
will not be in long-range fiscal balance.
It will be actuarially out of balance in the
event the amendment of the Senator
from Vermont is approved. For this rea-
son, I believe the House conference
will insist, as they have done repeatedly in
prior conferences, that they will not
accept provisions for additional benefits
that do not also provide the financing
needed to pay for them.

The philosophy of the House proposal,
as provided in the Long amendment, is
that a 15-percent social security increase
should be voted now and that other
measures, such as that suggested by the
Senator from Vermont, should await
further consideration and should not be
part of a bigger bill that would come
before us next year.

Mr. RANDOLPH. Mr. President, will the
Senator yield?

Mr. PROUTY. I yield.

Mr. LONG. Is it not true that the 15-percent increase under
the amendment to be offered would be ac-
tually sound?

Mr. LONG. Yes, and I might point out that 25 members out of the 25
members of the Ways and Means Committee, I am
told, voted to support that position. The
Chairman of the Social Security Admini-
stration agrees that the 15-percent benefit increase is actuarially sound. It was
on that basis that the House Ways and
Means Committee voted the measure out.

Mr. PROUTY. That action, if ap-
proved in the House and here today,
hopefully, under the leadership of the
chairman, would be effective as of
January 1970. Is that correct?

Mr. LONG. Yes, it is correct.

Mr. RANDOLPH. This action would go
beyond the 10-percent increase recom-
ended by President Nixon, which would
not be effective until April. Is that correct?

Mr. LONG. Yes, that is correct. The
President's 10-percent benefit increase
would be effective as of March 1970,
meaning the first check with the higher
benefit would be issued on July 1
April. Thus if a person today is
drawing $100 in monthly social security
benefits, he would then receive a check
for $110 under the President's propos-
als.

What is being proposed by the Senator
from Louisiana is the Ways and Means
bill, which would provide a 15-percent
increase, effective January 1970.

Since it would take some time for the
Social Security Administration to ac-
tually put the increase into effect, they
tell us that the first check reflecting the
increase in my amendment would be
sent out early in April. That would mean
that the April check would be for $145,
including $30 in retroactive benefits,
more than the $110 under the Presi-
dent's proposal.

Mr. RANDOLPH. And, as I understand
it, the present minimum would be raised
from $65 to $64?

Mr. LONG. Yes.

Mr. RANDOLPH. I thank my able
chairman. I am privileged to join him
as a cosponsor, and I believe the Senate
will act affirmatively in providing a
necessary increase.

We should, I repeat, enact into law
additional relief for our elderly citizens
living on fixed incomes.

Our efforts to insure this substantial
increase in social security payments is
equitable—and we owe it to
December 5, 1969

CONGRESSIONAL RECORD — SENATE

ready to vote. Let me say simply that I was amazed that the House Ways and Means Committee recommended even a 15-percent increase. I believe they realize the seriousness of the plight of many of our elderly citizens.

But that is my view. I do not believe the Members of that committee, or the Members of the other body, or the Members of the Senate, are going to say that $70 is too much to provide for people 65 years of age and older.

We have taken pretty good care of the oil industry and other enterprises, right down the line. Now we are talking about the elderly people who need our help, and we are going to do what we can to see that they get it.

Mr. LONG. Mr. President, on this bill we have taken care of the oil industry with a $555 million tax increase, on top of the increase in the capital gains tax and other increases. So they have been taken care of with a very big tax increase on this bill.

I fear we will have difficulty with the Senate’s proposal for the reasons that I have undertaken to express; namely, that the House of Representatives is going to say that the financing is not there to provide the necessary tax to pay for such a proposal.

But I am serious in suggesting that we go to conference with the Senate about the actuarial problem involved here, and what our experience has been when we have gone to the House of Representatives with an increase in benefits, which we did not have sufficient taxes to pay for. We have had relatively little success in making them even seriously consider that type of increase, if we did not have the financing to pay for it.

I have high hopes, however, that we will be able to make the House conference recognize their own handiwork, and agree to what the Committee on Ways and Means has unanimously recommended to the House of Representatives, and which I believe will pass the House by an overwhelming majority when it comes to a vote over there.

Mr. PROUTY. Mr. President, I am from West Virginia (Mr. Randolph) that my proposal raises the minimum monthly benefit to $70. Under the amendment of the Senator from Louisiana the minimum monthly benefit would be $64.

Mr. LONG. Yes. But when you add the amendment that the Senator is offering to the amendment that I have pending here, and I am sure that the Senator is well aware of this fact, the proposal will increase the cost by perhaps a half billion dollars a year, and that this will prevent us from meeting a deficit. I am sure the Senate is aware of the attitude that the House Ways and Means Committee has taken in such matters. They simply will not consider a Senate amendment that puts us in a deficit position, without adequate tax revenues.

Mr. PROUTY. Well, in any event, if we go to conference with this proposal and they turn it down, there is nothing we can do about it. Nevertheless we will have shown our deep interest in the elderly people who are faced with grave economic problems. I am ashamed that the amount is only $70. I offered one amendment to provide $90. That is what I prefer, and what the President recommends as a minimum for old-age assistance for welfare recipients.

Mr. LONG. Mr. President, I believe I have made my position clear. I am prepared to respect the judgment of the Senate. I do feel that I should advise my Senate colleagues about the actuarial problem involved here, and what our experience has been when we have gone to the House of Representatives with an increase in benefits, which we did not have sufficient taxes to pay for. We have had relatively little success in making them even seriously consider that type of increase, if we did not have the financing to pay for it.

I have high hopes, however, that we will be able to make the House conference recognize their own handiwork, and agree to what the Committee on Ways and Means has unanimously recommended to the House of Representatives, and which I believe will pass the House by an overwhelming majority when it comes to a vote over there.

Mr. PROUTY. Mr. President, I am
On page 9 after line 11, add the following new section:

"(c) (a) Notwithstanding any other provision of law, beginning with years beginning after December 31, 1972, the earnings counted for benefit and tax purposes under sections II and XVIII of the Social Security Act and appropriate sections of the Internal Revenue Code shall be increased from $7,800 to $12,000.

"(b) The Secretary of Health, Education, and Welfare to directed to modify the table in section 218(a) of the Social Security Act to include benefits, consistent with the formula underlying the benefits in section 210(a) for the primary individual as determined under subsection (d) (as modified), to go to conference with additional benefits that will not be offset by other increases in the tax, or an expansion of the tax base, would be a futile effort.

Mr. President, I think we all want to see an increase in the minimum benefits. Under the Long amendment, the increase would be 15 percent across the board, including the minimum benefit. The minimum payment at the present time is $56 a month. Fifteen percent of that would be about $8.25, which would mean that the total minimum benefit under the Long amendment would amount to something like $63.25, as against $70 under the Prouty perfecting amendment.

I should like to see an increase in the minimum benefit. The able majority leader would like to see an increase in the minimum payment. As I have stated, I think all Senators would like to see an increase. For that reason, I have offered a perfecting amendment to the Long amendment, which will be called up after the vote on the Prouty amendment. This perfecting amendment, which I have offered in behalf of myself and the able majority leader, would provide for a minimum payment of $100 per month to a single individual, or $150 a month to a man and wife. So we must provide a larger minimum benefit, one that is more in keeping with the increase in the cost of living; but at the same time, it is not our intention to do a vain and futile thing.

We are also going to provide the means whereby the increased benefits would be offset. This would be done by expanding the tax base from $7,800 to $12,000 a year. So, we would provide an increase in the minimum payment for a single individual that would be $30 above the amount provided in the Prouty amendment. And we will also provide a way to pay the bill, so that when the chairman of the committee goes to conference with the House he will be able to present a fiscally responsible plan whereby the trust fund will not be endangered by the increase in benefits.

The 15-percent increase in itself is actually sound, as the chairman has stated. However, to increase the minimum to $70 would result in a drain upon that fund.

The majority leader and I, and those who would support us, want to provide a larger minimum benefit than $70, one that is in keeping with the increase in consumer prices and, at the same time, we want to provide the increased income with which to pay the increased benefits.

For this reason, we are advocating that the earnings base be increased from $7,800 to $12,000 a year. The increase in the tax base will not take effect under the amendment offered by the majority leader and me until 1973.

A delay is possible without endangering the fund.

As a matter of fact, I am advised that
the fund under the Long amendment would experience an increase in surplus from $32 billion in 1970 to $37 billion in 1971. So, even with the increase of 15 percent across the board, the surplus in the fund would be increased over and beyond the amount necessary to offset that 15-percent increase in payments.

We can easily wait until 1973, without jeopardizing the trust fund, before we put into effect the increase in the tax base to offset the increase in minimum benefits.

However, under the amendment, the increase in the tax base will take effect in 1973. This is a brief explanation of the amendment which the majority leader and I have offered.

Mr. BYRD of West Virginia. Mr. President, will the Senator yield?

Mr. MANSFIELD. Mr. President, will the Senator for his contribution. I do not point out that for a long time the American people will be paying the bill for all that has taken place on the Senate floor this December, and they will be laboring a long time to pay for it.

Mr. GRIFFIN. Mr. President, I thank the Senator for his question. I do not think there is any doubt that all Members of the Senate want to increase the social security benefits. It seems to me that they want to do it before the next election.

We think we have a better chance of achieving that objective if we consider social security legislation separately and in its proper order.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. BYRD of West Virginia. I yield. Mr. MANSFIELD. Mr. President, it is hard to imagine a social security recipient or any other person in this day and age who is living on $55 a month and who points out that the administration itself has advocated an increase of 10 percent—thus increasing the minimum to $60.50. The House Ways and Means Committee, I understand, has reported a bill—scheduled for House action next week—that would increase benefits by 15 percent.

I think the minimum benefits under all these plans are totally inadequate for any person who relies upon social security for subsistence. Those in this Chamber who say that a proposal that increases the minimum benefit from $55 to $60 and the other 15 percent across the board by 15 percent are playing politics, ought to be aware of one thing—that since the last increase in social security benefits to pensioners, the cost of living has increased in the neighborhood of 10 percent. So, the social security pensioners are getting no windfall.

I would like to hear anyone challenge the validity of the proposal that any person who attempts to get by on $55 a month with prices going up as they are and the cost of living increasing at such a rapid rate. You can make fun about next year being an election year; and about 1972 being a presidential election year, but you cannot make fun of the people in need. These people are in need. The inflation that has occurred during this past calendar year has been the greatest in recent times. The social security pensioner—living on fixed income—is the hardest hit. To say that our amendment raises these benefits is playing politics elevates that charge to a very high level of respectability.

The pending amendment offered by myself and Senator Byrd is more than pays for itself. It raises the base of the tax but does not increase the tax rate. In fact, the amendment produces a slight surplus to the social security trust fund. I would hope that the Senate would adopt this amendment so that these most needed adjustments in social security benefits can be enacted prior to January 1, 1970—when they shall go into effect.

Mr. WILLIAMS of Delaware. Mr. President, I concur. One of the major causes for the people being in need of increased social security benefits is the inflation we have experienced in the last few years which has destroyed the purchasing power of these people. I hope that sometime we can join hands across the aisle to eliminate some of the causes which are further fanning the fires of inflation. I think that is the real problem with relation to their need. I think the solution that is needed is the knowledge that purchasing power will remain stationary.
Mr. GRiffin, I announce that the Senator from Kentucky (Mr. Cook), and the Senator from South Carolina (Mr. Thurmond) are necessarily absent. The Senator from Arizona (Mr. Goldwater) is absent on official business. The Senator from South Dakota (Mr. Mansfield) is absent because of illness. The respective pairs of the Senator from Kentucky (Mr. Cook) and that of the Senator from Arizona (Mr. Goldwater) have been previously announced. The result was announced—yeas 44, nays 46, as follows:

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The assistant legislative clerk proceeded to call the roll.

Mr. GRiffin (when his name was called). On this vote I have a pair with the Senator from Kentucky (Mr. Cook). If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." I therefore withdraw my vote. Mr. HANSEN (after having voted in the negative). On this vote I have a pair with the junior Senator from Arizona (Mr. Goldwater). If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." I therefore withdraw my vote. The assistant legislative clerk concluded the call of the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. Anderson), the Senator from California (Mr. Cranston), the Senator from Alabama (Mr. Sparkman), and the Senator from Missouri (Mr. Symington) are necessarily absent.

At least—

The motion to lay the table on the vote was aged to. Mr. BYRD of West Virginia, Mr. President, I call up my amendment which is at the desk and ask that it be stated. The PRESIDING OFFICER. The amendment will be stated. The Assistant Legislative Clerk. The Senator from West Virginia (Mr. Byrd) proposes an amendment for himself and the Senator from Montana (Mr. Mansfield) as follows:

Strike out page 2 and insert in lieu thereof the following new page:

**TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS**

<table>
<thead>
<tr>
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<th>(Primary insurance amount under 1939 Act, as modified)</th>
<th>(Primary insurance amount under 1967 Act)</th>
<th>(Average monthly wage)</th>
<th>(Maximum family benefits)</th>
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<td>If an individual's primary insurance benefit (as determined under subsection (d)) is:</td>
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<td>At least—</td>
<td>$30.36 $85.90 $141</td>
<td>$100.00 $150.00</td>
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| If his average monthly wage (as determined under subsection (d)) is: | | | |
| At least— | $30.36 | $85.90 | $141 | $100.00 | $150.00 | $133.70 $206.40 $117.30 $173.70 $205.40 |
| Or his average monthly wage (as determined under subsection (d)) is: | | | |
| At least— | $30.36 | $85.90 | $141 | $100.00 | $150.00 | $133.70 $206.40 $117.30 $173.70 $205.40 | $133.70 $206.40 $117.30 $173.70 $205.40 |

At present we are making it away from them through inflation faster than we can vote the benefits on the floor of the Senate. Mr. MANSFIELD. The Senator is correct.
On page 9, after line 11, add the following new section:

"Sec. 6. (a) Notwithstanding any other provision of law, beginning with years beginning after December 5, 1969, the earnings counted for benefit and tax purposes under titles II and XVIII of the Social Security Act and under chapters 1 and 2 of the Internal Revenue Code shall be increased from $7,800 to $12,000.

"(b) The Secretary of Health, Education, and Welfare is directed to modify the table in section 215(a) of the Social Security Act to include benefits, consistent with the formulas provided in section 215(a), for average monthly wages greater than $650 but less than or equal to $1,000."

Mr. BYRD of West Virginia. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order. The Senator from West Virginia is recognized.

Mr. BYRD of West Virginia. Mr. President, I have already explained the perfecting amendment which I have offered on behalf of myself and the able majority leader, the Senator from Montana (Mr. MANSFIELD). But for the benefit of Senators who were not here when it was explained, briefly, the amendment would provide as follows.

This is a perfecting amendment to the Long amendment. The Long amendment provides a 15-percent across-the-board increase in social security payments. This would mean that for the minimum payment, which is now $55, there would be an increase of 15 percent, or something near $8.25. This would mean a total minimum benefit of about $64, as against $55 as of now.

Under the perfecting amendment offered by the majority leader and me, the minimum benefit would become $100, and we also propose the means for financing the increase. This is a fiscally responsible amendment. As the chairman has said so many times, it is futile to go to conference with increases in various benefits that would not stay within the funds. This amendment is actuarially sound in that we are paying our own way.

We propose to increase the wage base from $8,000 annually to $12,000 annually, to take effect in 1973.

Mr. CURTIS. Mr. President, will the Senator from West Virginia yield for a brief question?

Mr. BYRD of West Virginia. I yield.

Mr. CURTIS. Is it not true that the entire cost of the program would be borne by those people who are getting more than $7,800 and less than $12,000?

Mr. BYRD of West Virginia. Well, those individuals in that range will pay an additional tax, but in the long run they will get higher benefits because an individual who pays a tax on a $12,000 base, in the long run is going to get increased benefits.

Mr. CURTIS. What is the answer to my question?

Mr. BYRD of West Virginia. I thought that was the answer to the Senator's question.

Mr. CURTIS. The answer is yes? The Senator may have a different answer to my question, that the costs of the increase the Senator proposes would be borne solely and exclusively by those people whose wages and salaries are not less than $7,800 and not more than $12,000.

Mr. BYRD of West Virginia. But they will also be the beneficiaries, in the long run, along with others in the lower income ranges. Of course, the employer also pays.

Mr. BENNETT. If the Senator will yield at that point, is it not true that people who have salaries at $7,800 are not now paying $100, so that by raising this up to $100 the Senator will be benefiting a different group of people than those who will pay for the added benefits?

Mr. CURTIS. The Senator is getting the idea. (Laughter.)

Mr. BYRD of West Virginia. Those single persons who now receive more than $100 will receive a 15-percent increase.

Mr. BENNETT. But they receive that under the bill, not under the Senator's amendment.

Mr. BYRD of West Virginia. That is true. The question here boils down to this. Do we want individuals who are now getting a minimum of $55 a month to have only a 15-percent increase which will add up to a pittance $64 a month, or do we want them to have at least $100 a month?

That is the question.

Mr. BENNETT. If the Senator will yield further, has he estimated the drain on the social security fund before the additional funds come in, the drain for fiscal years 1971 and 1972?

Mr. BYRD of West Virginia. In answer to that question, there would be no drain on the trust fund—none whatsoever. As a matter of fact, the balance in the trust fund will increase. In 1970, there will be a $32 billion balance in the fund. In 1971, there will be a $37 billion balance in the fund, even with the 15-percent increase brought about by the amendment of the Senator from Louisiana. In 1972, there will not be a drain. The balance in the fund will continue to increase and the fund will remain actuarially sound.

Mr. BENNETT. Would we not increase by $2 billion more in the next two years because of the Senator's amendment, on the $2 billion balance, and then we begin to catch it up in 1973?

Mr. BYRD of West Virginia. The cost would be $4 1/2 billion for the 15-percent increase alone. For the additional increase up to $100 in the minimum payment for a single individual and $150 for a married couple, yes, the cost would be $2 billion. Now, that additional cost would be more than offset by the proposed increase in the earnings base effective in 1973.

Mr. BENNETT. So it is not really fiscally responsible. The Senator will be increasing the payroll tax charged for, and on up. The skilled workers and most of the shopworkers in my State pay on that wage base. This will come off their withholding, beginning in 1972, I take it. My experience with these people is that they are saying, that is all they can afford out of their salary checks on social security payments. This will come off their withholding, beginning in 1972, I take it. My experience with these people is that they are saying, that is all they can afford out of their salary checks on social security payments. This will come off their withholding, beginning in 1972, I take it. My experience with these people is that they are saying, that is all they can afford out of their salary checks on social security payments. This will come off their withholding, beginning in 1972, I take it. My experience with these people is that they are saying, that is all they can afford out of their salary checks on social security payments.

Mr. SAXBE. If the Senator will yield, how much will this cost a wage earner making $12,000 a year?

Mr. WILLIAMS of Delaware. If I may interject, how much will this cost a wage earner making $12,000 a year?

Mr. CURTIS. In other words, spend now and pay later. Mr. BYRD of West Virginia. No. Spend now and pay now. I wish to emphasize the fiscal soundness of this amendment. In fact, the cost of the 15-percent increase without any provision for financing would be $2 billion. The present surplus in the fund is 1.16 percent. The Mansfield-Byrd amendment would cost 1.66 percent of payroll and thus add to the fund, not under the Senator from Louisiana. This amendment would produce a surplus of 0.03 percent to the trust fund as opposed to a 0.08 percent deficit in the present Long amendment.

Mr. SAXBE. If the Senator will yield, how much will this cost a wage earner making $12,000 a year?

Mr. WILLIAMS of Delaware. If I may interject, how much will this cost a wage earner making $12,000 a year?

Mr. CURTIS. Mr. President, we are not saying that at all. We are saying, because there is a surplus in the trust fund, let us spend it now, rather than say, because there is a surplus in the trust fund, let us spend it now, rather than say, because there is a surplus in the trust fund, let us spend it now, rather than say, because there is a surplus in the trust fund, let us spend it now, rather than say, because there is a surplus in the trust fund, let us spend it now, rather than say, because there is a surplus in the trust fund, let us spend it now, rather than say, because there is a surplus in the trust fund, let us spend it now, rather than say, because there is a surplus in the trust fund, let us spend it now, rather than say, because there is a surplus in the trust fund, let us spend it now, rather than say, because there is a surplus in the trust fund, let us spend it now. We are providing for that expansion in the earnings base effective in 1973.

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affected will be, accordingly, increased when it comes time for them to retire.

Mr. PASTORE. Mr. President, will the Senator from West Virginia yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. PASTORE. Is it not true, under the present base, that the terrific strain is on those earning up to $7,800 a year, and that the cost of the program is little more than $12,000 so that we can give some of these people $100 in order just to live, and what they pay will be matched by the employer as well. That is what it amounts to, not $100.

Mr. BYRD of West Virginia. The Senator is correct.

Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. LONG. Mr. President, I cannot support the amendment, but I do wish to compliment the distinguished Senator from West Virginia and the majority leader for offering this particularly socially responsible approach, since it would raise the money it takes to pay for the additional benefits.

I should point out that this amendment—and the same would be true of the Prouty amendment—has very little to do with need.

Many people would benefit from a $100 monthly payment, who have not claimed justification on the basis of equity or need. Many people who draw minimum social security benefits today did not spend much of their time working under social security coverage.

For example, some years ago I tried to make it optional for the firemen in my State to retire under social security. They sent their representatives here to say that they wished to be taken out from under such coverage, because they felt they had a better retirement program in Louisiana than under social security.

But if one of these firemen retired after a few years—and some of our firemen and policemen can retire after 20 years of service, even though they are still at mid-age—and then went to work for the relatively short period necessary to qualify for the minimum under social security, he would receive these benefits even though he was drawing a generous retirement based on the work he did originally as a policeman or a fireman. Many persons now receiving the minimum social security benefit are not needy and could not qualify on the basis of their limited earnings under social security for any increase. But they would have an increase under the proposed amendment that would bring their benefits up to $100 from the present $55.

This would be true of a great number of State and local employees, and also of some of our Federal civil servants. Even a Senator who has spent a small period of time in work that entitled him to the minimum social security coverage might draw the minimum amount. Even though the Senator from West Virginia has a generous retirement program, and a Senator could be drawing, let us say, a year in Senate retirement benefits, if he was receiving a minimum social security benefit we would be increasing his social security check from $55 to $100.

To take another example, some doctors and dentists who were only recently covered under the social security program, might be drawing minimum social security benefits. Some of them may have been benefited by the provisions of H.R. 10, for which the Senator has argued. Some of them are drawing retirement benefits by virtue of various private retirement arrangements which will provide generous annuities for the remainder of their lives. I should point out that Senators are not misled into the belief that those benefited by increasing the minimum are only needy people or people whose only income is their social security. Some of those people who are minimum social security benefit have little need for a substantial increase.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. LONG. Mr. President, I yield.

Mr. DOLE. Who is eligible for the $100 monthly payments for single persons and $150 payments for families? What are the eligibility requirements? The Senator has indicated that many are not in need. Would the Senator inform us who would be eligible?

Mr. LONG. Anyone fully insured under the system would be eligible. Eventually a person would have to have 10 years of work in employment—covered under social security in order to be fully insured, although a number of persons are now fully insured with less than 10 years of coverage. In any case, anyone fully insured would receive a minimum benefit of $100 under the amendment.

As I said, many of these people at the minimum have coverage under other retirement systems, such as the Federal civil service retirement system or private arrangements which will provide generous retirement, and the same would be true to a very large extent.

Mr. DOLE. The question I ask is, Do we have any way of knowing, as far as numbers are concerned, how many of these people may be in the so-called poverty level or are people who do not need social security benefits?

Mr. LONG. Unfortunately, I cannot answer the question in precise numbers for the reason that we have not had an opportunity to study this question in the Finance Committee.

Mr. DOLE. I wonder if the Senator from West Virginia could answer.

Mr. BYRD of West Virginia. The same question might be asked with regard to those people who are now drawing $55 a month as a minimum. We may as well do away with those, on that basis.

Mr. DOLE. That begins the question. Mr. BYRD of West Virginia. No, it does not.

Mr. DOLE. What are we voting for now? To give $100 a month to millionaires or to people who get little or nothing?

Mr. BYRD of West Virginia. What difference does it make? They have all paid their own way. There is no means test in the social security program.

Mr. LONG. Mr. President, if I might further respond to the question, the Senator from Kansas has said that about 3½ million people in the category to be benefited by the amendment. It is my understanding that if we raised the minimum to $100, only about one-third of the additional benefits would go to persons in the poverty category. Two-thirds would go to persons who do not fall in the poverty category.

Mr. DOLE. So we are voting to spend $500 million dollars for people who do not need the money. I think perhaps we might call the amendment the "Political Security Amendment of 1969." I would not so categorize it. However there would be many people who could not qualify for a minimum benefit of $100 on the basis of need, although there are many who could.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. RIBICOFF. Mr. President, I think we are getting into a very complex situation. The objectives of the Senator from West Virginia and the Senator from Montana are certainly worthy. I do not think anyone can argue that any one of the United States should have an income of less than $100, but we are doing this in a very complex tax bill, without any idea of what we are doing to the social security fund.

The Senator from Louisiana was a sound proposal because it was done after an examination of all the figures, after careful consideration by the House Ways and Means Committee, which insured the integrity of the social security fund.

The President of the United States has suggested a proposal of a minimum family allowance as an amendment to the welfare law. The House Ways and Means Committee has already had hearings on the question. My understanding is that it will be the first order of business when they return after the first of the year. That means the Senate Finance Committee, within a period of 3 or 4 months, will have before it clarifications and basic amendments of the social security law and what we do for minimum family allowances.

At that time, after full and complete hearings on a complex subject, it could very well take the United States into new dimensions in the whole field of social security and welfare.

I personally do not think we should try to write at this moment, in this complex bill, what the Senator from West Virginia and the Senator from Montana are proposing. I believe the Senate can wait another 3 or 4 months, after the completion of full and complete hearings on any one of these bills, before we act on this proposal. I believe we will arrive at a sound, balanced program that will assure every family in this country a minimum of $100 a month. I think we are acting very hastily in trying to adopt a proposal of this kind.

Mr. LONG. I appreciate what the Senator has said.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. HOLLAND. The Senator from West Virginia and the Senator from Montana are proposing. I believe the Senate can wait another 3 or 4 months, after the completion of full and complete hearings on any one of these bills, before we act on this proposal. I believe we will arrive at a sound, balanced program that will assure every family in this country a minimum of $100 a month.

Mr. LONG. I appreciate what the Senator has said.
doubt whatever in my mind that this Congress sometime within the next 2 months will grant at least a 15-percent across-the-board benefit increase. But when we get to those other proposals, meritorious though they may be, we will have very careful consideration.

Seven thousand pages of hearings have been accumulated in 5 weeks of committee consideration of the tax reform bill. We do know about the House tax reform bill, but this one is added to it. If we were given the opportunity to conduct hearings of half that length, we would be able to advise the Senate precisely about social security, which people would be benefited by whom, what amendment, who has the greatest need for benefit changes, and what people would benefit from increases even though they have less need for it.

A substantial increase in the minimum benefit in my judgment, should await further study. The House Ways and Means Committee, having conducted lengthy hearings, and having all that information at their disposal, still has not decided what that will be, which will not necessarily be placing the burden on the wage earner.

The objective, may I say again, which the Senator from West Virginia and the Senator from Montana seek to achieve, is an objective to which we all must repair. I do not think we should seek to repair it on the floor of the Senate at the present time, without hearings, on a very complex subject that will cover the whole of the economy, and I doubt that that is what we will be facing next spring or next summer, and I do not think we should try to do it at this time.

Mr. LONG. Mr. President, will the Senator yield?

Mr. SAXBE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. SAXBE. Mr. President, I should like to pursue that point just a moment. We think of a man who is earning between $7,800 and $12,000 as being a big earner. But I point out that with sweepers earning $4.50 an hour in automotive plants, and with the rest of our manufacturing plants, and with all of the building trades people earning from $5 an hour upward, this would throw the great mass of regular wage earners into a large increase in a payment that most of them are complaining about already. When that $22.50 a month wallops across that payroll, we will hear some louder screams than we are beginning to hear already.

I agree with the Senator from Connecticut that we have a responsibility to those older people, who thought they were paying into a insurance policy when the social security was started, and are now not getting that. We have delegated those people to a poverty standard today, and I certainly agree that we do owe them a minimum of $100 a month on a net basis, because we are not living up to the contract we wrote to those people when they bought this insurance out of depression dollars, when they were earning $25 to $50 a week, rather than $150 to $200.

Nevertheless, I think that before we put this burden on the 25-year-old man, who is paying for a house and trying to raise a family and never has enough money to go around, we had better think twice about it.

Mr. GURNEY. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. GURNEY. The Senator from Ohio has brought out the fact that this is a considerable added burden as far as wage earners are concerned. It has often been mentioned, particularly by people who are interested in small business, that the backbone of American private enterprise, and make something like about $7,800 to $12,000 a year. I believe they have enough burdens without our imposing this additional burden upon them.

Mr. LONG. The increase in the taxes for the self-employed person would be about $321 in 1973.

Mr. PROUTY. Mr. President, will the Senator from Louisiana yield to me?

Mr. LONG. I yield.

Mr. PROUTY. In view of the fact that the distinguished chairman of the Committee on Finance expresses considerable doubt that the House conference would consider an increased social security tax, do you believe now that there is any remote possibility of the other body agreeing to the proposition which has just been advanced?

Mr. LONG. I cannot assure the Senator at all that they would accept it. All I can say to the Senator is that they would not be turning us down for the reason that they have turned us down repeatedly in the past, namely on the grounds that the proposal did not have a tax to pay for it.

That is one type of case where they have consistently said, “No,” in such emphatic terms that we have not been insulted to arrive at the conclusion that we had not been. That is the type of attitude they have taken whenever we have insisted on an amendment to the Social Security Bill that is not self-financing.

Mr. PROUTY. That was my thought, but I felt they might accept the $70. I am faced with a real problem, because I feel that this is an appropriate level, and I may vote for the amendment, though by doing so I know I shall be wasting a vote, because nothing will ever happen.

Mr. PERCY. Mr. President, today I have supported the President's social security proposals which would have increased the self-employed social security benefits 10 percent across the board. I also supported the Prouty amendment which would have increased benefits 15 percent financed out of the surplus in the social security trust fund.

However, I cannot support proposals whose benefits to certain beneficiaries are outweighed by the cost, in inflation to many more in our society. Particularly affected by such measures are those who can afford it least—the poor, the retired, and those living on fixed incomes.

I intend to vote against any legislation whose benefits in my judgment are
overshadowed by costs to many through inflation and/or increased taxes.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from West Virginia (Mr. BYRD) and the Senator from Montana (Mr. MANSFIELD). On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. STEVENS (when his name was called). On this vote I have a pair with the Senator from Arizona (Mr. GOLDWATER). If he were present and voting, he would vote “nay.” If I were at liberty to vote, I would vote “yea.” I withhold my vote.

The rollcall was concluded.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from California (Mr. CRANSTON), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. COOK), the Senator from Maryland (Mr. MATHIAS), the Senator from Illinois (Mr. SMITH) and the Senator from South Carolina (Mr. THURMOND) are necessarily absent.

The Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The pair of the Senator from Arizona (Mr. GOLDWATER) has been previously announced.

On this vote, the Senator from Kentucky (Mr. Cook) is paired with the Senator from Illinois (Mr. Smith). If present and voting, the Senator from Kentucky would vote “yea” and the Senator from Illinois would vote “nay.”

The result was announced—yeas 48, nays 41, as follows:

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The amendment of Mr. BYRD of West Virginia and Mr. MANSFIELD was agreed to.

Mr. BYRD of West Virginia, Mr. President, I move to reconsider the vote by which the amendment was adopted.

Mr. MANSFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HARRIS obtained the floor.

Mr. GRIFFIN. Mr. President, will the Senator yield to me so that I may make an inquiry of the majority leader?

Mr. HARRIS. Mr. President, I ask unanimous consent that I may yield to the Senator from Michigan for that purpose, without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.
Mr. LONG. Mr. President, I ask unanimous consent that debate on the Harris amendment be limited to 40 minutes, the time to be equally divided between the manager of the bill and the Senator from Oklahoma.

The PRESIDING OFFICER. Is there objection?

Mr. TOWER. I object.

Mr. HARRIS. Mr. President, I send to the desk two amendments which are related to each other and which are a part of the same thing. They are perfecting amendments to the Long amendment. I ask unanimous consent that they may be considered en bloc.

The PRESIDING OFFICER. Mr. President, will the Harris amendment be limited to 40 minutes, the time to be equally divided between the manager of the bill and the Senator from Oklahoma?

Mr. HARRIS. Mr. President, I ask unanimous consent that further reading of the amendments be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendments will be printed in the Record.

The amendments, ordered to be printed in the Record, are as follows:

At the appropriate place in Amendment No. 367 add the following new section:

"DISREGARDING OASDI BENEFIT INCREASES TO THE EXTENT ATTRIBUTABLE TO RETROACTIVE EFFECTIVE DATES"

SEC. —. Notwithstanding any other provision of law, there shall be excluded in determining the income of any individual or family for purposes of title I, IV, X, XIV, or XVI of the Social Security Act (in addition to any other amounts so excluded or disregarded) any amount paid to such individual in any month under title II of such Act (or under the Railroad Retirement Act of 1937 by reason of the first proviso in section 1(a) thereof), otherwise than as the regular monthly payment due such individual for the preceding month, to the extent that such payment is attributable to an increase under this Act or a subsequent Act (resulting from the enactment of a retroactive general increase in primary insurance amounts under title II) in the amount of the monthly benefits payable under the old-age, survivors, and disability insurance system for one or more months before the month in which such payment is received."

At the proper place in the bill, insert the following:

"DISREGARDING OF INCOME IN DETERMINING NEED FOR PUBLIC ASSISTANCE"

"SEC. —. (a) In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement that—

(1) in determining need of any adult individual for such aid or assistance, the State agency administering or supervising the administration of such plan shall disregard $7.50 per month of income of such individual, and

(2) each individual receiving such aid or assistance for any month shall realize an increase in the amount of his benefit in the form of money payments of $7.50 per month, whether increase is brought about by reason of the application of clause (1) or otherwise, and

(b) in the administration of any such plan, there shall be used for the purpose of providing the increased benefits required by subclause (A), an amount equal to any savings realized in the provision of such benefits by reason of the amendment, in this Act, of any provision increasing the amount of monthly benefits payable to individuals under title II of the Social Security Act."

The PRESIDING OFFICER. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. The yeas and nays were ordered.

Mr. MANSFIELD. Mr. President, will the Senator yield to me briefly?

Mr. HARRIS. Mr. President, I yield to the Senator from Montana.

Mr. WILLIAMS of Delaware. Mr. President, may we have the amendments read?

Mr. HARRIS. I think I can explain them quickly to the Senate.

Mr. BYRD of West Virginia. Mr. President, the Senator can explain the amendments if he can be heard. Will the Chair please enforce order in the Senate?

The PRESIDING OFFICER. The Senate will be in order.

TAX REFORM ACT OF 1969

The Senate resumed the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

Mr. HARRIS. Mr. President, I think Senators will support this amendment. If I can have the attention of Senators I can explain it briefly.

The effect of this amendment, which is in two parts, is to pass along to the
aged, blind, and disabled, a $7.50 increase in assistance, which we can do without additional funds.

In the attention of the distinguished Senator from Delaware I can explain the amendment briefly.

Mr. WILLIAMS of Delaware, I am trying to find out how many millions are involved in the Senator's amendment.

Mr. HARRIS. I just told the Senator there are no millions involved as far as additional Federal contributions are concerned. But since the Senator asked for the explanation I would be glad to explain it.

Mr. WILLIAMS of Delaware. I would be glad to have the Senator explain it but I will get the information on my own.

Mr. HARRIS. The Senator from Delaware is quite able to get his own information but I was trying to be helpful to him, inasmuch as I had asked unanimous consent that the amendment not be read. Is there objection to that? If there is no objection I can go ahead and explain it, Mr. President.

The PRESIDING OFFICER. Is there objection? The Chair hears no objection, and the amendment may proceed.

Mr. HARRIS. Mr. President, this amendment is in three parts and each part is very simple.

The first part has to do with the fact that the social security increase of 15 percent, which is contained in the Long amendment, will not be paid to social security recipients until April of next year. There are some 1.5 million people in the United States who are aged, blind, or disabled and some social security assistance by reason of being aged, blind, or disabled. The first part of the amendment would provide that, when they receive that social security payment in April, a part of which will be retroactive, the welfare department in the particular State will not consider the increase in social security which they receive as receiving retroactively as resources available to the welfare recipient and go back and figure that in and deduct that amount from money the welfare recipient received prior to April. The Social Security people and the welfare department in the particular State would say to Senators, the same as some of them have said to me, that it would cause all sorts of difficulty, more than it is worth, if they had to go back and deduct that amount of money already paid because of retroactive social security payments that we are about to vote on in the Long amendment. That is the first part of the amendment. It is very simple.

The second part of the amendment provides that the 1.5 million people who are aged, blind, or disabled, and who receive some social security and some welfare assistance—who otherwise in most of the States under the Long amendment would receive no increase because their welfare assistance payments would simply be reduced by the amount of money their social security payment is increased—would receive an additional $7.50 by the provision in the amendment which states that the first $7.50 received by such welfare recipients through the social security increase will not be counted as income to be deducted from what they would otherwise get from welfare.

Mr. President, the third part of the amendment is a complex, a different and an additional 1.5 million people who are aged, blind, or disabled and who are receiving no social security. This part of the amendment provides that these 1.5 million people would receive, through this amendment, an additional $7.50 a month, the same as the other people; the effect would be that those who are receiving only public assistance because they are aged, blind, or disabled and who receive the same kind of increase that the social security recipients are going to receive if, as I hope we do, we adopt the Long amendment.

That portion of the amendment will be funded in this manner: The welfare department in a State will receive a windfall by the passage of the Long amendment; by increasing social security payments, their funds required to match Federal assistance would be reduced; and the amendment provides that they will take that savings realized through the social security increase and use it to pass along at least $7.50 as an increase to welfare recipients, who are aged, blind, or disabled.

The amendment provides, to be sure we are not going to require a State to put up more money than it is now, if the realization of the additional expenditure required by the States, if any, to the degree the Federal contribution is required, that will come out of money the Federal Government is now spending from the social security trust fund. Mr. President, all of that sounds complicated, but there are 3 million Americans who are aged, blind or disabled and who, by the passage of the 15-percent increase in the social security payments, will in large part receive no increase whatever, despite the fact that those 3 million Americans probably are in greater need, or at least in as much need, as those who would receive an increase in social security.

I hope the amendment is agreed to.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. HARRIS. Yes. The language for the amendment was drawn with the help of the staff of the Committee on Finance. We have a precedent for this action. The last time we had a social security increase we had a $7.50 pass-along and this amendment would again provide for that $7.50 pass-along.

I have heard from the director of the welfare department of my State that this is a fair thing to do. There are some 81,000 Oklahomans who will get this pass-along increase under this amendment. I think this is only equity. There is no discussion of this matter, printed in the Congressional Record, by Representative Phil Burson, of California, with whom I have talked about it.

The distinguished Senator from Texas (Mr. YASASSOOGH) joins me in the presentation of this amendment and is very interested in it.

I almost forget one other point. If we do not do this now and if we wait until we come back and do it in April, it will be too late in most of the States because most of the States will probably have made up their budgets, and would have already figured into them the savings from this social security increase. So, if we do it, we need to do it now in conjunction with the social security increase.

Mr. COTTON. I am entirely in sympathy with the objective of the Senator's amendment. It only occurred to me and I recall the last time we did that, there was a provision that States that did not see fit, if they failed to comply with this amendment: namely, make up the Federal welfare funds because of the accumulated social security, that there would be a withholding of Federal contributions to welfare funds and that assured compliance by the States. No doubt most States would comply willingly and voluntarily, but I do not say that we could be sure unless in the Senator's bill itself, if it is a appropriation bill we bring in from HEW, or somewhere along the line, there is some policing provision so that the States cannot disregard this admonition.

Mr. HARRIS. I assure the Senator that they will not, that it has been carefully worked out and worded in the amendment. I invite his attention to the actual words.

If the state further to the Senate that this provision does not apply to other forms of assistance, I wish we could have gotten something together soon enough so that all forms of assistance would receive some increase. However, I learned only yesterday that the 15-percent social security increase would be considered today. I think that if we made this amendment too inclusive, too controversial, or too complicated, we would not be able to get it adopted. We have a good chance to get this adopted and then, hopefully, after the first of the year, as has been mentioned by the distinguished Senator from Oregon (Mr. RUSCORR), we can make a wholesale review and revision of the entire welfare system.

In the meantime, if we are going to do equity by Christmas to the social security recipients by giving them as we should, a 15-percent increase, we should also do equity to the 3 million other aged, blind, or disabled Americans who would not otherwise, probably, get an increase under the Long amendment.

Mr. RUSCORR. I am in sympathy with what the Senator from Oklahoma is seeking to achieve. I understand what he has in mind. He wants to try to reach the objective of seeing to it...
that those who get the social security increase will not have their welfare checks cut to the extent of the social security increase. It is a frustrating experience for anyone to hear that Congress has increased welfare, the welfare department, having heard about the increase in social security benefits, has cut his check before he receives the increase in his social security. The Senator from Oklahoma wants to assure that that does not happen.

That will be difficult to do because it is complicated and brings in other problems, like difficulties of administration, and so forth. But the purpose is worthy, even though it will be complicated by adoption of the Byrd-Mansfield amendment which increases the minimum payment up to $100.

Personally, I would be willing to go to conference with the amendment to see what we can work out, and I would do the best we can to perfect the amendment in conference, if the House is willing to consider it. I would personally not be opposed to the amendment and would be happy now to yield time to anyone opposing it. It would create technical and administrative problems, but if they can be worked out—and perhaps we can do that in conference because I believe the Senator has a very noble purpose in offering his amendment—I am sure the amendment will undoubtedly do some good in preventing cutbacks which need not occur where the States are able to continue their present level of welfare.

Mr. President, I would be happy to yield time to Senators who would be in opposition to the amendment; other- wise, I am ready to yield back the remainder of my time.

Mr. HARRIS, Mr. President, I yield back the remainder of my time.

Mr. LONG. I yield back the remainder of my time.

The question is on agreeing to the amendment of the Senator from Oklahoma.

On this question the yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from California (Mr. CRANSTON), the Senator from Alaska (Mr. GRAVEL), the Senator from Minnesota (Mr. MCCARTHY), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that the Senator from Nevada (Mr. CANNON) is absent on official business.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON) and the Senator from Missouri (Mr. SYMINGTON) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. COOK), the Senator from Maryland (Mr. MATHIAS), the Senator from Illinois (Mr. SMITH), and the Senator from South Carolina (Mr. THURMOND) are necessarily absent.

The Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDY) is absent because of illness.

If present and voting, the Senator from Kentucky (Mr. COOK), the Senator from Arizona (Mr. GOLDWATER), the Senator from Maryland (Mr. MATHIAS), and the Senator from Illinois (Mr. SMITH) would each vote "yea."

The result was announced—yeas 77, nays 10, as follows:

[No. 178 Leg.]

YEAS—77

Aiken
Allen
Baker
Byrd
Bellmon
Biddle
Boggs
Brooke
Burdick
Byrd, Va.
Byrd, W. Va.
Chafee
Church
Cotton
Dodd
Dole
Dominitz
Eagleton
Eastland
Eldender
Ervin
Fannin
Fong
Pulbright
Goodell
Gore

NAYS—10

Allott
Bennett
Curtis

NOT VOTING—13

Anderson
Cannon
Cranston
Goldwater

So Mr. HARRIS' amendment was agreed to.
Mr. GURNEY. Mr. President, I wish to go on record in support of the amendment offered by the distinguished Senator from Louisiana (Mr. Long). Amendment No. 367 would provide an increase of 15 percent in social security payments.

Mr. President, today approximately 20 million Americans are over the age of 65, and there is another group of approximately 8 to 9 million Americans who are now between the ages of 60 and 65. It is estimated that approximately 71 percent of this 20 million, roughly three out of four, are living on incomes of less than $2,000 per year. Many of our citizens in this age group went to work for the first time during the years preceding and following the first World War. Very many of these citizens have been making contributions to the social security system since its inception in 1935. They are now retired and living on fixed incomes. They are the victims of an inflationary spiral which they did not cause and have nothing to do with. The social security system was intended initially as an additional cushion for the retirement years, but many of our older people have come to regard it as the only source of their subsistence. For generations since World War II, the current working generation, there are many plans for company pensions and retirement programs, separate and apart from and in addition to social security. But for the older citizens, the presently retired citizens, it is too late. It is not however, too late for the Congress of the United States to do something about their plight. The problem should be attacked on several levels: We should, I think, remove the restrictions which now prevent a man from collecting social security if he earned an income in excess of $1,680. We can I think, key the future benefits of the social security to the increases in the cost of living as they occur, automatically without waiting for separate congressional action on each increase. This, of course, is in line with the President's proposals on social security.

Turning to the measure which we have before us today, I think that a 15-percent increase is not out of line in any way. It is estimated that this increase will cost approximately $4 billion but it will not require an additional tax on payroll. It will be paid for out of actuarial surpluses Old Age and Survival Trust Fund.

We hear a lot of talk today about priorities. This, in my view, should be given a high level priority. The figures on inflation nationwide are indisputable. We cannot expect our older citizens, our citizens who no longer have the capacity to enter the labor market, to absorb these increases out of savings. Very often there are no savings. But the increases in the cost of living must be met by these citizens as by everyone else. It seems to me to be the duty of the Congress to act to help these people at this time. They have turned to us because we are their only hope: We can allow them to live in dignity and with self-respect. We can afford to bear the additional cost. In my judgment, Mr. President, we cannot let these people down. I would urge all my colleagues to give favorable consideration to this amendment.

Mr. HARTKE. Mr. President, I am happy to express my support for the amendment submitted by the distinguished chairman of the Finance Committee. As he knows, I have long shared his concern for the problems of our senior citizens.

For many Americans today retirement means poverty. Because of the patent inadequacy of the social benefits we now pay, many elderly experience true poverty for the first time when they try to subsist on their social security payments. A man works hard and well, and his reward for a lifetime of effort is humiliation, deprivation, and a constant fear that his benefits will not suffice to meet even his most basic needs. It is a sad fact, but true, that many elderly Americans today fear this economic insecurity much more than they fear death itself.

This problem of extremely low incomes is further aggravated by the fact that more Americans are spending more years in retirement periods of uncertain lengths than ever before thus causing a mounting strain on their already limited resources.

Yet as serious as the situation is today, it will deteriorate even more dramatically in the years ahead unless something is done—and done quickly. A rise in earnings of a 4 percent annually—not unrealistic figure in this era of the wage-price spiral—means that consumption levels will approximately double in the next decade, thereby placing those on fixed incomes at an even more serious disadvantage in the marketplace.

This disadvantage is seriously heightened by the present inflation which continues to rage unabated. Last year the cost of living rose more than 5 percent, a clearly unacceptable figure, yet econo-
mists predict that it will be even higher this year. Since 1965, our elderly citizens have been robbed of $3 billion in purchasing power. Inflation has already robbed social security recipients of the 13-percent increase in benefits most recently approved by Congress.

If we consider the steady rise in the consumer price index, we realize that the benefits to retirees have barely kept up with the increase in the cost of living. It is clear that unless there is a sudden stabilization of prices—which is unlikely to happen—these benefits will continue to lag behind in purchasing power in the near future.

In March 1969 the consumer index stood at 135.6; by September 1969 it had increased dramatically to 129.3. Now if we look at the total increase in the consumer price index since Congress last acted on social security benefits, we see that the index has gone up 11.1 points, which translates into a 9.4-percent increase in prices. By projecting the level of the consumer price index into 1970 on the basis of past increases, we are forced to conclude that a 10-percent increase in benefits would hardly get retirement benefits up to where they should be. Even though it had been admitted by the Social Security Administration that such an increase is necessary, we are not likely to see any increase unless it is provided by Congress. Table 1 shows the need for a 15 percent increase in benefits to increases in the cost of living. As I have mentioned previously, I had planned to discuss the Senate floor plan to increase social security benefits by 15 percent across the board. In anticipation of that debate, Frank Crowley of the Legislative Reference Service, prepared some tables which I think are still helpful in our consideration of the proposal before us. Table 1 gives an approximate estimate of the increased payment to each State under a 15 percent increase. Table 2 shows the effect of a 15 percent increase on trust funds. Table 3 shows the long-range financing of 15 percent social security benefit increase. It is my belief that these charts conclusively demonstrate the need for action now. I ask unanimous consent that tables 1 through 6 be inserted in the Record.

There being no objection, the tables were ordered to be printed in the Record, as follows:

TABLE 1.—ESTIMATED MONTHLY SOCIAL SECURITY BENEFITS, BY STATE, PAYABLE UNDER PRESENT LAW AND UNDER HARTKE AMENDMENT

<table>
<thead>
<tr>
<th>State</th>
<th>Present Law Bene.</th>
<th>Hartke Bene. amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>$30.3</td>
<td>$34.8</td>
</tr>
<tr>
<td>Alaska</td>
<td>9.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Arkansas</td>
<td>20.3</td>
<td>23.3</td>
</tr>
<tr>
<td>California</td>
<td>186.1</td>
<td>214.0</td>
</tr>
<tr>
<td>Colorado</td>
<td>19.1</td>
<td>25.8</td>
</tr>
<tr>
<td>Connecticut</td>
<td>31.6</td>
<td>36.3</td>
</tr>
<tr>
<td>Delaware</td>
<td>3.0</td>
<td>4.8</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>5.9</td>
<td>8.9</td>
</tr>
<tr>
<td>Florida</td>
<td>88.5</td>
<td>105.7</td>
</tr>
<tr>
<td>Georgia</td>
<td>33.9</td>
<td>39.0</td>
</tr>
<tr>
<td>Hawaii</td>
<td>17.2</td>
<td>23.3</td>
</tr>
<tr>
<td>Idaho</td>
<td>11.0</td>
<td>13.3</td>
</tr>
<tr>
<td>Indiana</td>
<td>53.7</td>
<td>61.8</td>
</tr>
<tr>
<td>Iowa</td>
<td>32.7</td>
<td>38.8</td>
</tr>
<tr>
<td>Kansas</td>
<td>24.8</td>
<td>28.5</td>
</tr>
<tr>
<td>Kentucky</td>
<td>39.3</td>
<td>47.3</td>
</tr>
<tr>
<td>Louisiana</td>
<td>11.5</td>
<td>13.2</td>
</tr>
<tr>
<td>Maine</td>
<td>29.8</td>
<td>35.7</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>63.7</td>
<td>73.3</td>
</tr>
<tr>
<td>Michigan</td>
<td>91.1</td>
<td>102.7</td>
</tr>
<tr>
<td>Minnesota</td>
<td>35.3</td>
<td>45.2</td>
</tr>
<tr>
<td>Mississippi</td>
<td>52.5</td>
<td>60.4</td>
</tr>
<tr>
<td>Missouri</td>
<td>27.4</td>
<td>34.6</td>
</tr>
<tr>
<td>Montana</td>
<td>16.4</td>
<td>19.3</td>
</tr>
<tr>
<td>Nebraska</td>
<td>3.1</td>
<td>3.7</td>
</tr>
<tr>
<td>Nevada</td>
<td>2.2</td>
<td>2.7</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>8.3</td>
<td>9.0</td>
</tr>
<tr>
<td>New Jersey</td>
<td>77.0</td>
<td>86.6</td>
</tr>
<tr>
<td>New Mexico</td>
<td>41.0</td>
<td>47.3</td>
</tr>
<tr>
<td>New York</td>
<td>213.9</td>
<td>246.0</td>
</tr>
<tr>
<td>North Carolina</td>
<td>106.6</td>
<td>122.3</td>
</tr>
<tr>
<td>North Dakota</td>
<td>56.4</td>
<td>60.4</td>
</tr>
<tr>
<td>Ohio</td>
<td>24.8</td>
<td>28.6</td>
</tr>
<tr>
<td>Oregon</td>
<td>10.6</td>
<td>12.5</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>7.6</td>
<td>8.7</td>
</tr>
<tr>
<td>South Carolina</td>
<td>34.4</td>
<td>39.6</td>
</tr>
<tr>
<td>South Dakota</td>
<td>88.0</td>
<td>101.2</td>
</tr>
<tr>
<td>Tennessee</td>
<td>4.8</td>
<td>5.5</td>
</tr>
<tr>
<td>Utah</td>
<td>25.4</td>
<td>29.4</td>
</tr>
<tr>
<td>Virginia</td>
<td>35.9</td>
<td>41.2</td>
</tr>
<tr>
<td>Vermont</td>
<td>6.5</td>
<td>7.5</td>
</tr>
<tr>
<td>West Virginia</td>
<td>22.6</td>
<td>26.9</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>31.6</td>
<td>36.3</td>
</tr>
<tr>
<td>Wyoming</td>
<td>3.1</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Note: Due to rounding, figures are not additive nor may they be used to compute annual amounts.

TABLE 2.—ESTIMATED PROGRESS OF THE OLD-AGE AND DISABILITY INSURANCE TRUST FUNDS

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Present Law income</th>
<th>Hartke amendment income</th>
<th>Present Law outgo</th>
<th>Hartke amendment outgo</th>
<th>Net income in trust fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-62</td>
<td>$35.2</td>
<td>$35.2</td>
<td>$28.4</td>
<td>$30.5</td>
<td>$6.8</td>
</tr>
<tr>
<td>1961-62</td>
<td>38.6</td>
<td>36.8</td>
<td>29.6</td>
<td>34.0</td>
<td>8.6</td>
</tr>
<tr>
<td>1962-63</td>
<td>43.1</td>
<td>41.3</td>
<td>32.8</td>
<td>35.4</td>
<td>11.1</td>
</tr>
<tr>
<td>1963-64</td>
<td>47.4</td>
<td>47.4</td>
<td>32.0</td>
<td>36.8</td>
<td>14.4</td>
</tr>
</tbody>
</table>

Note: Assumes payments effective for January 1970.

TABLE 3.—LONG-RANGE FINANCING OF A 15-Percent Social Security Benefit Increase

<table>
<thead>
<tr>
<th>(Percent of taxable payroll)</th>
<th>Present Program</th>
<th>Proposed Program</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level Cost of Benefits, Present law</td>
<td>8.72</td>
<td>8.72</td>
<td>9.96</td>
</tr>
<tr>
<td>Level Equivalent of Incomes</td>
<td>9.88</td>
<td>9.88</td>
<td>0.09</td>
</tr>
<tr>
<td>Balance</td>
<td>+1.16</td>
<td>Proposed Program</td>
<td>1.24</td>
</tr>
</tbody>
</table>

Note: According to the Chief Actuary of the Social Security Administration, the program is soundly financed if the actuarial deficit is not more than −0.1% of taxable payroll.
Mr. HARTKE. Mr. President, by way of conclusion, let me once again thank the eminent chairman of the Finance Committee for his gracious endorsement of my proposal to increase benefits immediately. I am confident that his acceptance of my proposal has enhanced its chances of passage and has thus insured that the elderly of this country will receive the immediate relief which they so desperately require.

Mr. TALMADGE. Mr. President, I fully support the amendment of the distinguished chairman of the Finance Committee, to increase social security benefits to a more realistic and liveable level.

As we all know inflation is rampant in the country today. It has been steadily accelerating since 1965, and last year and in recent months the problem has become even worse. The Consumer Price Index from August to September 1969 showed a 6.6 percent rate of change, and the seasonally adjusted price of food reflected an even greater increase. Compared to a year ago, general consumer prices were up 5.8 percent, meat prices 11.7 percent, home ownership costs 10.5 percent, and medical care 8.8 percent.

As we pointed out in a recent report of the Subcommittee on Fiscal Policy of the Joint Economic Committee, the damage done by inflation is insidious. It robs the saver of the purchasing power he or she has put aside for future use. It deprives them of the value of their retirement incomes. It can make the poor even more impoverished.

One of the worst aspects of inflation, Mr. President, is that inflation in recent years has reduced the buying power of those in society who are least able to afford it. I mean our elderly citizens, the senior members of our society, men and women who have retired from work or become disabled. And I mean widows and children whose livelihood is dependent upon survivors’ benefits.

Such has been the inflationary trend in these recent years and the decline of the purchasing power of dollars that these citizens—numbering almost 125 million men, women, and children—have had to tighten their belts in order to purchase the basic necessities, of food, housing, clothing, and medical expenses, they have been caught in an intolerable economic vice. Worse yet, they can do nothing about it. They do not get regular salary increases. They are unable to employ themselves. Their income is fixed by law, even though the Government may or may not go on its way spending far beyond its means for programs of dubious value, even though prices are forced higher and higher throughout all the economy, and regardless of how bad inflation is rampant.

According to the Department of Health, Education, and Welfare, the average old-age benefits paid last year to a retired worker with no dependent was $84 and average worker and wife's benefit was $166 a month. The average monthly benefit for an aged widow was $86.

It is folly to even think that these sums can be considered a livable income in today's sky-high society. These citizens are helpless victims of the Nation's economy.

The Congress would be remiss in its duties and responsibilities if it did not address itself to this problem. We can and we must provide the means for easing the burden of America's senior citizens.

I have received figures from the Social Security Administration and the Library of Congress on the situation in my own State of Georgia. There are approximately 506,000 recipients of social security in Georgia, receiving monthly benefits amounting to some $35 million. The increase proposed here today would mean an estimated $90 million annually to all those who need it very badly, and who are fully entitled to it.

Mr. President, a 15-percent increase in social security benefits above the current minimum. Much greater liberalization of these benefits will be necessary during the coming years. Over the past 2 years, inflation has taken an enormous bite out of already inadequate social security benefits.

The President has indicated his intention to provide a minimum standard of living to the poor of this Nation. We cannot afford to do less for our senior citizens who have supported themselves and our medical care 8.8 percent.

The President has indicated his intention to provide a minimum standard of living to the poor of this Nation. We cannot afford to do less for our senior citizens who have supported themselves throughout their working careers. These individuals have paid taxes and have earned their retirement benefits. They deserve a decent standard of living during their retirement years.

Next year the Congress will have an opportunity to make comprehensive reforms in the Old-Age, Survivors, Disability, and Medicaid programs. In the meantime, however, we must increase social security benefits as much as possible.

I hope that the amendment of the Senator from Louisiana will be adopted.
Mr. President, all Americans have a stake in the future of the social security system. For this reason, I must oppose this amendment. Rather than seeing thorough consideration of the effects of this legislation, we are witnessing a patent attempt to play on the legitimate fears of this legislation, we are witnessing a

The Mansfield-Byrd amendment, providing a minimum payment of $100 to $150 without a means test, will create an increased tax load without significant benefits. By increasing the contribution and benefit base from $7,800 to $12,000, beginning in 1973, we are burdening the very taxpayers we have set out to help. It is only hope is that if these amendments pass, the Senate will resolve to return next year to write comprehensible social security legislation that will truly be of benefit to all Americans.

We owe our elderly citizens too great a debt to be insensitive to their economic plight. A generation or two ago, there were the strong young backs on which the progress of our Nation depended.

The Consumer Price Index has risen 9.1 percent since the last social security benefit increase took effect in February of 1968 and the cost of living is continuing to climb. What the Senate needs to do, then, is give a long overdue increase to the elderly so that they will have at least a fighting chance to survive the protracted battle against inflation.

A 15-percent increase would pump about $46 million in additional social security benefit payments into West Virginia during the calendar year 1970 and about $49 million the following year. It is a fact that there are pension plans, private business pension plans, which reduce the amount the pensioner receives if there is a social security increase. And there is considerable complaint by workers that all they get is a washout.

Mr. President, I was going to submit an amendment to the bill to deal with the problem. I realize that there is no real basis in the facts before the Senate at this time. Yet we have this information from correspondence and complaints.

Mr. President, I ask unanimous consent that the amendment to which I have just referred may be printed at this point in the Record.

There being no objection, the amendment was ordered to be printed in the Record, as follows:

Page 512, line 18, Strike the following sentence:

"SEC. 901A. SOCIAL SECURITY BENEFIT INCREASES."

"Add the following new paragraph to section 901A:

"(11) No decrease in benefits shall become effective in consequence of any increase in the benefits payable under the Social Security Act on or after January 1, 1970; Provided, That any plan containing a provision for such a decrease may avoid disqualification under this paragraph if such decrease is rescinded within one year after the effective date of this Act."

Mr. JAVITS. Mr. President, I ask the Senator from Louisiana whether he has heard of the matter in the committee and whether or not at the next go-around of the committee or perhaps in the conference the members will make some effort to get abreast of the problem, see how serious it is, and what ought to be done.

Mr. LONG. Mr. President, it is my understanding that there is a complaint from some labor circles about the type of private pension arrangement under which companies reduce their company pension payments in the amount of the Social Security Increases. The problem is parallel to that which was
voted on in the Harris amendment. However, there would undoubtedly be a great deal of complaint from management if we sought to correct it as labor feels it should be corrected.

It is a problem that really should be studied and looked at in connection with the social security bill which will come to us from the House, having in mind not the 15 percent across-the-board increase in benefits, but the bill that seeks to go in depth into the social security program.

I have discussed it with the Senator and have urged that he not offer his amendment at this time, but give us an opportunity to study the matter and invite those who are affected by it to be heard and then recommend to the committee what we think the appropriate answer should be.

It is a complicated problem. There are very strong arguments to be made on both sides.

I would like to have the committee have an opportunity to consider the matter.

Mr. JAVITS. I thank the Senator.
Mr. BYRD of West Virginia. Mr. President, I am submitting this amendment on behalf of the majority leader and
ACTUARILY REDUCED BENEFITS

SEC. 1002. (a) (1) Section 202(a) (3) of the Social Security Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(2) Section 202(b) (1) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(3) Section 202(c) (1) and (2) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(B) Section 202(f) (1) (B), (2), (5), and (6) is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(4) (A) Section 202(f) (1) (B), (2), (5), and (6) is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(4) (A) Section 202(f) (1) (C) and (D) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(5) Section 202(g) (1) (C) of such Act is amended by striking out “or was entitled” and inserting in lieu thereof “or was entitled, after attainment of age 62”.

(B) Section 202(h) (2) (A) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(1) (A) Section 202(h) (2) (A) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(2) Section 202(h) (2) (B) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(3) Section 202(h) (2) (C) of such Act is amended by striking out “shall be entitled” and inserting in lieu thereof “shall, except as provided in subsection (q), be entitled”

(4) (I) inserting “and section 202(q) after section 202(a)”

(5) (I) inserting “and section 202(q) after section 202(a)”

(b) (1) The first sentence of section 202 (q) (1) of such Act is amended by striking out “husband’s, widow’s, or widower’s” and inserting in lieu thereof “husband’s, widow’s, or widower’s, or parent’s”.

(B) by striking out, in subparagraph (A) thereof, “husband’s, widow’s, or widower’s” and inserting in lieu thereof “husband’s, widow’s, or parent’s”.

(2) (A) Section 202(q) (3) (C) (ii) of such Act is amended by striking out “husband’s, widow’s, or widower’s” each place it appears therein and inserting in lieu thereof “husband’s, widow’s, or parent’s”.

(3) (A) Section 202(q) (3) (C) (ii) of such Act is amended by striking out “husband’s, widow’s, or widower’s” each place it appears therein and inserting in lieu thereof “husband’s, widow’s, or parent’s”.

(4) Section 202(q) (3) (C) (ii) of such Act is amended by striking out “or widower’s” each place it appears therein and inserting in lieu thereof “or parent’s”.

(D) Section 202(q) (3) (D) of such Act is amended by striking out “or widow’s” each place it appears therein and inserting in lieu thereof “or parent’s”.

(E) Section 202(q) (3) (B) of such Act is amended by striking out “(or would, but for subsection (c)” and inserting in lieu thereof “or widow’s”.

(F) Section 202(q) (3) (F) of such Act is amended by striking out “(or would, but for subsection (c)” and inserting in lieu thereof “widow’s or widower’s”.

(G) Section 202(q) (3) (G) of such Act is amended by striking out “in any case” and inserting in lieu thereof “in the case of a widow or parent”.

(H) Section 202(q) (3) (H) of such Act is amended by striking out “(or would, but for subsection (c)” and inserting in lieu thereof “widow’s or widower’s”.

(1) The heading to section 202(q) of
such Act is amended by striking out “Wife’s or Husband’s” and inserting in lieu thereof “Wife’s, Husband’s, Widow’s, Widower’s, or Parent’s”.

(b) Section 224(a) of such Act is amended by striking out “62” and inserting in lieu thereof “60”.

Sec. 1004. The amendments made by this title shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969, but only on the basis of applications for such benefits filed after September 1969.

Sec. 1006. Section 8332 (j) of title 5 of the United States Code is amended by striking “individual, widow,” in the first sentence and substituting in lieu thereof “individual is at least 62 years of age, or if his widow”.

* * * * *
The Senate resumed the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

The PRESIDING OFFICER (Mr. Hollings in the chair). The Senator from Hawaii is recognized.

Mr. INOUYE. Mr. President, I call up my amendment 319.

The PRESIDING OFFICER. The amendment will be stated.

The ASSISTANT LEGISLATIVE CLERK. On page 370, beginning on line 23, strike out all through line 7, page 377 (section 515, committee amendment).

Mr. INOUYE. Mr. President, I ask unanimous consent that the names of the Senator from Oregon (Mr. Packwood) and the Senator from South Carolina (Mr. Hollings) be added as cosponsors of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. INOUYE. Today I wish to speak in behalf of my amendment to H.R. 13270 which would delete section 515 of the Senate Finance Committee version of the Tax Reform Act. Section 515 relates to profit-sharing plans.

Section 515 of the Senate bill would have the following effects: First, distributions to employees would be taxed at ordinary income rates upon distribution in an amount equal to employer contributions after 1969; second, employers' contributions after 1969 toward the purchase of the employers' securities would be taxed at ordinary income rates upon distribution to the employee in an amount equal to the cost basis of contributions; and third, it establishes a special 5-year "forward" averaging method for the ordinary income part of a lump-sum distribution. I believe that these provisions would destroy valuable incentives upon which our business firms and their employees rely, and I urge that the Senate strike out this entire section of the bill.

Upon present law, an employer who establishes a qualified employee pension, profit-sharing, stock bonus, or annuity plan is permitted to deduct his contributions to the trust, moreover, income earned by the trust is exempt from tax if the employee trust is exempt. Upon retirement the employee who receives annual benefit payments is taxed at ordinary income rates. The exception to this rule is the payment of the benefits in a
lump sum distribution from the plan, in which case the payment is taxed as a long-term capital gain. I am particularly concerned that this highly successful feature of profit-sharing plans will be adversely affected by the changes proposed in section 515.

The Committee on Finance decided during its deliberations to deny such favorable capital gains treatment to lump sum distributions on the grounds that they are in reality deferred compensation at more favorable tax rates than other compensation received for similar services. It was noted in the committee report that taxpayers with adjusted gross incomes in excess of $50,000 gain more and that there have been a number of distributions of over $800,000.

It cannot be denied that there probably are individuals who receive large distributions at favorable rates. However, it must be noted that tax exempt profit-sharing plans are not inequitable. All profits are distributed on a nondiscriminatory basis to president, because of the regulations which govern qualification as a tax exempt profit sharing plan. Furthermore, a survey made in 1968 showed that 90 percent of the lump-sum payments made involving distributions of less than $30,000 and that almost 70 percent fell in the range of from $500 to $10,000. Far from being a device for the rich, lump sum distributions go millions of members in all income groups.

Since 1942, when the provision giving long-term capital gains treatment to lump sum distributions was added to the code, many corporations have adopted deferred tax-qualified profit-sharing programs, covering over 5 million employees. More than 10,000 of these plans were established in 1968 alone. Clearly profit-sharing plans are popular with both employers and employees, and their continued growth is a clear affirmation of their success.

It has been alleged that distributions are actually deferred compensation and ought to be treated as ordinary income. However, this is not usually the case. Most corporations consider profit sharing as an additional and not an alternative to salaries paid to individuals who share in the profits of the business. Through profit sharing an employee is afforded an opportunity to share in the benefits of ownership and to accumulate funds for his retirement or his beneficiaries. It is, I believe, an intelligent response of the free enterprise system to demand for participation in the profits of one’s business.

I fear that any change in the status of employer contributions may retard the further growth of plans. Taxation of lump-sum distributions at ordinary rates may diminish the attractiveness of these plans and discourage further participation in them. I believe that profit sharing is a valuable financial incentive that must be preserved. I urge my colleagues who share my interest in the continued viability of profit-sharing plans to join me in this amendment to strike out section 515 of the tax reform bill.

Mr. President, in closing, I wish to briefly discuss the revenue effects of the proposed change. At the outset, it is estimated that the revised method of taxation would produce less than $2.5 million of additional revenue in the year 1970, and in 1971 it is estimated that $5 million of additional revenue would be produced; and by 1978 it is estimated $50 million of additional revenue would be produced.

While this is intended to be a tax reform bill practical considerations which may outweigh the modest revenue re-

菁策切, under lump sum distribution, cannot be ignored because increased burdens which would be cast on the tax collecting agency must be balanced against any estimated revenue gains which might result from the changed method of taxation. I really believe the increased administrative costs might eliminate all the revenue gained and lead to a net revenue loss.

The committee, in estimating these additional revenues, naturally assumed that all of the profit sharing plans in effect today would continue in effect. I am convinced, with this amendment, it would serve as a damper to these plans and discourage not only further development of plans but close up present plans.

In view of the great care otherwise exercised to see that revenue cutting portions of the bill are matched by revenue increases, this possibility should not be ignored.

Therefore, once again I urge my colleagues who share my interest in the continued liability of profit-sharing plans to join me in this amendment to strike out section 515 of the tax reform bill.
TAX REFORM ACT OF 1969

The Senate continued with the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Hawaii.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. Mr. President the Treasury strongly supports section 515 of the Tax Reform Act as reported by the Senate Finance Committee. This provision would deny capital gains treatment—on a prospective basis only—for the portion of a lump-sum distribution from a qualified pension or profit-sharing plan to the extent it consists of contributions by the employer. To prevent distortion in tax liability which might result from including several years' income in the gross income of 1 taxable year, this provision contains a special averaging provision.

The Treasury believes that employer contributions to a pension or profit-sharing plan should be treated as ordinary income. Such amounts are compensation for services rendered. They do not cease to be compensation and are accumulated in a tax-exempt trust for the benefit of the employees.

There have been statements circulating recently to the effect that this provision will result in a tax increase for recipients of relatively small distributions and a tax decrease for recipients of large distributions. These statements are incor-
Mr. WILLIAMS of Delaware. That is correct.

Mr. MILLER. Is it not true that the committee's action leaves the capital gains at tax on the great bulk of the payroll alone?

Mr. WILLIAMS of Delaware. Yes. That should be subject to capital gain because it is capital appreciation the same as if it was a private investment. But on the other hand, the employer's contribution to the pension fund is a part of the income of the individual and even though it is deferred income it should be taxed at capital gains rates. The committee bill also provides an averaging provision so it does not hit him in the high bracket all in 1 year.

Mr. MILLER. In the case of the situation where the employee has made a contribution down through the years, as well as the employer, that portion of the lump-sum payment which is attributable to the employee's own contribution is merely a return of income which he has previously paid taxes on and is not taxed at all under the committee bill.

Mr. WILLIAMS of Delaware. That is the purpose. It is to correct an existing law or in the Finance Committee bill.

Mr. MILLER. I thank the Senator from Delaware.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Hawaii.

Mr. LONG. Mr. President, I personally voted to support the position taken by the Senator from Hawaii (Mr. INOUYE) in committee. I would have felt constrained to stay with the committee position except for the fact that members of the committee have been voting on the merits of these matters as they felt about the matter in the committee. I believe this does involve a Sears & Roebuck retirement plan, does it not, Mr. INOUYE?

Mr. INOUYE. The Senator is correct.

Mr. LONG. Many people who have such retirement plans working in States to the north and west of us are planning and hoping, when they earn their retirement, to take a lump sum settlement, pay a capital gains on it and then move to warmer climates, such as Florida, or perhaps Louisiana, or California, or Hawaii — where climates are not so harsh on elderly people and they may live out their remaining years in modest comfort.

To tax this settlement as ordinary income does impose a considerable burden upon them, without involving a great deal of tax revenue, and it causes very much inconvenience to a lot of people who are planning to retire and move to some other place from where they worked. Is that not correct?

Mr. INOUYE. The Senator is absolutely correct.

Mr. LONG. I have talked to people involved in this Sears & Roebuck pension plan, and I do not regard it as a loophole, where people have earned their retirement over a long period of time, that they are permitted to have capital gains treatment. I think that, while perhaps some people might receive an undue tax advantage, the overwhelming bulk of the people affected are those with modest means, who work hard for the retirement benefits to which they are entitled, and I would, therefore, very much dislike to see capital gain treatment taken away from them. Thus, I shall vote for the Senator's amendment.

Mr. INOUYE. I thank the Senator. The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Hawaii.

Mr. WILLIAMS of Delaware. Mr. President, with reference to the effect of this amendment, I would like to read some figures given in the President's 1963 tax message relating to a proposal to deal with this problem. These are actual cases where employees received very large lump-sum distributions and gained the benefit of the low capital gains tax on these distributions.

I ask unanimous consent that a table listing these lump-sum distributions be printed in the Record.

There being no objection, the table was ordered to be printed in the Record, as follows:

1. The following lump-sum distributions were received under the pension plans of Employer M within the period from 1954 to 1960:

<table>
<thead>
<tr>
<th>Employee</th>
<th>Amount</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$428,617</td>
<td>1954</td>
</tr>
<tr>
<td>B</td>
<td>$503,670</td>
<td>1955</td>
</tr>
<tr>
<td>C</td>
<td>$332,348</td>
<td>1956</td>
</tr>
<tr>
<td>D</td>
<td>$283,643</td>
<td>1957</td>
</tr>
<tr>
<td>E</td>
<td>$265,000</td>
<td>1958</td>
</tr>
<tr>
<td>F</td>
<td>$365,000</td>
<td>1959</td>
</tr>
</tbody>
</table>

During 1962, over 10 employees received lump-sum distributions of $200,000 or more under this profit-sharing plan.

3. A lump-sum distribution of $849,000 was received under the pension plan of Employer O in 1959.

4. A lump-sum distribution of $332,348 was received under the pension plan of Employer P in 1961.

Mr. WILLIAMS of Delaware. Mr. President, this table, which, as I said, is derived from information in the President's 1963 tax message shows one employee receive a lump-sum distribution of $524,164. Another employee received $503,670. Yet another employee received $428,617, and so forth on down the line.

I hope the amendment which would strike the reform from the bill will be defeated.

Mr. LONG. Mr. President, about $10,000
Mr. WILLIAMS of Delaware. The original estimate was $5 million in 1971, $10 million in 1972 and $55 million ultimately.

Mr. LONG. I am advised that about $10 million is involved in this amendment.

Mr. President, in the bill we have increased the capital gains tax from a 25 percent tax up to a 37½ percent tax. So the capital gains tax, by virtue of this bill, becomes a graduated income tax. To be sure, it is not a graduated income tax going up as high as the tax on ordinary income, but now we have it, by vote of the Senate, up to 37½ percent.

So if one who is making a substantial income receives a lump sum distribution from a pension plan, he would have under the bill a substantial increase in tax on the lump sum distribution by virtue of what we have done in increasing the capital gains tax rates—the top rate, in fact, is increased by 50 percent. That being the case, it would seem to me that the people who were retiring under the Sears, Roebuck or Proctor & Gamble retirement plans would have their taxes increased substantially, anyway.

I tend to agree with the Senator from Hawaii. I do not like to see these people taxed more than others. It may be that my opinion may put me at variance with others, but I find myself in sympathy with these people who want to retire and move to a pleasant climate.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Iowa. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The result was announced—yeas 50, nays 37, as follows:

[No. 169 Leg.]

TEAS—50

Bayh Hruska Packwood
Bible Hughes Pasteur
Brooke Inouye Pearson
Curtis Jackson Percy
Dodd Jordan, N.C. Randolph
Dominick Long Smith, Maine
Eagleton Magnuson Smith, Ill.
Eastland Mansfield Sparkman
Ervin McCarthy Spong
Fong McClintock Stennis
Gravel McGhee Talley
Griffin McIntyre Thurmond
Hatfield Metcalfe Tower
Hollings Montoya Tydings
Follings Muskiet Young, Ohio

NAYS—37

Aiken Fannin Nelson
Allott Fulbright Pell
Baker Goodell Proxmire
Bellmon Gore Ribicoff
Bennett Hansen Russell
Boggs Harris Saxbe
Burick Hart Scott
Case Harzke Williams, N.J.
Church Jordan, Idaho Williams, Del.
Cook Mathias Yarborough
Cooper McGovern Young, N. Dak.
Cotton Miller
Dole Moss

NOT VOTING—13

Allen Ellender Schweiker
Anderson Goldwater Stevens
Byrd, Va. Kennedy Symington
Byrd, W. Va. Mondale
Cannon Mundt

So Mr. INOUE's amendment was agreed to.

Mr. INOUE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.
CHILD'S INSURANCE BENEFITS

Mr. MOSS. Mr. President, I call upon my amendment at the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. The Senator from Utah (Mr. Moss) proposes an amendment:

On page 514 after line 6 insert section 903:

"(f) Child's Insurance Benefits Paid Under Social Security Act.—For purposes of subsection (a), amounts received by an individual as a child's insurance benefit under section 202(d) of the Social Security Act shall not be taken into account in determining whether such individual received more than half of his support from the taxpayer."

"(g) The amendment made by subsection (a) of section 152 of the Internal Revenue Code of 1954 (relating to definition of dependent) is amended by adding at the end thereof the following new subsection:

"(4) Child's Insurance Benefits Paid Under Social Security Act.—For purposes of purposes of subsection (a), amounts received by an individual as a child's insurance benefit under section 202(d) of the Social Security Act shall not be taken into account in determining whether such individual received more than half of his support from the taxpayer."

The purpose is to relieve the taxpayer of accounting for social security payments that come to the child, in determining whether or not the taxpayer contributed 50 percent or more of the cost of his support. It is difficult, anyway, to account for exactly what it costs to support a child—how much of the rental of the house, how much of the food is consumed, the cost of his clothes, the cost of his toys, and all the other things. This would simplify the procedure. Therefore, I think it is a meritorious amendment, and I should like it adopted.

Mr. CURTIS. Mr. President, will the Senator yield for a question?

Mr. MOSS. I yield.

Mr. CURTIS. Can the Senator give us an idea of the range in dollars of benefits paid to children? I take it that this would be benefits paid by reason of the death of a parent?

Mr. MOSS. That is correct. This is the dependent's benefit that comes because of the death of a parent.

Mr. CURTIS. Is it not true that the benefit is paid to the surviving parent?

Mr. MOSS. If the child has a guardian and he is a minor, in actual accounting for it is concerned, there is a guardian. But the amount involved is relatively small for each child. The child might get $50 or $40 or some such amount per month.

What I am trying to do is get relief from a rather onerous tax return burden.

Mr. CURTIS. I wish the Senator would refresh my mind as to how high a child's benefit goes. The Senator from Nebraska does not have that figure before him. It is conceivable that many of these benefits are small and that the taxpayer would be saved from an onerous accounting system. On the other hand, it may be that the benefit is sufficient so that totally it pays or nearly pays for the support of the child. I am not quite sure how much it is.

Mr. PASTORE. Mr. President, will the Senator yield for a question?

Mr. MOSS. I yield.

Mr. PASTORE. Is it a fact that the present procedure, more than anything else, amounts to a nuisance? So far as dollars and cents are concerned, this is not the significant issue nor is it the question here. Under the present law, any time a child receives any benefit—and rarely will it exceed $600 a year—perforce, the individual who claims that dependency must be given a very thorough proof that he has contributed more than 51 percent to that child's sustenance during that year. That is correct.

Mr. MOSS. That is correct.

Mr. PASTORE. How can one measure the water that the child drank, the electricity he used? This is impossible. It is merely a nuisance; that is all it amounts to, I am surprised that it is even in the law.

Mr. MOSS. This happens very frequently in low-income families, where the nuisance is compounded in trying to come up with the amount.

Mr. GORE. Mr. President, the committee feels duty bound to oppose the proposed amendment.

The claiming of a foster child as a dependent is a matter that should be considered when a great deal of concern to the Internal Revenue Service and the Department of the Treasury. It is true that if a foster parent claims a child for a dependent, there might be a greater occurrence of social security benefits which that child receives. One simple way for the foster parent to avoid the necessity of keeping the records and making the records available is not to claim the dependency.

We argued a good deal about the level of personal exemption. Perhaps we did not make it high enough. If this amendment is adopted, it would be possible for a nonblood guardian to claim one, two, three, or several children as dependents, even though he might make no more than a $1 contribution to their support.

So, agreed that the present system is vexatious to some people, nevertheless, the possibility of a considerable inequity would be created if the committee feels that if one claims a personal exemption for a dependency, that dependency should be reduced by the contribution to that child's upkeep that comes from social security contributions. It is possible that the social security would be as much as $1,000 a year. Yet, the foster parent, by contributing $1, could claim an exemption of $800 from his own income.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. CURTIS. Mr. President, there may be some cases in which some relief ought to be granted; but I think this is a matter that should be considered when social security is considered and hearings are held. It could well be that there are some situations in which what the distinguished Senator from Utah is trying to do ought to be done. But a number of factors are involved there.

In the first place, social security income for the purpose of taxation is not income. It is free of tax and has been all through the years.

I do not know what the effect of this amendment would be in case the surviving parent is left with three or four youngsters, all of whom are drawing benefits.
I would be very reluctant to oppose the amendment, for humanitarian reasons. I think that a child who has lost a parent should have every break there is, but I am thoroughly convinced that to do justice in this situation the matter should be explored in hearings and presented when we have social security legislation.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. GORE. I shall yield in just a moment.

Mr. President, I join the Senator from Nebraska in the views he has just expressed, and I join him also in suggesting to the able author of the amendment that when we have hearings on the social security bill the committee would carefully go into the matter.

Mr. CURTIS. I would be willing to make that a pledge.

Mr. WILLIAMS of Delaware. Mr. President, the Senator from Tennessee and the Senator from Nebraska have just expressed the thought I was going to make. I think, as the Senator from Rhode Island has pointed out, there is almost an equipoise here to be dealt with, but I am afraid the proposal before us could be subject to possible abuse.

I think with proper committee hearings adequate consideration could be given to this matter. I would join in saying that as a member of the committee we will give it study and try to work out some solution.

Mr. COOK. The Senator from Tennessee points out that it would be possible, where someone was receiving $800 to $1,000 a year in benefits to support the child, for that person to contribute as little as $1 or $5 for the support of the child and still claim the child as an exemption. Perhaps that is not the intention of the Senator from Utah. I think there probably is a way to prevent that and to achieve the objective he seeks to achieve.

Mr. President, I join the chairman in a pledge that we will give this matter our attention and try to come up with a solution.

Mr. PASTORE. Mr. President, we are dealing with a bill that is loaded with favoritism. There is no question about it. One who has exemplified that more dramatically than anybody else on the floor of the Senate has been the Senator from Tennessee. Look how picayune they are in this situation. You are saying if a widow is left with three children and she collects social security benefits for each one, just a small amount at best—and we are talking about a widow—a widow, before she claims a child as a dependent, if she has a little bit of a job on the side earning a little income, because her husband left her and she is supporting the three young children, has to document the fact that she contributed more than 50 percent to support them. We are picayune.

Mr. PASTORE. Mr. President, we are in a situation where the parents are paid by the State. They cannot claim the benefits because they are being paid by the State. We are talking about widows. I am familiar with a dozen situations in my State where widows are being paid by the State, where they might have a little job in a department store and get $50 a month for each child; but at the end of the year they would have to document the fact that they contributed more than 50 percent.

We have all of this meddling about adjusting this matter when we are loading the bill with a 23-percent oil depletion allowance, benefits for this group, benefits for that group; and yet, we will talk about that widow this afternoon. I am ashamed, really ashamed.

Mr. GORE. Mr. President, we are not talking about widows here, although that is a favorite subject and I am very sympathetic toward the spouse of a deceased soldier.

Suppose this widow remarries and she has three, four, or five children, and that from social security there is a considerable contribution for their upkeep. This measure would set up the legal possibility that a foster parent who has not legally adopted the children—

Mr. PASTORE. But who is supporting them.

Mr. GORE. (continuing). Might be supporting them to the extent of $1 a year.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. GORE. No; I will not yield just now.

Mr. PASTORE. Very well.

Mr. GORE. The Senator is talking about widows. I am talking about someone's security is at stake. The former widow—

Mr. PASTORE. I will answer that question.

Mr. GORE. The Senator said this is picayune. It is not picayune.

This is a principle which is proposed to be established in a tax law making it possible for one to claim a personal exemption, or to claim the support of a child when, as a matter of fact, the person might actually be making only a miniscule contribution toward the support of the child.

This is not a large item; no large amount is involved, and I do not wish to take a great amount of time to debate it. However, it is a principle that is wrong. Let the committee, when it has hearings on social security, examine this matter carefully and then recommend a decision to the Senate.

Mr. MOSS and Mr. PASTORE addressed the Chair.

Mr. GORE. Mr. President, I yield first to the author of the amendment.

Mr. MOSS. Mr. President, I think the summary of this proposal which has been given by the able Senator from Rhode Island puts it in perspective. What we are talking about is a relatively small amount of money and a relatively small group of people. Basically, they are people of limited income.

I supported the able Senator from Tennessee when he fought on the floor—

Mr. PASTORE. That is right.

Mr. MOSS (continuing). To increase the personal exemption. A person may claim from $600 to $1,000.

Mr. PASTORE. Or $1,000.

Mr. GORE. It should be $1,000.

Mr. COOK. Mr. President, may we have order?

Mr. MOSS. We have $800. Now we want to turn around and say that in order to claim a child, a dependent child who has a small amount coming under social security from a deceased parent, we are going to force that person to set up an accounting system where they have to show how the amount he spends in supporting that child is greater than the amount the child got from social security.

Mr. GORE. Mr. President, I wish to say to the able Senator that I do not want to debate this matter for a long time, but the Senator talks about a small amount. The amount can be $109 per month. As a matter of fact, on the average today the children of a deceased worker receive $71 a month. Is the Senate going to say that $109 a month can be ignored and that even though the foster parent makes but a miniscule contribution to the upkeep of that child he can still claim $800 as an exemption for each child? I say in principle that is wrong.

Mr. MOSS. Mr. President, will the Senator yield?

Mr. GORE. I had promised to yield to the Senator from Connecticut.

Mr. RIBICOFF. Mr. President, what concerns me has a great bearing on what the Senator from Utah proposes. The maximum amount one can receive under social security for a child is $109 a month; and that is $1,308 a year. The average payment made for a child under social security is $852. When we add that comes to $852 a year. It is obvious if $71 is the average, many, many persons are below the $71 a month.

Mr. COTTON. Mr. President, may we have order? I am trying to listen to the Senator.

The PRESIDING OFFICER (Mr. MATHIAS in the chair). The Senate will be in order.

Mr. RIBICOFF. Mr. President, I think all of us realize it takes more than $852 a year to support a child, and a parent or foster parent would have to make a substantial contribution.

This is not the place where I hope the committee would take this amendment to consider it in conference. But I think I can sympathize with the Senator from Tennessee because we are talking about ourselves. The discussion we had when we discussed the Byrd-Mansfield amendment. The Senate is going to have to wrestle with a complete review of the Social Security system. It seems that will take place, as far as this body is concerned, sometime next May or June. I know that members of the Committee on Finance will go into this matter thoroughly. However, I do wish to say there is a great deal of merit in what the Senator from Utah advocates. To my knowledge this is the first time it has been brought to the attention of the Senate. It has been overlooked and consideration should be given to what the Senator from Utah advocates because it has much merit.

Mr. MOSS. I thank the Senator.

Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. MOSS. Mr. President, I simply want to ask this question. What is the poverty level now that has been set as the official poverty level in this country which the family income should not fall below?

Mr. GORE. I believe, for a family of 4, it is $3,800.
Mr. MOSS. If we compare the $71 average that the children get under social security, we can see that no one will be lifted out of the poverty level by having the contribution to a child come into the family income. The onerous obligation of itemizing and trying to justify all the expenses of a child will not be worth the amount of money involved. Therefore, I think we do not have this provision in the tax bill, to say that that may be ignored in filling out a tax return for a family whose mother is usually a widow.

Mr. GORE. Mr. President, I wish to close by saying that I did not think and do not now think that an $800 exemption is sufficient. I was happy that the Senate supported that much, however, inadequate it is. But here is an amendment offered to make a special provision.

It would be the only place in the law I know of in which we would allow a taxpayer to claim full exemption for the support of a child when, as a matter of fact, the degree of support could be minuscule. I think this is a bad principle, but I do not wish to take the time of the Senate further. Let the Senate work its will.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Utah (Mr. Moss).

Mr. PASTORE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

Mr. PASTORE. Mr. President, I ask for the yeas and nays.

Mr. COOK. Mr. President, a parliamentary inquiry.

Mr. PASTORE. Mr. President—

The PRESIDING OFFICER. The clerk will call the roll.

Mr. PASTORE. Mr. President, I ask for the yeas and nays.

Mr. WILLIAMS of Delaware. Mr. President, regular order.

Mr. ALLOTT. Regular order, Mr. President.

The PRESIDING OFFICER. Mr. PASTORE, does the Senator from Rhode Island withdraw his request for the call of a quorum?

Mr. PASTORE. Mr. President, temporarily, I do. I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

The PRESIDING OFFICER. The yeas and nays on this amendment having been ordered, the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Virginia (Mr. BYRD), the Senator from Florida (Mr. HOLLAND), the Senator from Massachusetts (Mr. KENNEDY), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that the Senator from Alabama (Mr. ALLEN), the Senator from Nevada (Mr. CANNON), and the Senator from Louisiana (Mr. ELLENBERG) are absent on official business.

I further announce that, if present and voting, the Senator from Louisiana (Mr. ELLENBERG) would vote "nay." On this vote, the Senator from Nevada (Mr. CANNON) is paired with the Senator from Florida (Mr. HOLLAND). If present and voting, the Senator from Nevada would vote "yea" and the Senator from Florida would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNROE) is absent because of illness.

The Senator from Colorado (Mr. DOMINICK), the Senator from Pennsylvania (Mr. SCHWEIKER) and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

If present and voting, the Senator from Colorado (Mr. DOMINICK) and the Senator from Arizona (Mr. GOLDWATER) would each vote "nay."

The result was announced—yeas 46, nays 41, as follows:

YEAS—46

Bayh
Bible
Brooke
Burdick
Byrd, W. Va.
Church
Cotton
Crandon
Dodd
Eagleton
Ford
Goodell
Gravel
Hart
Hartke
Hayes
Hefley
Hollings
Hughes
Inouye
Jackson
Javits
Magnuson
McClellan
McGee
McGovern
McIntyre
Metcalf
Mondale
Montoya
Moss
Murphy
NAYS—41

Aiken
Allott
Alford
Altman
Allott
Baker
Bellmon
Bennett
Bugs
Case
Cochrane
Cook
Cooper
Curtis
Davis
Eastland
Erickson
Panunzi

NOT VOTING—13

Allen
Anderson
Byrd, Va.
Cannon
Dominick

So Mr. Moss' amendment was agreed to.

Mr. PASTORE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. MOSS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

* * * * *
AMENDMENT NO. 398

Mr. BYRD of West Virginia. Mr. President, I call up amendment No. 398 and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the Record.

The amendment is at the end of the bill add the following new title:

TITLE X—AMENDMENTS TO THE SOCIAL SECURITY ACT

SHORT TITLE

Sec. 1001. This title may be cited as the “Social Security Retirement Age Amendments of 1969”.

ACTUARILY REDUCED BENEFITS

Sec. 1002. (a) (1) Section 202(a)(2) of the Social Security Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(2) Section 202(b)(1) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(3) Section 202(c)(1) and (2) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(4)(A) Section 202(f)(1)(B), (2), (5), and (6) is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(B) Section 202(f)(1)(C) of such Act is amended by striking out “or was entitled” and inserting in lieu thereof “or was entitled, after attainment of age 62.”

(5) (A) Section 202(h)(1)(A) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(B) Section 202(h)(2)(A) of such Act is amended by inserting “subsection (q) and” after “Except as provided in”.

(C) Section 202(h)(2)(B) of such Act is amended by inserting “subsection (q) and” after “except as provided in”.

(D) Section 202(h)(2)(C) of such Act is amended by—

(i) striking out “shall be equal” and inserting in lieu thereof “shall, except as provided in subsection (q), be equal”; and

(ii) inserting “and section 202(q)” after “section 203(a)”.

(b) (1) The first sentence of section 202 (q) (1) of such Act is amended (A) by striking out “husband’s, widow’s, or widower’s” and inserting in lieu thereof “husband’s, widow’s, widower’s, or parent’s”, and (B) by
striking out in subparagraph (A) thereof, "widow's or widower's" and inserting in lieu thereof "widow's, widow's, or parents'".

(3) (A) Section 202(q)(3)(A) of such Act is amended—

(1) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, or widower's, or parent's";

(2) by inserting by striking out "age 62" and inserting in lieu thereof "age 60", and

(3) by striking out, in subparagraph (E) thereof, "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, or parents'".

(B) Section 202(q)(3)(C) of such Act is amended by striking out "widowers" each place it appears therein and inserting in lieu thereof "widow's, widow's, or parent's".

(4) Section 202(q)(3)(D) of such Act is amended by striking out "or widower's" and inserting in lieu thereof "or widow's, or parent's".

(E) Section 202(q)(3)(E) of such Act is amended (i) by striking out "(or would, but for subsection (c)(1), have died)" after "her or he" and inserting "attained age 62,"; (ii) by striking out "or" at the end thereof the following: "(or would, but for subsection (c)(1), have died)" after "her or he" and inserting "attained age 62,"; (iii) by striking out "or husband's" each place it appears therein and inserting in lieu thereof "or husband's, widow's, or widower's, or parent's"; and (iv) by striking out, in subparagraph (E) thereof, "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, widow's, or parent's".

(2) (A) Section 202(r)(1) of such Act is amended (i) by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, or parent's"; and (ii) by inserting by striking out "60", and (v) by striking out "62" and inserting thereof "60".

(B) Section 202(r)(2) of such Act is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, or parent's".

(C) (1) Section 202(r)(1) of such Act is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, Widow's, or Parent's".

(2) A. Section 202(r)(1) of such Act is amended (i) by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, or parent's"; and (ii) by striking out, in subparagraph (F) thereof, "husband's" and inserting in lieu thereof "husband's, widow's, widow's, or parent's".

(3) Section 202(r)(2) of such Act is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, or parent's".

(4) Section 202(r)(3) of such Act is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, or parent's".

(5) Section 202(q)(7) of such Act is amended—

(A) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, or widower's, or parent's"; and

(B) by striking out or "her, his or her" and inserting in lieu thereof "her, his, or her".

(2) Section 214(a)(1) of such Act is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, or parent's".

(3) Section 215(f)(5) of such Act is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, or parent's".

(4) Section 224(a) of such Act is amended by striking out "or wife's insurance benefits" and inserting in lieu thereof "wife's insurance benefits to which a wife is entitled".

(5) Section 202(q)(7) of such Act is amended—

(A) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, or widower's, or parent's"; and

(B) by striking out or "at the end and inserting in lieu thereof the following: "or the wife's insurance benefit to which a divorced wife is entitled, with the first day of the first month in which she attained age 62, if such individual is entitled to such benefit".

(4) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits" and inserting in lieu thereof "wife's insurance benefits to which a wife is entitled".

(5) Section 202(q)(7)(B) of such Act is amended by striking out "and" and inserting in lieu thereof "or".

(6) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits to which a wife is entitled".

(7) Section 202(q)(7)(B) of such Act is amended by striking out "and" and inserting in lieu thereof "or".

(8) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits to which a wife is entitled".

(9) Section 202(q)(7)(B) of such Act is amended by striking out "and" and inserting in lieu thereof "or".

(10) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits to which a wife is entitled".

(11) Section 202(q)(7)(B) of such Act is amended by striking out "and" and inserting in lieu thereof "or".

(12) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits to which a wife is entitled".

(13) Section 202(q)(7)(B) of such Act is amended by striking out "and" and inserting in lieu thereof "or".

(14) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits to which a wife is entitled".

(15) Section 202(q)(7)(B) of such Act is amended by striking out "and" and inserting in lieu thereof "or".

(16) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits to which a wife is entitled".

(17) Section 202(q)(7)(B) of such Act is amended by striking out "and" and inserting in lieu thereof "or".

(18) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits to which a wife is entitled".

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(20) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits to which a wife is entitled".

(21) Section 202(q)(7)(B) of such Act is amended by striking out "and" and inserting in lieu thereof "or".

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(25) Section 202(q)(7)(B) of such Act is amended by striking out "and" and inserting in lieu thereof "or".

(26) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits to which a wife is entitled".
loss of employment, are forced into retirement earlier than would otherwise be the case. As Senators know, it is becoming increasingly difficult to find employment after age 60, and sometimes even earlier. In any event, persons who cannot find employment because of age, or who are unable to get jobs because of bad health, should at least have the option permanently to retire at an earlier age if they choose to accept reduced benefits in so doing. If individuals are denied this choice, some of them may be forced to go on welfare or they may become a burden upon their children or other relatives who have family responsibilities of their own.

Moreover, there are some persons who, although presently employed, would voluntarily accept reduced benefits at 60, thus vacating their jobs. Those jobs could then be filled by younger persons who are entering the labor market.

Mr. President, there is no sociological or economic reason for drawing the retirement line at age 65. With the need for additional jobs increasing from year to year, and with the problems of cybernation and automation confronting us ever more daily, it seems to me that the social security retirement age, which is every justifiable reason for lowering the age of eligibility for retirement under social security. Those who feel it is important to apply for their benefits early could do it as they choose to do so, and there would be no additional longrun cost to the trust fund, why should we hesitate to offer Americans this choice?

This amendment would serve to alleviate hardship for persons who otherwise might be forced to retire and forced to wait a couple of additional years before being eligible for social security.

An indication is needed as to what the exercise of the choice would mean, under extant law, those persons who elect under present law to retire at age 62 must accept a 20-percent reduction in their old age insurance checks in other words, five-ninths of 1 percent for every month in the period between the attained age and age 65. Under the amendment which I have offered on behalf of the majority leaders, the voluntary choice at age 60 would accept a 33 1/3 percent reduction in his benefits, or five-ninths of 1 percent for each month in the period between age 60 and the date the individual would attain 65.

Mr. President, I have offered this amendment a number of times during the 12 years I have been in the Senate, and the Senate has adopted the amendment upon each occasion. The House has always rejected the amendment in conference. I hope that the Senate will accept the amendment again. We should not tire in persisting. The amendment is a good amendment, and sooner or later it is going to become law. I hope that it will be this year.

I urge the adoption of the amendment.

Mr. WILLIAMS of Delaware. Mr. President, last night in colloquy with the Senator from Massachusetts (Mr. KENNEDY) I cited an example of a credit of $63 million for each company in Alaska for the investment tax credit. I have been advised by the staff, in looking over the Stevens amendment, that all of this company’s expenditures would not be subject to the investment tax. While they would have an investment credit for the entire State of Alaska, it would not be in the amount I stated. The Stevens amendment should be corrected in that respect. The cost of the Stevens amendment would be $76 million for the whole country instead of the earlier estimate as given of $300 million.

Mr. President, I ask unanimous consent that the Record be corrected accordingly.

The PRESIDING OFFICER. Without objection, the correction will be made.

Mr. President, the distinguished Senator from West Virginia has offered an appealing amendment. It is easy to be sympathetic to the intent of the amendment. The Senate should be aware that the amendment will raise the retirement age from age 62 to 65. It was first introduced in 1965 and in 1967, as the Senator stated. As the Senator pointed out, the amendment is actuarially sound.

However, the Senate should be aware of the impact the amendment would have on the social security payments of many persons. The amendment would increase the outflow of social security funds above the amounts under present law. The Senate has already approved amendments which will increase social security payments by about $6.5 billion annually, and the Senate has already accepted quite a number of amendments that vastly increase the outflow of social security funds above the amounts under present law. The Senate has already approved amendments which will increase social security payments by about $6.5 billion annually, and the Senate has already accepted quite a number of amendments that vastly increase the outflow of social security funds above the amounts under present law. The Senate has already approved amendments which will increase social security payments by about $6.5 billion annually, and the Senate has already accepted quite a number of amendments that vastly increase the outflow of social security funds above the amounts under present law. The Senate has already approved amendments which will increase social security payments by about $6.5 billion annually, and the Senate has already accepted quite a number of amendments that vastly increase the outflow of social security funds above the amounts under present law.

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In addition to its budgetary impact, the Byrd amendment would give people at age 60 permanently lower benefits, one-third less than they would receive at age 65. For example, a person who would be entitled to the $100 minimum voted by the Senate yesterday would only receive $67 at age 60. The reason is simple: The actuaries estimate that at age 65, a person will receive social security benefits 15 percent above the average. If he begins drawing the same total amount at age 60, 15 years’ worth of payments must be spread out over 20 years, and each months’ payment must be one-third less. It is certain that two-thirds of a benefit is better than nothing, the House conference has taken the position that the Congress did, that 25 years’ benefits are permanently reduced by one-third.

One final word in conclusion. Under existing law, anyone under social security who is totally or permanently disabled at any age, so that the amendment would address itself only to able-bodied individuals at the age of 60.

Mr. WILLIAMS of Delaware. Mr. President, I join the distinguished acting chairman of the committee in expressing the hope that the Senate will not accept the Byrd amendment, as appealing as it may be. True, as the Senator from West Virginia correctly points out, from an actuarial basis it is sound, but the impact on the Federal budget would be about $600 million additional per year. As the chairman pointed out regarding the bill as a whole, by the committee, its net result would have additional revenue of $6 billion. The Senate has whittled that away by approving $2.5 billion dollars in extra revenue lost, so that the bill now stands we shall be losing other persons in revenue instead of gaining $6 billion, even without the pending amendment, which would add another $600 million loss.

I am afraid that we cannot accept such an amendment and be fiscally solvent or responsible. Another disadvantage to it, as people might realize that they cannot live on that amount of two-thirds, and Congress will, as it did the other day in a previous amendment of my good friend from West Virginia, raise the minimum. It will be so low that they cannot live on it. I am not sure that we are rendering a service to these people when we hold out an incentive such as this, where they may be encouraged to retire on benefits which will not be enough over a period of time. I would, therefore, hope that the amendment would be rejected.

Mr. President, there is no sociological or economic reason for drawing the retirement line at age 65. With the need for additional jobs increasing from year to year, and with the problems of cybernation and automation confronting us ever more daily, it seems to me that the social security retirement age, which is every justifiable reason for lowering the age of eligibility for retirement under social security. Those who feel it is important to apply for their benefits early could do it as they choose to do so, and there would be no additional longrun cost to the trust fund, why should we hesitate to offer Americans this choice?

This amendment would serve to alleviate hardship for persons who otherwise might be forced to retire and forced to wait a couple of additional years before being eligible for social security.

An indication is needed as to what the exercise of the choice would mean, under extant law, those persons who elect under present law to retire at age 62 must accept a 20-percent reduction in their old age insurance checks in other words, five-ninths of 1 percent for every month in the period between the attained age and age 65. Under the amendment which I have offered on behalf of the majority leaders, the voluntary choice at age 60 would accept a 33 1/3 percent reduction in his benefits, or five-ninths of 1 percent for each month in the period between age 60 and the date the individual would attain 65.

Mr. President, I have offered this amendment a number of times during the 12 years I have been in the Senate, and the Senate has adopted the amendment upon each occasion. The House has always rejected the amendment in conference. I hope that the Senate will accept the amendment again. We should not tire in persisting. The amendment is a good amendment, and sooner or later it is going to become law. I hope that it will be this year.

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One final word in conclusion. Under existing law, anyone under social security who is totally or permanently disabled at any age, so that the amendment would address itself only to able-bodied individuals at the age of 60.

Mr. WILLIAMS of Delaware. Mr. President, I join the distinguished acting chairm...
I have a pair with the Senator from Wyoming (Mr. McGee). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withdraw my vote.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. Anderson), the Senator from Wyoming (Mr. McGee), the Senator from Montana (Mr. Metcalf), and the Senator from Missouri (Mr. Symington) are necessarily absent.

I further announce that, if present and voting, the Senator from Montana (Mr. Metcalf) would vote "yea."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. Goldwater) is absent on official business.

The Senator from Maryland (Mr. Mathias) is detained on official business.

I have announced my pair with the Senator from Wyoming (Mr. McGee).

The result was announced—yeas 54, nays 37, as follows:

[No. 106 Leg.]

YEAS—54

Aiken Harris Moss
Bach Hart Muskie
Bilbo Hartke Nelson
Burdick Hatfield Pastore
Byrd, W. Va. Hollings Pearson
Cannon Hughes Pell
Church Inouye Fomrime
Coak Jackson Randolph
Cooper Jordan, N. C. Ribicoff
Cotton Kennedy Russell
Cranston Long Swettler
Dodd Magnuson Sparkman
Eastland Mansfield Spong
Eastland McCarthy Sennia
Fulbright McGovern Tydings
Goodell McIntyre Williams, J. J.
Gore Mondale Yarborough
Gravel Montoya Young, N. Dak.

NAYS—37

Allen Ervin Percy
Allott Farnham Prevey
Baker Fong Saxbe
Bellmon Gurney Schmitt
Bennett Hansen Smith, Maine
Boyles Holland Smith, Ill.
Brooke Brooks Stevens
Byrd, Va. Javits Talmadge
Case Jordan, Idaho Thurmond
Curts McConnell Tower
Dole Miller Williams, Del.
Dominick Murphy Woodruff
Eidler Packwood

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY RECORDED—2

Griffin, against.
Young of Ohio, against.

NOT VOTING—7

Anderson McGee Symington
Goldwater Metcalf Mundt
Mathias

So the amendment (No. 398), as modified, was agreed to.

Mr. GRIFFIN, I move to reconsider the vote by which the amendment was adopted.

Mr. BYRD of West Virginia, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KENNEDY, Mr. President, I ask unanimous consent that I may yield to the distinguished Senator from Wisconsin (Mr. Nelson) for a brief colloquy with the chairman of the Committee on Finance, without losing my right to the floor.

The PRESIDING OFFICER (Mr. Packwood in the chair). Without objection, it is so ordered.
Mr. NELSON. Mr. President, I should like to ask a question of the manager of the bill for the purpose of clarification.

Section 901 of the bill as reported by the Committee on Finance would impose special limitations on contributions to pension plans of certain corporations, defined as professional service organizations.

I am anxious to make sure that this section of the bill is not intended to apply to a corporation like the Marshfield Clinic, in Marshfield, Wis. This corporation has operated a medical clinic in Marshfield, Wis., since it was organized in 1916. It employs 84 physicians as full-time employees. The Marshfield Clinic was not organized under one of the special State laws recently enacted for professional service corporations. Instead, it was incorporated in 1916 under the general business corporation law of the State of Wisconsin.

The Marshfield Clinic has the following characteristics of an ordinary business corporation: It is governed by a board of directors; it has an executive committee of directors; it issues certificates representing shares of capital stock; it is empowered to amend and has amended its articles of incorporation; it has purchased, constructed, leased, and mortgaged its assets; liability of its shareholders for its debts is limited; it has initiated suits as a corporation in the Wisconsin courts; it has continuity of life; it is liable for Wisconsin income tax as a general business corporation; it has always been subject to Federal income tax as a corporation; and it files required annual reports with the Wisconsin Secretary of State as a general business corporation.

Clearly the Marshfield Clinic was not set up to take advantage of pension plan benefits under the Federal tax law, since it was in existence for more than 25 years before the present tax treatment of employee pension plans was first enacted in 1942.

While the Marshfield Clinic is subject to no such requirement under the Wisconsin general business corporation law, its articles of incorporation provide that its shares of stock may be issued only to physicians licensed in Wisconsin and may be voted only by them.

I would appreciate it if the Senator could assure me that it was not the intention of the committee that section 901 apply to a corporation under these circumstances.

Mr. LONG. It would be my understanding that the new provision relating to professional corporations would not apply to the type of case the Senator refers to.

My reason for saying this is that although this corporation by its charter is limited to having only doctors as shareholders, this is not required by the State law under which it is organized. Nor is it my understanding that there is any indication that when this clinic was organized in 1916, this limitation in the charter was specifically required by the then-existing rules of professional ethics.

Mr. RIBICOFF. Mr. President, I think the chairman is absolutely correct. What we were seeking to do in the Committee on Finance was to close the loophole of those corporations which were seeking to circumvent the guidelines laid out in H.R. 10 of the so-called Keogh plan. Clinics such as the Marshfield Clinic, the Mayo Clinic, and the Lahey Clinic were established many years ago, long before H.R. 10 and the Keogh plan in 1962. They were established to give these particular services.

When a person goes to the Marshfield Clinic or the Mayo Clinic or the others, he knows he is going to a clinic. But when Dr. Jones forms a corporation, the patient thinks he is going to Dr. Jones. He does not know he is going to a corporation at all.

It is my understanding from the discussions in the Finance Committee that we specifically were determined that clinics such as described by the Senator from Wisconsin would not be covered by the changes adopted by the Finance Committee.

Mr. LONG. I believe that is true, for the reason stated in my statement.

Mr. RIBICOFF. The Senator is correct.

* * * * *

Mr. NELSON. Mr. President, I should like to ask a question of the manager of the bill for the purpose of clarification.

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Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. LONG. I yield.
AMENDMENT NO. 382

Mr. MATHIAS. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:
On page 401, line 16, strike the numeral "5" and insert the numeral "10".

Mr. MATHIAS. Mr. President, this is a technical amendment.

Subchapter S of the Internal Revenue Code allows small corporations, those with 10 or fewer shareholders, to elect not to pay the regular corporate income tax and instead to have the income or loss of the corporation taxed directly to the shareholders. In a general way, this results in a pattern of taxation similar to that of partnerships. Subchapter S is now being used by more than 200,000 corporations and the number is constantly increasing. However, because of the hybrid nature of the Subchapter S corporation—not quite a corporation and not quite a partnership—the governing rules have been quite complex. Under both the Johnson and the Nixon administrations, with the aid of the Committee on Partnerships of the American Bar Association, legislative proposals have been developed to alleviate problems associated with subchapter S corporations. The proposals have been designed to tax such corporations as much like partnerships as possible without conferring unwarranted advantages on them.

H.R. 13270 as passed by the House and reported by the Senate Finance Committee would apply the H.R. 10 ceiling—10 percent of earned income or $2,500, whichever is less—to deferred compensation of "shareholder employees" of subchapter S corporations. This amendment would change the section 531 definition of "shareholder employee" from an officer or employee who owns more than 5 percent of the corporation's stock to an officer or employee who owns more than 10 percent—by making the appro-
priate change at page 401, line 16, of H.R. 13270.

This amendment would conform to the
Surrey proposals under the Johnson ad-
mnistration, the Cohen proposals under the
 Nixon administration, and the present
in section 401 (c) (3) of the code.

Mr. President, I hope the Senate will sup-
port the amendment. Mr. JAVITS. Mr. President, I un-
derstand there is some question with re-
erence to an amendment that was to be
offered by another Senator. That amend-
ment was to take out the provision from
the bill altogether.

Is the Senator aware of anything like
that, and how does it tie in with his amend-
ment?

Mr. MATHIAS. I am not aware of any
such intention on the part of any other
Member.

It is my understanding that when the
secretary of the Treasury came before the
Committee on Finance, the distinguished chair-
man of the committee can confirm this—
he testified that the Treasury would like
further time to study the whole question of
owners of firms in this general area of the economy. However, since the
committee has elected to act, this amend-
ment is intended to mitigate to the ex-
tent possible the action of the committee.

It will not result in any loss of revenue
to the Treasury. It will conform to pres-
tent business practices, and I think it will
have the effect of making the changes
more circumspect and less far reaching
than under the Senator's draft.

Mr. JAVITS. Will the Senator yield
further?

Mr. MATHIAS. I yield.

Mr. JAVITS. How is this going to deal
with the professional service corpora-
tions—that is, in States where they are
permitted to have an extra degree of flexibility.

It says "more than 5 percent." This would
permit the treatment which is accorded
subsection S corporations to be avail-
able if you have 10- rather than 5-per-
cent interests as provided in the bill.

Mr. CURTIS. But it relates to subsec-
tion S corporations generally and not in
reference to retirement programs specifically. Is that correct?

Mr. MATHIAS. Just subsection S.

Mr. CURTIS. I mean, the Senator's amend-
ment.

Mr. MATHIAS. Yes.

Mr. CURTIS. The Senator's amend-
ment does not deal with the retirement
but, rather, deals with subsection S
generally?

Mr. MATHIAS. That is correct.

Mr. FANNIN. Mr. President, will the
Senator yield?

Mr. MATHIAS. I have yielded to the
Chair.

Mr. FANNIN. Would the Senator ob-
lace to my obtaining a parliamentary
ruling that this will not affect the amend-
ment if he is not going to offer?

Mr. MILLER. Mr. President, will the
Senator yield?

Mr. MATHIAS. I have yielded to the
Chair.

Mr. FANNIN. Mr. President, I have a
parliamentary inquiry.

The PRESIDING OFFICER. The Sen-
ator will state it.

Mr. FANNIN. Mr. President, should I
have a ruling as to whether or not this would
affect the amendment I will call up later.
I already have submitted the amend-
ment.

The PRESIDING OFFICER. Will the Senator specify the amendment he is
talking about?

Mr. FANNIN. Amendment No. 296.

The PRESIDING OFFICER. It will
have no effect.

Mr. FANNIN. I thank the Chair.

Mr. MILLER. Mr. President, will the
Senator yield?

Mr. MATHIAS. I yield.

Mr. MILLER. Should the Senator ask to
the Senate from Maryland whether, by
merely changing 5 to 10, representing
the amount of outstanding stock a share-
holder-employee must own under present
law, this does not restrict the privilege of one of these
subsection (s) corporation pension plans
rather than expand it. It seems to me
that with only 5 percent required, this
would indeed permit 20. But, as I under-
stood the Senator's response to the Sen-
ator from Nebraska's question, he indi-
cated that this would permit 10 instead of
20. It seems to me that the Senator's amend-
ment does not just permit 10 in-
stead of 20, but it requires that there
would be 10 instead of 20, because of the
way the bill would read with his 10 per-
cent added in lieu of the 5 percent.

If his intention is to expand the cover-
age, it seems to me that the 5 percent
expands the coverage. If his intention is
to restrict the coverage, then the 10 per-
cent does restrict it. But I am not quite
clear what he intends to do, because I
had originally thought he was intending
to expand it as he does.

Mr. MATHIAS. I am happy to respond
to the distinguished Senator from Iowa.

He will note that on page 401, line 16,
says "more than 5 percent." This would
be more than 5 percent. Therefore, it
provides an extra degree of flexibility.

Mr. MILLER. May I respond to the
Senator from Maryland by reading the
entire paragraph as it would now read
if his amendment were adopted?

Mr. CURTIS. For purposes of this term
"shareholder-employee" means an employee
or officer of an electing small business cor-
poration who owns . . . on any day during
the taxable year of such corporation less
than 10 percent of the outstanding stock of
the corporation.

That means that if one is a share-
holder-employee and is to come under
subsection S (a) pension plan, he must own
more than 10 percent.

Mr. STEVENS. Less than.

Mr. MILLER. The Senator from Alaska
suggests "less than," but that is not the
language. The language is "more than."

If the Senator from Maryland is try-
ing to expand the coverage—I would
suppose that he is, and I think that is
a good objective—perhaps it ought to
read more than 10 percent, rather than
just "more than 10 percent."

If that accords with his intent, I
would suggest that he might wish to
modify his amendment accordingly, and
I support the amendment.

I am afraid that, as it now stands, the
amendment is going to restrict the num-
ber who could be covered under these
plans, and I think that is an objective
ought to be to expand the number.

Mr. MATHIAS. Let me say to the dis-
tinguished Senator that the bill imposes
a new limitation which has not existed
herebefore. What we are trying to do is to
bring that new limitation and the new
rules which are being applied here into
line with other appropriate statutes.

The Senator is not wholly wrong in his
interpretation. The purpose is to apply
only as is consistent with other as-
pects and with other features of the code.

For that reason, we felt that the 10 percent
would be a more desirable figure in line
with other comparable plans. Although
it would be more restrictive in that
respect, as the Senator has indi-
cated.

Is my understanding that the dis-
tinguished chairman of the committee
and the distinguished ranking Repub-
lican member of the committee are willing
to accept this amendment?

Mr. MILLER. Mr. President, will the
Senator yield further?

Mr. MATHIAS. I yield.

Mr. MILLER. Mr. President, I can
visualize a situation in which we have
under present law, 20 members of a firm,
each having 5 percent. They are all cov-
ered under present law. I can understand
another situation in which 10 members
have, let us say, 8 percent each, which
would account for 80 percent of the own-
ership, and the balance, let us say, of five
members have 4 percent each; and under
the present law, only a five members with
4 percent each would be eligible.

Now, if we want to expand the eligibil-
ity we can do that by providing that a
shareholder-employee must own more
than 10 percent and that means that
those who have 8 percent, since they did
not have more than 10 percent, are eligi-
ble, and, therefore, coverage would be
expanded and it seems to me would be
desirable to do that.
But I think that this matter should be checked with staff further. Therefore, Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside in order to consider an amendment to be offered by the Senator from Florida (Mr. HOLLAND).

Mr. HOLLAND. Mr. President, I thank the Senator for yielding.

* * * * *
debate on the pending amendment, it be limited to 20 minutes, the time to be equally divided between the sponsor of the amendment and the Senator in charge of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MATHIAS. Mr. President, during the interval, I have had the opportunity to discuss this language with the distinguished Senator from Iowa, and we have agreed upon a modification which is agreeable to the distinguished chairman of the committee and to the senior Republican Member of the committee.

Therefore, I ask unanimous consent to modify my amendment so that it will read:

On page 401, line 16, strike the words "more than 5 percent" and insert the words "10 percent or more".

I believe that this will satisfy the objection which was raised by the Senator from Iowa, and will further conform to the bill and to other pertinent parts of the statute.

Mr. LONG. Mr. President, I understand this matter as well as I would like to understand it, but the Treasury studied it and they agree with the amendment. They think it is desirable. The staff committee members also have studied it and think it is a good amendment. Therefore, in that spirit, I think it would be appropriate to agree to the amendment and take it to conference.

Mr. President, I yield back the remainder of my time.

Mr. MATHIAS. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment has been yielded back.

The question is on agreeing to the amendment of the Senator from Maryland (Mr. MATHIAS).

The amendment was agreed to.

* * * * *
Mr. FANNIN. Mr. President, I call up my amendment, No. 296, pertaining to professional service organizations, which I offer on behalf of myself, the Senator from Illinois (Mr. PERCY), and the Senator from Texas (Mr. TOWER).

Before I do so, I ask unanimous consent that the names of Senators ALLOTT, BIBLE, CRANSTON, Dole, Gurney, Hruska, Javits, Murphy, and Schweiker be added as cosponsors.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FANNIN. Mr. President, I call up my amendment, No. 296, to H.R. 13270.

The amendment will be stated.

The legislative clerk read the amendment, as follows:

* * *

Mr. FANNIN. Mr. President, I call up my amendment, No. 296, pertaining to professional service organizations, which I offer on behalf of myself, the Senator from Illinois (Mr. PERCY), and the Senator from Texas (Mr. TOWER).

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The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FANNIN. Mr. President, I call up my amendment, No. 296, to H.R. 13270.

The amendment will be stated.

The legislative clerk read the amendment, as follows:

On page 509, beginning with line 5, strike out all through line 18, page 512 (section 1101 of the committee amendment), and renumber the succeeding sections.

The part of the bill proposed to be stricken, is as follows:

Sec. 901. QUALIFIED PENSION, ETC., PLANS OF PROFESSIONAL SERVICE ORGANIZATIONS.

(a) SPECIAL RULES FOR SHAREHOLDER-EMPLOYEES.—Section 72 (relating to annuities) is amended by redesignating subsection (p) as (q) and by inserting after subsection (q) the following new subsection:

"(p) SPECIAL RULES FOR SHAREHOLDER-EMPLOYEES OF PROFESSIONAL SERVICE ORGANIZATIONS.—

"(1) INCLUSION OF CERTAIN AMOUNTS IN GROSS INCOME.—Notwithstanding the provisions of section 402 (relating to taxability of beneficiaries of employees' trust), section 403 (relating to taxation of employee annuities), or section 405(d) (relating to taxability of beneficiaries under qualified bond purchase plans), a shareholder-employee of a professional service organization shall include in gross income for his taxable year the sum of—

"(A) the excess of the amount of contributions paid on his behalf which is deductible under section 404(a) (1), (2), or (3) by such organization for its taxable year ending in or with his taxable year, over the lesser of (i) 10 percent of the compensation received or accrued by him from such organization during its taxable year, or (ii) $2,500, and

"(B) the amount of any forfeitures allocated to his account under a stock bonus or profit-sharing plan established by such organization during the taxable year of a trust forming part of such plan ending in or with his taxable year.

In the case of an individual on whose behalf contributions are paid under more than one plan to which subparagraph (A) applies or under a plan contributions to which on his behalf are subject to the limitations provided in section 404(e), the provisions of subparagraph (A) shall, under regulations prescribed by the Secretary or his delegate, apply with respect to the aggregate of the contributions paid on his behalf under all such plans.

"(2) TREATMENT OF AMOUNTS INCLUDED IN GROSS INCOME.—Any amount included in the gross income of a shareholder-employee under paragraph (1) shall be treated as consideration for the contract contributed by the shareholder-employee for purposes of this section.

"(3) DEDUCTION FOR AMOUNTS NOT RECEIVED AS BENEFITS.—If—

"(A) amounts are included in the gross income of an individual under paragraph (1), and

"(B) the rights of such individual (or his beneficiaries) under the plan terminate before payments under the plan which are excluded from gross income equal the amounts included in gross income under paragraph (1).

then there shall be allowed as a deduction, for the taxable year in which such rights terminate, an amount equal to the excess of the amounts included in gross income under paragraph (1) over such payments.

"(4) PROFESSIONAL SERVICE ORGANIZATION DEFINED.—For purposes of this subsection, the term 'professional service organization' means any corporation, beneficial ownership in which, or control of which, is limited under State or local law, applicable regulations, or rules of professional ethics to—

"(A) individuals who are required to be licensed or otherwise authorized under State or local law to perform the professional services necessary to carry on the trade or business in which such corporation is engaged, or

"(B) the executor or administrator of an individual described in subparagraph (A).
"(5) SHAREHOLDER-EMPLOYEE.—For purposes of this subsection, the term 'shareholder-employee' means any employee of a professional service organization who owns any beneficial interest in such organization.

(b) CONFORMING AMENDMENT.—Section 62 (as amended) is amended by inserting after paragraph (9) (as added by section 531 of this Act) the following paragraph:

REQUIREMENTS ON QUALIFIED PROFESSIONAL SERVICE ORGANIZATIONS.—The deduction allowed by section 72(p)(3) is increased by one-half of the amount of any benefit that is provided to members or shareholders of the organization.
scored the right of professional service organizations to be considered corporations, where permitted by State law, and classified attempts to prevent such action as “unreasonable and discriminatory.” As such, courts have refused to give in to such openly “wholly arbitrary and discriminatory” characterizations of professional service organizations, which deny to them the rights granted to other, similar organizations, we in the Senate should do likewise.

Thus, Mr. President, I propose that we strike those provisions which would discriminate against the doctors and other similar organizations as being not in the best interest of the policy of the Nation. The Treasury Department has endorsed this proposal as best serving its policy of concern in the Senate's entire field, which is it currently doing. The circuit courts of appeal of four of the circuits in the United States have held that to do any less would be a discrimination against the rights of the associations and should not be allowed.

In the interest of elemental fairness, I urge that the amendment of the Senate Finance Committee be adopted. In support of this amendment, I am delighted to join him in co-sponsoring, deleting this discrimination, as adopted.

Mr. PERCY. Mr. President, will the distinguished Senator from Arizona yield me 4 minutes?

Mr. FANNING. I yield 4 minutes to the Senator from Illinois.

Mr. PERCY. Mr. President, I am seated in the right of the Senator from Texas, though not very frequently do I find myself to the right of him ideologically. I find myself today four-square behind him, and certainly behind the distinguished Senator from Arizona, in the amendment they are now offering.

This is an amendment that looks to equity, it looks to organization of our health. It looks to help the people of this country. I rise in strong support of the pending amendment. It is vitally important to continued improvement of health care in this country.

In this richest most affluent nation in the world, we are deficient in many respects in the health care assistance we offer to Americans, especially those living on lower incomes. We are able to develop effective heart transplant procedures and advances in immunology are dramatic. Yet, when it comes to caring for health needs of the average citizen, our material advances and scientific achievements frequently seems to have decreased.

Today the Nation's practicing doctors for the most part largely function as 300,000 independent and uncoordinated professionals, yet it makes no sense to allow them to take the means to encourage and assist the medical profession to make more efficient and economical use of their strong and independent operations. It would seem logical to encourage wider multispecialty group practice to allow greater availability and utilization of expertise, ancillary personnel, and costly facilities. Closely related to group practice is the trend to medical care. This technique has demonstrated an effective means of supplying sound health care where it has been tried.

The pending amendment would encourage the trend of group practice by deleting restrictive provisions written in by the Senate Finance Committee. These provisions would limit members of professional corporations to the same proportion as professional service associations, or corporations, and that they be taxed no differently from other corporations and the IRS has been rebuffed by the courts in every instance of trying to present counterarguments.

The benefits realized by existing law are not just for the employer, but must be given particularly based on salary to all employees.

The courts consistently have ruled that professional corporations should be taxed no differently from other corporations and IRS has been rebuffed by the courts in every instance of trying to change this tax treatment.

This amendment would not allow professional corporation employees to deduct unlimited amounts of income. Any pension plan of a professional corporation must be an IRS qualified plan with benefits that are not more than those provided employees in the corporation—in the case of doctors that would mean for doctors, nurses, technical personnel.

Contributions to the plan must meet IRS standards of reasonableness and IRS will disallow excessive contributions. In any event contributions to profit-sharing plans are limited to 15 percent of salary.

For all the above reasons I strongly urge adoption of the amendment.

The PRESIDING OFFICER. Who yields time?

Mr. OWEN. Mr. President, I yield myself such time as I require.

I ask unanimous consent to have printed in the Record an article entitled "Physicians Profit From Tax Device," written by Sandra Blakeslee, and published recently in the New York Times.

There being no objection, the article was ordered to be printed in the Record, as follows:

PHYSICIANS PROFIT FROM TAX DEVICE

(By Sandra Blakeslee)

Thousands of physicians across the country have begun to take advantage of a lucrative tax device that is saving many of them more than $15,000 a year in taxes. These doctors are finding they can use the same device to retire on 10 times as much money as they once planned—without earning a penny more during their careers.

The growing popularity of this tax mechanism—the professional corporation—was reflected in interviews with medical society officials, legal counselors, management consultants and physicians from around the country.

"It is the hottest thing to happen to us doctors since penicillin," remarked a heart specialist from California.

The tax device is available to all professional men, such as lawyers and architects, but they do not appear to be utilizing the device as doctors do because the concept is more peculiar to their professions. However, authorities said the concept might find wider popularity as the practice among doctors becomes better known.

The Treasury Department, which is alert to this trend and concerned about it, is studying the matter as part of its broad examination of deferred compensation plans. The agency intends to present legislation in 1978 that would seek to close the tax loophole and to deal with what it considers to be other irregularities in the tax treatment of retirement plans for employees and the self-employed.

One reason for the doctors’ enthusiasm for the professional corporation is illustrated in the case of a New Jersey physician who for years expected his retirement income to be $10,000 a year. He now expects to get $100,000 a year after age 65, without a change in his current standard of living.

The professional corporation, which has been repeatedly ruled legitimate by the courts despite frequent attacks by the Internal Revenue Service, is the same as any other business corporation, except that it is made up of several professionals. However, authorities said the concept might find wider popularity as the practice among doctors becomes better known.

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In the last two years, the agency has fought and lost battles in nine district courts and three Federal appeals courts. The primary issue was that opposition to professional corporations was "discriminatory" and "patently arbitrary."

On April 8, the doctor was thrown wide open. The I.R.S., giving up its legal fight, promulgated a new policy that "organizations of doctors, lawyers and other professionals who meet the standards of the Federal Government."

Professional corporations, often called associations, are flourishing in 48 states. New York State, for example, offers professional corporations, a legislative adviser from Albany said. "Many people don't feel it's kosher," he said.

Estimates of how many doctors are turning to professional corporations are difficult to make, according to the American Medical Association.

The legal department of the A.M.A. receives dozens of requests each day from physicians asking for advice on incorporation procedures. The association mails them a brochure describing the situation in detail.

Some state medical societies will hazard estimates. In California, for example, 30,000 doctors were said by officials to be lining up at lawyers' offices after a professional incorporation. In New York State, where the proposed legislation is still wide open. The I.R.S., giving up its legal fight, promulgated a new policy that "organizations of doctors, lawyers and other professionals who meet the standards of the Federal Government."

Some states that passed enabling legislation have not yet had any incorporation. In California, for example, 30,000 doctors were said by officials to be lining up at lawyers' offices after a professional incorporation. In New York State, where the proposed legislation is still wide open. The I.R.S., giving up its legal fight, promulgated a new policy that "organizations of doctors, lawyers and other professionals who meet the standards of the Federal Government."

The battle to legalize professional corporations in New York State is being carried on largely by the state medical society, which has written a letter again next year to get the legislature to pass an enabling law.

In the last year in Albany, two enabling bills were defeated as legislators argued that professional corporations would serve no purpose. In the legislature, doctors and lawyers in the state are divided in their opinion.

The average size of a corporation is three physicians, and 14 corporations are listed only one physician.

Each state is empowered to pass its own laws regulating corporations and setting minimum standards for their organization. Professional corporations, often called associations, are flourishing in 48 states. New York State, for example, offers professional corporations, a legislative adviser from Albany said. "Many people don't feel it's kosher," he said.

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It is the worst kind of subterfuge and tax dodge. We should not be encouraging this kind of tax avoidance.

The Treasury is studying the problem, but, we should wait for the Treasury report and allow this loophole to remain untouched.

Mr. President, I commend the Finance Committee for closing the loophole.

This is a tax gimmick that is going on all over the country for the benefit of a small group of doctors and lawyers.

Mr. LONG. If he takes a lump-sum distribution, that is true. But even if he draws it down in installments as ordinary income he has a great advantage.

When he puts the money aside for retirement, that is deductible, he pays no tax on it. Then, let us say, it sits in a retirement, that is deductible, he pays no tax on it. When he puts the money aside for retirement, that is deductible, he pays no tax on it. Then, let us say, it sits in a retirement, that is deductible, he pays no tax on it.

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Mr. President, I yield to the Senator from Tennessee.

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Mr. GORE. Then he may draw this amount down so that it is not taxed as ordinary income, it is capital gains income.
Mr. FANNIN. How many corporations do we have in the United States?
Mr. RIBICOFF. I do not know. Hundreds of thousands.
Mr. FANNIN. That is correct.
Mr. RIBICOFF. But I do not think we should place a man in a position, frankly, of giving doctors and lawyers this tremendous loophole.
Mr. FANNIN. Does the Senator favor passing measures without having hearings and departmental reports? Does he think it is fair and equitable to pass measures on that basis?
Mr. RIBICOFF. I think there is collective wisdom in the Senate of the United States, and I think that the collective wisdom of the Senate in many instances is superior to that of a bureaucracy or a department. I do not hesitate to have the Senate initiate the legislative process. What has been wrong with the legislative process over the last 30 years is that the Senate has failed to take the initiative and has waited, hat in hand, for a decision at the other end of Pennsylvania Avenue.
Mr. FANNIN. Does the Senator think that we are prepared to pass judgment on matters with which we are not familiar because we have become more familiar by getting the departmental reports, by getting information, and by giving the people involved an opportunity to testify?
Mr. RIBICOFF. Yes, I do. I think that the Senator from Arizona, the Senator from Louisiana, the Senator from Tennessee, and I have sufficient knowledge and experience that we do not have to apologize to someone who is in the Treasury Department for making a decision. Members of the Treasury Department and even the Secretary of the Treasury, have only been there 5 or 6 months. I think that our collective experience and wisdom is equal to theirs. I do not hesitate to take the initiative in the legislative process, and I hope the day never comes when the Senate fails to take the initiative.
Mr. GORE. Mr. President, will the Senator yield?
Mr. RIBICOFF. I yield.
Mr. GORE. The distinguished Senator from Arizona indicates that the committee is trying to discriminate against professional corporations. As a matter of fact, the committee has a provision in this bill to put the same limits on subchapter S corporations, small business corporations.
Mr. FANNIN. Partnerships.
Mr. GORE. Similar to what it recommends for professional corporations. So, instead of the committee discriminating, the Senator from Arizona would discriminate against small business corporations by providing for so-called professional corporations a kind of tax benefit which is denied to the small business corporations.
Mr. FANNIN. They have the privilege of electing how they are going to be taxed. They have the privilege of making a determination. We are not giving the same privilege.
I am not talking about what should be done. I am talking about fairness and equity in permitting the people involved to come before us and testify and then getting departmental reports, so that we can evaluate.
Mr. GORE. Mr. President, will the Senator yield?
Mr. RIBICOFF. I yield.
Mr. GORE. I rose to make this comment because of the distinguished Senator from Arizona, who raised the question of discrimination. Discrimination is not involved in the provision in the committee amendment as between professional corporations and subchapters S corporations. The discrimination would be if the amendment of the distinguished Senator from Arizona should be adopted.
Mr. RIBICOFF. Mr. President, will the Senator yield?
Mr. RIBICOFF. I yield.
Mr. COOK. First, let me say that I do not mean to disagree with the Senator from Arizona. The question before the committee is whether he wants to go under section 401 of the Internal Revenue Code or under chapter S, and I think it would be found that the same small corporation would elect to go under 401. I should like to make one thing clear. When we talk about the fact that, somehow or other, it is like Senator Pastore's poor fellow who has to go to the store or a department store and take something, he just does not apply to a doctor. If he elects to have one of these programs under section 401, it is not true that he makes an election and that he has to file a qualified pension plan with the Department, and that it not only applies to the doctor but also to everybody else who works in his office. It applies to the nurses and to the secretaries. It applies to engineering firms and their employees. It applies to law firms and their secretaries. It does not apply to the individual alone.
Mr. RIBICOFF. That is correct. But there is a great difference in how this operates, because there is a sense of balance under the Keogh plan. I will cite the difference, with the same doctor.
Under the Keogh plan, as passed in 1962, the investment projection in 23 years for the same doctor with a lucrative practice of $173,800, would give him a retirement income, on a 6 percent withdrawal, of $165,000 a year. Under the present corporate plan, the same doctor, with the same income, would have an investment projection of $165,200, with a retirement income of $99,900 a year. This is a great variable. The nurse who works there is not going to receive $99,900. The nurse who works there will probably retire at an income of $4,000, $5,000 or $6,000, depending on how many years she has worked for him.
What we have here is a situation that is going like wildfire, and we are trying to prevent a loophole from becoming larger and larger until we find out the Treasury's program to treat all retirement plans. This is a great variable. The nurse who works there is not going to receive $99,900. The nurse who works there will probably retire at an income of $4,000, $5,000 or $6,000, depending on how many years she has worked for him.
What we have here is a situation that is going like wildfire, and we are trying to prevent a loophole from becoming larger and larger until we find out the Treasury's program to treat all retirement plans, which they do not have.
What we have here is a discriminating feature. The Senator from Arizona has the same type of incorporation laws. Not every doctor is incorporated, not every lawyer is incorporated, when they are incorporated, they are incorporated separately, because, basically, doctors still have to have ethical concepts; they are still personally liable. They do not have corporate liability.
of the money they make into this tax shelter retirement plan. They can include in the plans, let us say, a 10-year vesting provision. Then, having set aside 25 percent of the money they make into this tax shelter retirement plan. They can include in the agencies in my judgment as to what we should do. We can study the problems and we are qualified to act.

Mr. LONG. Mr. President, we have in this bill what is known as section 311. That was not the subject of the hearings. An article appeared in Forbes magazine that pointed out a device that insurance companies and others were relying on. I recall the Senator from Delaware got this device out and said “Look at this. It is awful.” We asked the Treasury Department what they thought about it. They said corporations other than insurance companies also use that device. The Treasury Department fought this device, but the courts were deciding the lawsuits in favor of these corporations. Finally the Treasury Department gave up.

We looked at the situation and decided to act. The Treasury Department did not speak, but they know something has to be done about it. If they are not going to make doctors and other professionals pay taxes, how are they going to make others? The committee thought the doctors should pay taxes.

Mr. RICICOFF. And the lawyers.

Mr. COOK. Mr. President, there is one point I would like to make to the Senator from Louisiana. I do not think he is just talking about doctors. I am not a doctor, and I could not get to be one, anyway, I expect. You could have the same situation if plumbers got together, and I suspect some of them have 401 plans. It could be a tile man or anybody else, if they are not a corporation. They could qualify under this if they got approval.

Mr. RICICOFF. That is what the Senator would say that is not just professional groups of doctors and lawyers. I think it should be pointed out that is true under 401 plan, if you file with the Internal Revenue Service and get approval.

Mr. COOK. Mr. President, I recall talking to the Senator from Connecticut yesterday. We were talking about social security provisions. I gave an example. In the Senator’s mind it was an example of extremes. I would say the Senator from Kentucky (Mr. Cook), the Senator from Colorado (Mr. Allott), the Senator from Oregon (Mr. Hatfield), and the Senator from Oklahoma (Mr. Cobbs), be added as cosponsors of the amendment.

Mr. COOK. The irony of this is illustrated by the fact that the President is talking about vetoing this bill because it provides a meager personal exemption of $800 and a 15 percent increase in social security benefits and an $800 personal exemption. He gave a one-word answer—NO.

Mr. COOK. The Senator does not have any illusions about the other things done in this bill, has he?

Mr. GORE. The President, that is not true. They said they will take it up all together.

Mr. RICICOFF. Mr. President, I am amazed at where this discussion is going. Since when does the Senate depend for its decision on what any secretary has to say? Mr. Gore’s assertion is that we have forgotten there are two ends to Pennsylvania Avenue, one end where the President is, and the other end where we are. I would look at legislation and not wait for what the Treasury, the Department of Interior, or the Department of Commerce sends here. That is why we have debates. There is not a man here who did not come here with a great deal of background and experience in life and in government. I do not believe anyone in the agencies in my judgment as to what we should do. We can study the problems and we are qualified to act.

Mr. LONG. Mr. President, what is the nature of the Senator’s amendment?

Mr. RICICOFF. I quote from the AMA newsletter:

A major plus is the corporate plan which offers physicians a greater potential economic benefit by allowing medical group practices to make a single element in the financial environment.

Mr. GORE. Mr. President, will the Senator yield?

Mr. RICICOFF. I yield.

Mr. GORE. The irony of this debate is illustrated by the fact that last evening the distinguished President of the United States indicated a possible veto of this bill, for one reason, that it provides a 15 percent increase in the social security benefits.

Mr. COOK. The President did not say that last night.

Mr. GORE. I listened.

Mr. COOK. They asked him if he would sign the bill under the circumstances, and he said, “Yes.” He did not expand. He did not say what the reasons were.

Mr. GORE. He did not say “yes.”

Mr. COOK. He said, “No,” that he could not support it.

Mr. GORE. As I understood the question—and it is in the newspapers today—the Senator from Kentucky (Mr. Cook), asked the President if he could sign the tax bill if it contained a 15 percent increase in social security benefits and an $800 personal exemption. He gave a one-word answer—NO.

Mr. COOK. The Senator does not have any illusions about the other things done in this bill, has he?

Mr. GORE. The Senator does not have any illusions about the other things done in this bill, has he?

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Mr. COOK. The Senator does not have any illusions about the other things done in this bill, has he?
The Treasury Department supports the deletion of sections 531 and 901 from the Tax Reform Act. At a minimum, the Treasury believes that the effective dates of these provisions should be delayed for 1 year to permit consideration of the Treasury's recommendations in the deferred compensation area.

Mr. Tower addressed a letter to the Treasury Department concerning these two sections, and under late of November 21, Assistant Secretary Edwin S. Cohen, directed a reply to me, and I ask unanimous consent that at the conclusion of my remarks the text of that letter be printed in the Record.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. Hruska. Mr. President, among other things, here is what the letter says:

We believe that the distinction in present law between qualified retirement plans of self-employed persons and corporate plans generally is unwise and should be eliminated.

The elimination of this distinction is one of the objectives of the Tax Reform Act extending the limitations on contributions now applicable to retirement plans of self-employment persons to corporate plans of professional service corporations.

As a general matter, the Treasury Department is opposed to the imposition of limitations on contributions or benefits for high-paid corporate employees, at least for shareholder-employees, and the adoption of uniformly applicable requirements for vesting, eligibility, and other matters.

Mr. President, it seems to me that the reasons for the Secretary's conclusions are what are important. He is asking that this matter be delayed until a time that will be more suitable and in keeping with the rules or logic of determinations of sound, public policy.

Thus, I urge that the amendment be agreed to and proceed in a logical and deliberate fashion, which will be much more in keeping with the determination of policy in such an important area.

THE DEPARTMENT OF THE TREASURY.

WASHINGTON, D.C., NOVEMBER 21, 1969.

DEAR SENATOR HRUSKA: You have requested a statement of our position on the Senate Finance Committee proposal that would include limitations on contributions now applicable to retirement plans of self-employment persons to corporate plans of professional service corporations.

As a general matter, the Treasury Department is opposed to the imposition of limitations or requirements on retirement plans solely because of the type of business engaged in or the form in which business is conducted. It has been our position that the distinction in present law between qualified retirement plans of self-employed persons and corporate plans generally is unwise and should be eliminated.

The elimination of this distinction is one of the objectives of the review which we have undertaken of the entire deferred compensation area. The accomplishment of this objective may involve the imposition of some form of limitation on contributions or benefits for high-paid corporate employees, at least for shareholder-employees, and the adoption of uniformly applicable requirements for vesting, eligibility, and other matters.

Action in these areas is consistent with the rules or logic of determining sound, public policy.

Thus, I urge that the amendment be agreed to and proceed in a logical and deliberate fashion, which will be much more in keeping with the determination of policy in such an important area.

EDWIN S. COHEN, Assistant Secretary.
accept that, because I think many of us feel that we should hold hearings before we positively enact legislation on this subject. Within 1 year's time, that can be done. Therefore, I would not like to see this locked into the law, on the basis of what we think may or may not be right.

Mr. FANNIN. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Arizona has 36 minutes remaining and the Senator from Louisiana (Mr. Long) has 26 minutes remaining.

Mr. FANNIN. Mr. President, I yield such time to the Senator from Texas as he may desire.

The PRESIDING OFFICER. The Senator from Texas is recognized further.

Mr. TOWER. Mr. President, therefore I urge the Senator from Arizona not to accept the proposal offered because I think we have adequate time to hold hearings, and to consider and enact constructive legislation based on the accumulation of the appropriate facts in the matter.

Mr. FANNIN. Mr. President, I thank the distinguished Senator from Texas. Let me say to the distinguished chairman of this committee that several of us have much to say about this matter, but we are unable to contact them. Let me say to the distinguished Senator from Texas that I appreciate very much his thoughts, but there are a number of cosponsors that I cannot contact immediately and therefore would like to defer the Senator's proposal at this time.

Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. LONG. Mr. President, from time to time we have seen articles or cartoons to the effect that the Senate Finance Committee was whittling away at the bill. However, for those who have doubts about the ability of the majority of members of this committee to plug up loopholes when we find them and do what should be done in a certain area, I believe we have a good example of it right here.

The vote was 12 to 4 in the committee. One can say that we did not have hearings, but on the other hand, we did not have the opportunity of doctors and other professional people bringing pressure to bear on members of this committee, who voted on this matter, before they voted on it.

The balance on the committee is about the same as in the Senate, and when we looked into the matter, we decided, by a vote of 12 to 4, that the loophole should be closed.

All legislation is desired in the future, we can have it. The Treasury can bring in its recommendations. But the Treasury's recommendations should come in against a loophole that has been closed, not against a newly created loophole that has gone into effect, because when we have people enjoying a tax advantage never intended, it is very difficult indeed to get it away. I submit it is better to close the loophole in the beginning rather than to allow people to create at all these plans authorized by state legislatures, and then say they are being discriminated against when Congress does what it should do.

Mr. GORE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. GORE. I think it would be interesting to see how many Senators who voted against increasing the exemption for a dependent child from $600 to $800 will now vote to give tax deductions for retirement plans without limit. The Senator from Connecticut read into the Record the example of a deduction of $23,500 to provide a retirement plan of $90,000.

The pending amendment by the Senator from Arizona is to continue the legality of these kinds of retirement plans and deductions for those kinds of plans. So it will be interesting to see how many Senators who opposed raising the personal exemption for a dependent child from $600 to $800 will now vote to continue tax deductions for such retirement plans.

Mr. LONG. May I say it would be even more embarrassing, if we are going to look at the record, to see how many could not vote for a social security increase but who now propose that a doctor can take a $100,000 deduction to achieve that result. So, just comparing rollcall votes to see how it would be embarrassing, that might be equally worthy for comparison purposes.

Mr. GORE. But they say "fiscal responsibility."

Mr. COOK. Mr. President, I think if we are going to go into the record to see who voted for something and who voted against something, I think we should show for the record that the personal exemption was $500 in 1958 and it went to $600 in 1959. The President was President Truman. I think the record should likewise show that the new Senator from Tennessee was a Member of the Congress who voted to close the loophole. The amendment was President Truman. I think the record should likewise show that the new Senator from Tennessee was a Member of the Congress who voted to close the loophole, and that the President vetoed the bill, he voted to sustain the veto. So I think if Senators are going to show how one voted yesterday and today, we ought to be able to show fullness of information. It was true he paid a tax on part of his earnings until he retired at age 65. He could even draw it down in a lump sum settlement, at capital gains rates.

Mr. FANNIN. Mr. President, this amendment does not change present law and it brings pressure on members of the committee who voted on this matter, before they voted on it.

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Mr. GORE. Mr. President, will the Senator yield?
tana (Mr. McCAP), the Senator from Georgia (Mr. RUSSELL), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that, if present and voting, the Senator from Arkansas (Mr. FULBRIGHT) would vote "yea."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDBRATER) is absent on official business.

The Senator from South Dakota (Mr. MUNST) is absent because of illness.

The pair of the Senator from Arizona (Mr. GOLDBRATER) has been previously announced by the Senator from Maryland (Mr. TYDINGS).

The result was announced—yeas 65, nays 25, as follows:

[No. 198 Leg.]

YEAS—65
Allen Eastland McClellan
Allott Ellender Miller
Baker Ervin Moss
Bellmon Fannin Murphy
Bennett Fong Packwood
Bible Gravel Pastore
Boggs Griffin Pearson
Brooke Gurney Percy
Burdick Hansen Prouty
Byrd, Va. Harris Randolph
Byrd, W. Va. Hatfield Schweiker
Cannon Holland Scott
Church Hollings Smith, Ill.
Cook Hruska Sparkman
Cooper Inouye Speng
Coxon Jackson Stevens
Cranston Javits Talmadge
Currie Jordan, N.C. Thurmond
Dodd Jordan, Idaho Tower
Dole Magnuson Yarbrough
Dominick Mansfield Young, N. Dak.
Eagleton Mathias

NAYS—25
Aiken McGee Ribicoff
Anderson McGovern Saxbe
Case McIntyre Smith, Maine
Gore Montileu Stennis
Hart Montoya Williams, N.J.
Hughes Minkle Williams, Del.
Kennedy Nelson Young, Ohio
Kirk Pell Young
Long McCarthy Proxmire

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Tyttings, against.

NOT VOTING—9
Anderson Goldwater Mundt
Bayh Hartke Russell
Bulmoff Metcalf Symington

So Mr. FANNIN'S amendment was agreed to.

Mr. FANNIN. I move to reconsider the vote by which the amendment was agreed to.

Mr. HRUSKA. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

* * * * *
TAX REFORM ACT OF 1969

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business, which the clerk will state.

The Assistant Legislative Clerk. The bill (H.R. 13270), the Tax Reform Act of 1969.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. WILLIAMS of Delaware. Mr. President, I send to the desk a motion and ask that it be read.

The PRESIDING OFFICER. The motion will be stated.

The Assistant Legislative Clerk. The Senator from Delaware (Mr. Williams) moves that the bill (H.R. 13270) be recommitted to the Committee on Finance with instructions to report back forthwith an amendment, in the nature of a substitute for the bill as passed by the
Mr. Hruska. Mr. President, is the motion amendable?

The PRESIDING OFFICER. The motion consists of instructions to the Committee. Therefore, it would be amendable. So agreed. Mr. Long, please propose the amendment you wish to consider the amendments en bloc. I would just as soon vote the motion up or down one way or the other.

Mr. Williams of Delaware. I am going to ask for that later. I did want to wait until the Senator from Tennessee was present to make sure that if he wished to object he would be protected.

I was going to point out that the motion is subject to amendment. Each of these sections would be subject to amendment. However, if we start all over again, we will be back where we were before.

I respect the right of any Senator to vote for or against a motion; however, it would only result in moving this matter back into debate.

The effect of the motion very simply would be to strike from the bill the Senate amendments which would result in a loss of revenue in 1970 totaling $10.65 billion.

There will be a total annual revenue loss of $12.35 billion when we include the effect of the Ribicoff amendment, which will result in a revenue loss of $1.7 billion. That provision would become effective in 1972.

The breakdown of the proposals that this motion would delete is as follows:

The Ribicoff amendment, the No. 1 item, would lose $1.7 billion annually in revenue; however, that would not be lost until 2 years hence. The Hartke amendment, which reinserted a portion of the 7-percent investment tax credit, would cost $720 million a year.

Under the Stevens amendment for the depressed areas, which would restore the investment tax credit for depressed areas, we would lose $70 million a year.

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Under the Inouye amendment, which would remove the capital-gains treatment which comes from distribution under pension funds, $10 million a year would be lost.

Under the Murphy amendment for unlimited deductions for medical expenses after age 65 we would lose $210 million per year.

Under the Fannin amendment, which deals with the deductions for commuting expenses of disabled persons, and so forth, we would lose $400 million per year.

The Gore amendment would result in a $3.2 billion additional loss of revenue in 1970. The additional loss of revenue in 1971 would be $8.5 billion.

When we add the Ribicoff amendment to it, we have a loss of revenue as the result of Senate action totalling over $12 billion annually.

The social security amendments that would be amended would be $7.5 billion. That refers to the social security 15 percent increase across-the-board amendment at a cost of $4.5 billion; this is the amendment of the Senator from West Virginia (Mr. Byrd) to raise the minimum to $100. That would cost another $2 billion immediately while the second Byrd amendment would cost $600 million for each of the next 2 years.

Mr. Williams of Delaware. Mr. President, will the Senator yield?

Mr. Williams of Delaware. Mr. President, I yield.

Mr. Williams of Delaware. I yield. Mr. Byrd of West Virginia. Mr. President, the Senator referred to the second Byrd amendment. While it would have an initial impact on the trust fund in the first year, is it not true that in the long run it would level out so that there would be no overall impact? And does the Senator not also agree that it would not likely go into effect next year because of the triggering mechanism which was added?

Mr. Williams of Delaware. The Senator is correct—5 or 10 years hence. However, I am speaking of the triggering for the first year. If some of the amendments are agreed to by the Senate and by the conference, it would result next year in an additional loss of revenue and beyond what it would be if we had enacted the bill, as reported by the Senate Finance Committee of $10.650 billion.

Our Government just cannot afford such a loss in revenue, to do so would be fiscally irresponsible.

That total of $10.5 billion does not include the Ribicoff amendment which goes into effect a couple of years later. Including that revenue loss in the year 1973 would be $12.150 billion. The total loss of revenue for the next 2 years, the calendar years of 1970 and 1971, if these 2 separate bills were enacted into law as it stands now, would be $22.800 billion.

How can we reduce taxes or increase expenditures by such an amount when there is no money here?

That is the loss of revenue over and beyond what would have been lost by the bill If the bill approved by the Finance Committee had been approved by the
Mr. BROOKE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

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Mr. BROOKE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. SCOTT. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. SCOTT. That is a very reassuring statement, because I am sure that Senators will want to know about that if they vote to support the Senator's motion to recommit, and I intend to support the Senator, because the President has made it quite clear that the bill in its present form is entirely unacceptable. What I want is a bill. What I want is tax reform, therefore, I also want to know, as to whether the Senator has given this assurance to the Senator from Massachusetts (Mr. Brooke), that the Senate will have a reasonable expectation of treating the 15-percent increase in social security benefits in this session, prior to our recess.

Mr. WILLIAMS of Delaware. Yes. It would be the same position as any other bill. The advantage of stopping it at the desk is that it would eliminate the necessity of the bill going to the committee and the committee having to meet, with or without hearings, and order the bill reported. And the members of the Finance Committee will no doubt be up for a day or two in the conference on this bill no matter what we do on the motion.

So, being realistic, I doubt that the Senate Finance Committee would have a chance to hold hearings and report a social security bill. The chairman of the committee and the minority committee members have agreed that we would stop it at the desk, if this amendment is adopted, and then it could be brought before the Senate at the convenience of the leadership.

Mr. BROOKE. That would enable the Senate to vote on an increase in social security benefits in this session, prior to our recess.
would have to, if he would yield to me. We are tying up a number of Senators on another matter. I think we could finish all our business within 15 minutes if I try and adjust it. We have the hunger problem before us now. I ask him to yield to me, without losing his right to the floor.

Mr. WILLIAMS of Delaware. Mr. President, I would like to make the record clear at this point, because of the debate which has taken place and the discussion between the Senator from Delaware and the Senator from Colorado that the Senator from Colorado said that the Senator from Delaware points out the merits of the Ribicoff-Dominick approach in the tax credit and expresses the hope that in some time in the future this legislation is adopted.

The only way to get this philosophy impressed upon the country is to pass it as law.

The Senator from New York (Mr. Goodsohn), the Senator from Colorado (Mr. Dominick) was well aware that one of the problems involved insofar as fiscal responsibility and short fall are concerned. In our discussions we determined why we believed in the principle. We were deeply concerned that there would not be a revenue loss for the coming year. Consequently our amendment affected 1972, which would first show up in 1973 when the tax returns for 1972 were filed.

So the Senator from Colorado, the Senator from New York, and I do believe that we were being very fiscally responsible on a measure that had great popular appeal not only in the Senate but in the country.

I am at a loss to understand why item 1 is included when we were being so careful. If it included 1972 it would not be a revenue impact until 1973.

Mr. WILLIAMS of Delaware. Mr. President, I stated in my remarks that the revenue loss would not take effect until 1973. I asked you to think it should be eliminated from the bill.

Mr. LONG. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG. Mr. President, I discussed the possibility of a limitation of debate, hoping we can vote on final passage of the bill today. For that reason, I believe we have an understanding. I will put the request, and see if we can agree to it. I am going to ask that we limit debate on the motion, and on that I am going to ask for time to be controlled by the author of the motion and the Senator from Tennessee.

Then I am going to ask that we have 2 hours on the bill, to be controlled by the Senator from Louisiana and the Senator from Delaware.

I want to make it clear that if amendments are offered to the motion, the Senator from Louisiana would plan to offer, in the event time on the motion had expired, at such time as seems appropriate, time on the bill to any Senator who wants to offer an amendment to the motion, in order to explain his amendment. No Senator would be foreclosed from making a statement. Although we would have a 2-hour limitation on the bill and a 1-hour limitation on the motion, if agreement is reached on the request.

Mr. WILLIAMS of Delaware. Mr. President, if the Senator will yield, as I stated earlier, it is my hope that we can get a straight up-and-down vote on this motion, but I have talked with Senators whose amendments I want to offer and they have assured them that they would be protected. I said that if we agreed to any consent agreement we would have 20 minutes, 10 minutes on each side, on any amendment they wanted to offer.

I hope no amendment will be offered, but I am committed to protecting their rights. If Senators want to amend the motion.

Therefore, I would suggest that we have 1 hour on the motion itself to be controlled, as I understand, by the Senator from Tennessee, and myself, equally; and if there should be any amendments offered to the motion that they be limited to 20 minutes, to be divided equally between the mover of the motion and myself, 10 minutes each; and then on the bill we could have 2 hours.

I think that would protect every Senator's rights. Some Senators who are not particularly on the Senate floor would be assured they have this protection.

Mr. LONG. Mr. President, I think it would be better to have more time on the bill, which could be yielded. The reason I wanted to go into such a depth of dealing with a package because I believe we have discussed the merits of it. There is no question the sentiment of the Senator from Delaware was adopted by a substantial majority in the Senate, and the Senator from Colorado and the Senator from Connecticut and the Senator from Colorado was adopted by a substantial margin. I do not question the sentiments of the amendment, naturally each Senator will feel obligated to have his amendment restored, and we shall be back on the merry-go-round.

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I am at a loss to understand why item 1 is included when we were being so careful. If it included 1972 it would not be a revenue impact until 1973.
have been ignored. I told certain other Senators that their rights would be protected whether they were on or off the floor, just as I promised the Senator from Tennessee. He is present and can speak for himself.

I would suggest that we proceed in this way. I am confident it will not delay any of us and I think it will give us all a chance to get into the record what we think. I am going to offer an amendment. The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

Mr. HOLLAND. Mr. President, will the Senator from Delaware yield to me so that I may propound a parliamentary inquiry?

Mr. WILLIAMS of Delaware. I yield.

Mr. HOLLAND. Mr. President, it seems to me that it is of the utmost importance that Senators understand what will be the situation in the event that this motion of the Senator from Delaware—whether or not made, and if made, if it be modified, any modification of it—be agreed to, and if the Finance Committee, acting instantaneously, reports back a bill shorn of the various amendments hereafter voted, mentioned by the Senator from Delaware in his motion, or any portions thereof.

Therefore, I make this parliamentary inquiry: In the event of the adoption of the motion of the Senator from Delaware to recommit, and the immediate action, as directed by that motion, of the committee in reporting back the bill shorn of the various amendments hereafter voted which are recited in the motion, or which may be recited in the motion as modified, the question is, Would the bill still then be in the position it now is; that is, of having passed the final reading and being subject to being voted up or down on the question of passage?

The PRESIDING OFFICER. In the event of the adoption of your amendment, as I understand it, Mr. President, the question would be on passage, up or down, in the condition reported back forthwith.

Mr. HOLLAND. I thank the Presiding Officer.

As I understand the ruling of the Presiding Officer—and I think it is correct—it is that, as reported back, the bill would not then be subject to amendment, but the question would be on passage, up or down, in the condition reported back by the committee.

The PRESIDING OFFICER. As reported back the Senator is correct.

Mr. HOLLAND. I thank the Chair.

Mr. WILLIAMS of Delaware. Mr. President, I might add that having consulted with the Parliamentarian before I made the motion, I concur completely with the ruling. It was for that reason that I waited until after third reading of the bill to make my motion, so that we would not be operating on any other donnybrook of amendments.

I state again that I advised those whose amendments are proposed to be deleted by my proposal. Senators knew what action I was planning to take here. I have tried to protect their interests so that they will have an opportunity to defend their proposals.

I have checked with the Parliamentarian, and am assured that you did unanimously consent that the various items in my motion be considered en bloc and that, at the same time, obtaining unanimous consent for that would not be possible for any Senator who might wish to offer an amendment to my motion from doing so. Their rights would be protected.

With that understanding I ask unanimous consent that the eight points in my motion be considered.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I realize that an excellent argument can be made for any one of these amendments, and I realize also that the sponsors of the individual amendments feel very strongly about the merits of their amendments. We agreed that when the House bill comes over, we can pass it. There is no problem about that, as far as I am concerned.

Mr. WILLIAMS of Delaware. I appreciate that. I have discussed the matter with the chairman of the committee, and I think that the Senate will come to a vote. We would not have the same force of the House bill, which is on all Senators, but I say again, the position is that the Senate would be assured they would have a chance to vote on that social security measure, as the Senator from West Virginia has been very generous, and I say that, having understood we could be confronted with an amendment I offered, which embodied the provisions of the House bill for an increase in social security.

The Senate need not apologize for moving to strike my amendment. If this motion is agreed to, that is perfectly all right with me. When the House bill comes over, we can pass it. There is no problem about that, as far as I am concerned.

We are trying to protect the rights of all Senators, but I say again, the position I am taking, as the Senator from Louisiana knows, is the same as I took very strongly last year, when President Johnson was in office. I thought then that our fiscal situation was such that we could not afford to do without the revenue in the 10-percent surtax proposal. I feel equally strongly now that we cannot afford to lose this revenue, and I am asking my fellow Senators to give me a straight up or down vote on my motion. I honestly hope amendments to my motion will not be offered, although I understand we could be confronted with an almost indefinite donnybrook here. I do not want that, and I do not think we are going to get it; but I did tell the Senators they would be protected in their rights.

The chairman of the committee has been very generous, and I say that, having worked with him for weeks and months in the committee on this bill. He has done a tremendous job as chairman in trying to get out of the committee and before the Senate a bill balanced as to revenue and one that would...
provide some tax reform and at the same time give some tax relief in other areas. Two years ago the committee was trying to do was report a bill which would not be a tax increase or a tax reduction bill, but one that would be more or less an equalization of the tax load. We were adding taxes and some of the benefits of the tax reduction in two areas to people we thought were now paying more than their proportionate share. This was to be more or less an adjustment bill. For those in the higher brackets we were raising their taxes by raising the capital gains tax or by eliminating some of their benefits under pension plans. While we were eliminating benefits in many areas, at the same time we sought to offset the increases for those in the higher brackets where possible by reducing their rates to 65 percent.

For those who felt it had been overburdened, some of the taxes we eliminated over 5 million taxpayers from the tax rolls entirely. We passed on to them the benefits of the revenue gained from the repeal of the investment credit, which is really a tax on corporations of about $3 billion. We distributed revenue to the low-income groups. The committee bill was a fair bill. We tried to be fair. I recognize that there are some who may differ with the bill, but we tried to come up with an answer that would not upset the budget in the long run. But since the bill came to the floor of the Senate it has, in the able senior Senator from Delaware just said, when it is fully implemented, cost $100 million less than the provisions in the bill which it replaces. If we look at it in the short run, the amendment which I offered will just about be even with the revenue gains in the bill in the calendar year 1970.

There is a shortfall in the calendar years 1971 and 1972. However, it would not be enough seriously to affect the budget. So, I rise to express my gratitude to the able Senator not only for his statement, but also for his responsibility and willingness to refrain completely from misinterpretations of the facts with respect to the amendment.

Mr. WILLIAMS of Delaware. Mr. President, I thank the Senator. I tried to outline the financial effects of his amendment. He had better understand that when the Senator was not present, both the short- and long-range effect of this bill. The Senator is correct. At the same time, I outlined the financial effect of his amendment of the Senator from Connecticut and the Senator from Colorado, the Ribicoff amendment has no impact whatever in the years 1970 and 1971, but becomes effective after 1972. I tried to outline statistically exactly what the effect would be of each of these amendments.

Mr. GORE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. GORE. Mr. President. I am very grateful for the forthright statement of the senior Senator from Delaware. There have been a great many loose statements made to the effect that the amendment which I sponsored to increase the personal exemption was fiscal irresponsibility.

The fact is that my amendment replaced other tax relief provisions in the bill and, as the distinguished Senator from West Virginia pointed out, there would under his amendment, be a tax to offset the cost of his amendment. However, in the next three years under the Byrd amendment and the Long amendment we would have a $21.75 billion drain from the social security trust fund over and above the revenue being provided.

I hope that Senators and the American people who read the Record will now realize that this is the case. I read editorials and I hear comments to the effect that the Gore amendment is going to bust the budget. As a matter of fact, the Gore amendment, as the able Senator from Delaware just said, will, when fully implemented, cost $100 million less than the provisions in the bill which it replaces.

What the committee was trying to do was repeal of the investment tax credit and extension of the surtax a little earlier, it would have helped. I think Congress could have acted earlier. We delayed and have not acted yet on investment credit. The taxpayers do not know whether they are going to get the tax credit or whether it will be repealed. That has created a problem.

Let us eliminate this uncertainty and take a stand on the bill, either pass it or do not pass it, and either accept or do not accept my motion. However, we should act so that the taxpayers will know where we stand.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

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December 11, 1969

CONGRESSIONAL RECORD — SENATE

DECREASES (−) AND INCREASES (+) IN TAX LIABILITY AND SOCIAL SECURITY BENEFITS RESULTING FROM SENATE APPROVED AMENDMENTS AS COMPARED TO SENATE FINANCE COMMITTEE BILL, CALENDAR YEARS 1969–1974 AND LONG RUN

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<tr>
<td>Tax relief for individuals</td>
<td>−$2,251</td>
<td>−$3,739</td>
<td>$185</td>
<td>$185</td>
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<td>Investment credit</td>
<td>−$520</td>
<td>−$720</td>
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<td>Medical expenses for disabled</td>
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<td>Transportation deduction for disabled</td>
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<td>Credit for higher education expenses</td>
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<td>Deduction of certain citrus grove costs</td>
<td>−15</td>
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<td>Accumulation trusts</td>
<td>−5</td>
<td>−5</td>
<td>−5</td>
<td>−5</td>
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<tr>
<td>Total distributions from pension plans and, so forth</td>
<td>−50</td>
<td>−50</td>
<td>−50</td>
<td>−50</td>
<td>−50</td>
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<td>Reduction of audit fee tax on foundations</td>
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<td>Alternative capital gains rate provision</td>
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<td>Tax on preference income</td>
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<tr>
<td>Real estate</td>
<td>−10</td>
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<tr>
<td>Percentage depreciation (molybdenum)</td>
<td>−5</td>
<td>−5</td>
<td>−5</td>
<td>−5</td>
<td>−5</td>
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<tr>
<td>Total, including social security</td>
<td>−580</td>
<td>−3,526</td>
<td>−5,049</td>
<td>−3,040</td>
<td>−3,055</td>
<td>−3,080</td>
<td>−3,160</td>
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Social security:

Benefits | −5,700 | −6,400 | −6,400 | −6,400 | −6,400 | −6,400 | −6,400 |

Tax:

−4,700 | −4,700 | −4,700 | −4,700 | −4,700 | −4,700 | −4,700 |

* Less than $2,500,000.

For 1972, $9,440 million; for 1973, $9,226 million. It would be responsible, so that we would not continue indefinitely to have the fantastic national debt that at present overhangs the economy and the Nation. We should think about the economic condition of the country, and all other relevant factors being equal, we should try to raise at least as much money as we spend.

Mr. LONG. The evaluation contained the social security bill within a week. I know they prefer that the President. Furthermore, it will be

The Senate knows how concerned House conferences can be when they feel the Senate has put many amendments on a basically good bill which do nothing but create mischief. I find it somewhat embarrassing to go into a room with those men, who have been responsible on their side, and tell them that we have overburdened the bill to the tune of approximately $11 billion.

There is no doubt in my mind that if the Senator's motion is not agreed to, we will still have to take a good amount of the revenue loss out of this bill—in fact, much of what the Senator is seeking to strike from it, including my amendment. So far as I am concerned, I would be content to look at the social security bill when the House sends it to us this week or next week, as the case may be, and consider those items and also the administration’s objections to putting the program into effect as of January 1. I know they prefer that the effective be March 1, with the first increased checks being received in April. Also, we could then consider the amendments that have been added to this bill. There is no doubt in my mind that if we consider the social security bill by itself, it will pick up other amendments which may be meritorious and worthy, but I should think we could vote on the social security bill within a week.

Mr. WILLIAMS of Delaware. I think we can appreciate the remarks of the Senator from Louisiana.

It should be pointed out that the figures he read from the chart being placed in the Record are the differences as compared to the bill reported by the Senate Finance Committee.

The reason I want to make this motion is that if we go to conference with the bill as it is I am afraid that we shall not have time to get the bill back and signed by the President. Furthermore, it will be
sheer hypocrisy on the part of the Senate to pass this bill in its present form and then expect the committees to eliminate those same provisions for which they are now voting. Let us each be man enough to vote for the floor amendments and the Senate Finance Committee has already waited too long to act on some of these measures.

For example, the investment tax credit expiration in this bill becomes law at the end of this year, or there will be no repeal effective for 1969. We cannot repeal the investment tax credit next year and make it retroactive in the calendar year 1969. We have never done that in our committee. This bill would be retroactive to April 18. Soon the taxpayers will be filing their returns. They get their tax returns in the mail the first of the year, and they have a perfect right in law to compute their tax liability based on the law as it was at the close of the year, and the present law still provides for a 7-percent investment tax credit. We can take action on this bill within the next few days, or it will be too late. That is why my motion is so important.

The same is true with the excise taxes, which are now still in our committee. The surcharge expires at the end of this year. There is no good reason why the Senate has delayed action on these proposals until this late hour.

I am trying to get a decision as to what the Senate expects the conference to do if we go to conference. Members may disagree with what I am proposing to do in this motion. I understand their right for disagreement.

I do not know of a single amendment I propose eliminating that I could not give a good argument for and cosponsor if we only had the revenue. I am not attacking any of them on their merits; none at all. I am trying to present the case of each of them as fairly as I can, because I think we get a better answer by trying to misrepresent; but the sum total of these amendments which I propose to delete from the bill would result in a revenue loss next year of over $10 billion.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WILLiAMs of Delaware. I yield. Mr. LONG. The Senator has presented this to us. While it is true that in the long run the revenue impact of what we have done on the floor is not unusual—$23.5 billion in 1974 and thereafter—it is rather startling to note that as compared to the committee's bill we have an adverse impact on the budget of $9 billion in 1970 and $11.4 billion in 1971.

The Senator is well aware that in the Finance Committee—actually, it was on the suggestion of the Senator from Delaware—we proceeded with our bill step by step through our tax raising sections, our reform sections, to see how much we would raise; and, having tabulated how much we would raise, we then proceeded to see how much tax relief we could afford.

Mr. WILLiAMs of Delaware. That is correct.

Mr. LONG. The Senator is going about this in an organized fashion, having laid the whole business before us, to see how much we raise and how much we lose by our actions on the floor. The Senator now is offering a motion to bring the bill back into the balance it had when the committee reported it for next year and the year after.

With all deference to what some of these amendments would do in the long run, as a practical matter we have better thinking about what we do for 1970 and 1971. The impact on the economy of a revenue shortfall as great as we now have in the bill for these years could be exceedingly inflationary.

The Senator has indicated his desire to retire. I hope he will change his mind, and I believe that hope is shared by every Member of this body.

Mr. LONG. Mr. President, will the floor allow me to ask a question? Mr. WILLiAMs of Delaware. That is correct.

Mr. LONG. The Presiding Officer (Mr. Swope in the chair). All time of the Senator.

Mr. WILLiAMs of Delaware. Mr. President, I yield myself 10 additional minutes on the bill.

Mr. GOODELL. Mr. President, it is difficult enough under present budgetary limitations to provide sufficient funds for welfare reform, revenue sharing, and adequate health, urban rehabilitation, and education and job training programs. It would be even more difficult under present budgetary constraints to provide the personal exemptions and deductions that are now escaping taxation through a large number of loopholes.

If revenues are cut, it will be domestic programs for alleviating poverty; a limitation on hobby losses; a minimum tax on many wealthy individuals who are now escaping taxation through various deductions; a low income allowance for the poor; a limitation on hobby farm losses for the rich; and various other loophole-closing measures. Several amendments to the tax reform bill adopted on the Senate floor will cost about $10 billion a year in each of the next 3 years. Much of this additional revenue will be attributable to two amendments which I would have favored under circumstances of fiscal responsibility with the provision of adequate revenue to pay for them, but had to oppose under present circumstances because of their deflationary effect. These are the increase in the personal exemption from $600 to $800 and the increase in social security minimum benefits to $100.

A revenue loss of the magnitude contemplated by the Senate bill will gravely aggravate the inflation this Nation is now facing—supplanting the stimulus which the savings of millions of Americans and diminishing the purchasing power of their earnings.

This is not a tax reform; it is a bad tax bill. Such a tax bill would require desperate and inadequate further cutting of domestic programs. We are now facing—thus further eroding the savings of millions of Americans and diminishing the purchasing power of their earnings.

Our budgetary problems have been aggravated by excessive military spending that many of my colleagues and I have opposed. Such military spending, however, remains a reality. These bitter experiences of many years suggest that if revenues are cut, it will be domestic programs, not military expenditures, that will suffer most.

I have been an advocate of tax reform to make the tax structure more equitable and to eliminate the favoritism that now exists in the tax laws for special interest groups.

I have supported tax reform provisions of this bill that are improvements over present law—such as the imposition of a minimum tax on many wealthy individuals who are now escaping taxation through various deductions; a low income allowance for the poor; a limitation on hobby farm losses for the rich; and various other loophole-closing measures. Several
of these reform measures should, however, have been made much tougher. In a number of respects, this bill is an improvement over the House bill. It has, for example, eliminated provisions of the House bill that would have made it difficult or impossible for States and localities to obtain financing for needed capital improvements. It adopted more sensible treatment of capital gains and charitable contributions. And it mitigated the highly punitive provisions of the House bill regarding private foundations.

I wish to hope these improvements will prevail in conference.

In other respects, the Senate bill has been unduly solicitous of private interest groups, at the expense of real reform. A plain example is the oil deple­tion allowance—which was reduced in the House to 20 percent but only decreased to 25 percent in the Senate.

The Senate bill should be judged, however, not on its individual provisions, but on its total impact. It has become a wholesale tax cutting bill more than a tax reform bill. This will not only cripple our economy and hamstring our efforts to solve the Nation's pressing social programs, particularly in the next 2 years. Its total impact, in short, is negative. I shall vote against the bill in its present form.

Mr. President, I shall support the motion of the Senator from Delaware to recommit the bill. If the Senator's motion should prevail, I shall vote again against the bill on the final vote.

I might say to the Senator from Delaware that I was a cosponsor of one of the amendments which referred, namely, the tax credit for expenses of higher education. I regret that he has included that proposal, because the Senate at my request amended it so as to make it applicable only to the taxable year 1973. As much as I have favored this educational tax credit for the 10 years I have been in the House and in the Senate, I did not feel we could reasonably expect the effect before the end of the fiscal year.

However, since the Senator from Delaware has included the educational tax credit in his proposal, I want him to know I do not intend to offer an amendment to delete it from his motion to recommit. I believe the Senator from Delaware should have an opportunity to have a vote up or down on his entire motion.

I believe the overall impact of the motion to recommit is so meritorious that even though I do not agree with all its provisions, I will support it.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I shall yield in just a moment.

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have the courage to start paying off on the debt; is that not correct?

Mr. WILLIAMS of Delaware. The Governor the other day paid 7½ percent for an 8-year bond. So it will cost $77 million...

Mr. CURTIS, I understand that, but I am figuring it over the long run. Mr. WILLIAMS of Delaware. That is correct.

Mr. CURTIS. I thank the Senator.

Mr. WILLIAMS of Delaware. Mr. President, I withhold the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. GORE. Mr. President, the distinguished former Governor of Alabama, the Honorable George Wallace, appeared today on a national television program which originated in Washington.

Governor Wallace endorsed an increase in the personal exemption as a method of tax relief. From this, I have taken encouragement.

First, the influence of Governor Wallace may prove helpful in the conference between the House and the Senate in securing adoption of the GORE amendment. I appreciate his endorsement and welcome his assistance. All assistance is needed. Indeed, every ounce of support on behalf of the people will be needed in that conference, because there are great forces arrayed against the amendment. They are arrayed against the amendment because this benefit for the mass of the people of this country will replace the tax bill proposed for the few by the Nixon-Agnew administration. The few are powerful and they have friends in very high places. All of the strength of the White House, the President, the Vice President, the Department of the Treasury, and their political affiliates are moving heaven and earth to defeat the amendment.

Mr. Williams is a distinguished former Governor of Alabama who has been demonstrated to command the loyalty, respect, and support of millions of Americans. As a candidate for President, he ran second in the State of Tennessee and is close second. The people who supported him in my State were, largely, working people, largely people who have been friends and supporters of mine because in my career my efforts have been directed to the economic status of the people who toil.

So I take encouragement from the endorsement by Governor Wallace of this measure as one more piece of evidence that I represent the will of the mass of men and women, young and old, in Tennessee for economic justice, which, I think, is demonstrated by the pending amendment.

Mr. President, I ask unanimous consent to insert at this point in the Record excerpts from the remarks of Governor Wallace on the television interview this morning.

There being no objection, the excerpts were ordered to be printed in the Record, as follows:

Well, I advocated during the presidential campaign a $1,200 tax exemption, the same as Senator Allen has introduced. The $800 is a start but it is not enough. It should go more than $800; it should be at least $1,000 or $1,500. I don't consider it inflationary. I consider the high government spending that brings about inflationary. And I say this administration ought to remove the inequities in the tax structure that let the filthy, multi-million dollar rich such as the foundations—get by scot free while every working man and little businessman and little farmer has his nose to the grindstone. And this administration must give tax relief to this mass of people in our country or they are going to find that they are the people of the private issues of 1972.

Mr. GORE. Mr. President, much has been said and written about fiscal responsibility with respect to this bill. I have a tabulation of measures rejected by the Senate that would have increased revenues to the Government in the sum of $4.170 billion. These amendments were supported by the senior Senator from Tennessee. I do not criticize any of my colleagues in any way when I say that in voting on these amendments there was a conspiracy by the members of the minority party of 350 against these revenue-raising measures, and only 71 in favor. The senior Senator from Tennessee supported all these amendments.

So, Mr. President, let us examine the question of fiscal responsibility. The amendment which I offered, and which was adopted by a vote of 58 to 37, does not lose revenue for the Government. Indeed, it represents an increase in revenue of $100 million, when fully effective, as against the provisions in the committee bill which by the members of the minority party of 350 against these revenue-raising measures, and only 71 in favor. The senior Senator from Tennessee supported all these amendments.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. RIBICOFF. Is it not true that the list of the amendments the Senator refers to that would have raised substantial sums of money represents attempted corruptions and consistent loopholes in our entire Internal Revenue Code?

Mr. GORE. Indeed so, and I am sorry that the Senate did not see fit to adopt them.

Second, I would like to refer to amendments that were adopted by the Senate that lost revenue for the Government. These amendments produced a revenue loss of more than $3 billion. The senior Senator from Tennessee opposed each of them, but my distinguished colleagues on the other side of the aisle, in large majorities, voted to defeat them.

So if the performance of Members of this body need be measured by fiscal responsibility, then I submit that the two Members of this body, by the record, whose votes were most closely parallel during this whole fight are the senior Senator from Delaware and the senior Senator from Tennessee. I am glad to see that he claims that as a mark of prideful distinction or association. I do, and I say now on the floor of the Senate that I hope the senior Senator from Delaware will carry this movement a step further and offer to serve another term in this body. I know of no one who can adequately fill his shoes.

Mr. President, this has been a very long and arduous task. I suppose the senior Senator from Tennessee has been the most persistent voice for tax reform in the Senate for the last decade. I am glad to say that we are accomplishing tax reform and not tax blackening and discredit because the Senate has, in my view, committed some errors. There is a great deal of tax reform left in the bill—as I have said, reforms that bring in additional revenues of $5.5 billion. This is a sizable sum, but this is not the end of tax reform. We will try again, and I will try again, to raise the personal exemption to $1,000, where it should be.

Of course, when we consider that my amendment has a low income allowance of $1,000, then the $800 exemption can be realistically interpreted as being equal to $1,000 in personal exemptions for a family of four.

No, tax reform will not end with this, but despite its shortcomings, this is still a good bill, not in all respects, but, as amended, I would rather have it than not have it.

Mr. President, I yield 10 minutes to the Senator from Oklahoma (Mr. Harris).

Mr. HARRIS. Mr. President, I rise in opposition to the pending motion of the distinguished Senator from Delaware.

May I say first, Mr. President, as has already been said, that I think the distinguished Senator from Delaware and the distinguished Senator from Tennessee have seen as clear as crystal or real tax reform during this and prior sessions of the Senate as any Member of this body.

None of us can overlook the appearance of serious disease in the economy of this country. The consumer price index or meat, fish, and poultry, for example, rose almost as much during the first 8 months of this year as it did in all the prior 8 years of the Warren administration. There have been major increases in prices in the basic industries of steel and copper, for example, whereas price increases roll ocean waves throughout the country. The President of the United States, very early in his administration, indicated quite clearly that he intended to pursue a hands-off policy in regard to price and wage decisions, even in the basic industries. That has been the policy which he has pursued, and I think very unfortunately and with very seriously detrimental consequences for the economy of this country.

I was glad that, at long last, he did alter that hands-off policy to some degree recently; but even then, Mr. President, he only sent out a letter to labor and management representatives, simply urging their support in holding the line on wages and prices. It seemed to me that that was a rather half-hearted effort, which came much too late in the day.

I do not think that the President of the United States ought to try to twist arms out of sockets, but I think most of the economists, the experts on the economy of this country, would say with President Theodore Roosevelt that the Presidency of the United States is "a
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bully pulpit." It is the focal point for the moral power and influence of a great people. The Presidency is, today, an office which must be occupied by an activist, and in no field is that more true than in the field of the economy. I think we have seen the consequences of a passive Presidency in regard to wage and price decisions.

Second, Mr. President, I think that the worst thing that has happened in this economy, and I say that all too alarmingly, is the fact that interest rates have been permitted to rise during the Korean war presently pending in the House Banking and Currency Committee. First of all, I only wish at this time, and at long last, that this administration and its Secretary of the Treasury will reverse themselves, and see that it is not in the public interest, that it is not in the interest of the plain people of this country, to continue this outrageously high interest rate policy which is sapping the strength of our economy, which is killing the housing industry, and which is distorting the entire price structure.

The President of the United States has, I think, tremendous powers of suasion—and, more than suasion, of actually holding down interest rates—if he desires to do so. He has seen the consequences of a passive Presidenc; he has seen the consequences of a President who did not use his moral power and influence of this great office to the best advantage of the people. This Administration must act promptly in its own behalf, and in behalf of the American people.

The stock market does not, in my judgment, serve as a very good barometer to predict the short run future of the economy of the country. But, I think there is merit in the belief of many economists that it does serve as some kind of barometer as to what may happen in the economy for the longer run. We have only to look at what is happening in the stock market, Mr. President, and judge by that standard to find that, unless something happens to right this economy which is headed for very serious troubles in the months ahead,

This, incidentally, is the first time in history—or it certainly is the first time in my history—as I know anything about it—that this country has had a conscious policy of raising interest rates at a time when we are trying to publicly stimulate the economy. Mr. President, I think that what we have done during the time of the policies which are now in effect,

I think we have to be fiscally responsible, as well. But I wanted to point out these other items to indicate that we have made the wrong course monetarily; and, if he wishes to do so, I have watched it rather closely—to this good moment, the President has yet to say that it is against the national interest, as he sees it, to continue these high interest rates.

Furthermore, the President has lately appointed a man, Dr. Arthur Burns, to the Federal Reserve Board chairmanship; and I would think that, with that appointment of his own man, the President could finally, if he wanted to do so, see that the Federal Reserve Board reversed this high interest rate policy which is causing such tremendous economic troubles in the country, and is going to lead us down the road to a recession, in the eyes of so many economic experts whose opinions I trust—unless it is reversed, and unless that is done right away.

I have watched it rather closely—to this moment, the President has yet to say that it is against the national interest, as he sees it, to continue these high interest rates.

I voted against the Ribicoff amendment, which was adopted and will cost $235 million in lost revenue; against the Tower amendment, which was adopted and will cost $100 million in lost revenue; and against the Inouye amendment, which was adopted and will cost $1.02 billion in lost revenue; and against the Hartke amendment, which was adopted and will cost $55 million in lost revenue. The total revenue that will be lost in those amendments, among others which I opposed but which were adopted by the Senate, is $3.3 billion.

Mr. President, I wish this bill were in better balance. I believe it will be—and it must be—as it comes back from conference.

I could support the motion of the distinguished senior Senator from Tennessee (Mr. Gore), that the attempt to make a distinction in the bill between tax relief and tax reform, to the degree, is, in my judgment, valid. However, basically and fundamentally, I believe that tax relief is tax reform. Tax relief is a part of tax reform, especially since at the present time and without the pending bill, the lower and middle income tax payers in America are paying more than their fair share of the taxes.

I believe that the amendment of the distinguished senior Senator from Tennessee with regard to personal exemptions provides the kind of tax relief which a great majority of Americans can understand and, in my judgment, a great majority of Americans support.

I am in line with the House Committee on Ways and Means, and the Senate Finance Committee on Ways and Means, in the reconsideration of the amount of tax relief which had been granted in the House bill.

I supported an increase in social security benefits to the extent of 15 percent, because it seems to me that if any segment of our society is to have some relief from the growing inflation in this country and these alarming rising prices in our country, it ought to be this group of Americans.

I support the statements which were made in support of that increase, which is not inflationary and can be paid out of existing rates.

I believe that when the bill comes back from conference, decisions will have to be made weighing revenue and reform equally in regard to the degree that the Senate can agree to it.

There is not any question that changes have to be made in the measure along the lines that I have indicated I had voted. However, since the changes eventually have to be weighted and decided upon in the conference with the House of Repre-
sentatives, I believe it would be well not to agree to the motion of the Senator from Delaware now, but, instead, to send
the bill to the conference committee so that it may be studied immedi-
ately to work their will upon the measure and both Houses will have an opportunity to take another look at it.
I believe that we can then hurry along with what I believe is absolutely essen-
tial—not next year, but this year—sub-
stantial tax relief and tax reform which is long overdue.
Mr. GORE. Mr. President, I yield 5 minutes to the Senator from Alaska.
Mr. MOSS. Mr. President, there seems to be a great penchant here to
equate tax reform with increased reve-
ue to the Federal Government. I would like to get the matter back in perspec-
tive, at least as far as my State is con-
cerned.

The investment tax credit has been in effect for the past few years. Just as my State is coming into a period of develop-
ment, Congress wants to take it away.
We have to provide the relief provided by my amendment to depressed areas.
And Alaska is a depressed area. If my amendment is agreed to it will mean that
when new jobs are created in my State, there will be a $1,050 tax benefit for
each new job created by people in-
vesting in my State.

The real problem concerning the ap-
proach to the bill as far as I am con-
cerned is that no attention has been paid to the impact of what will happen as a
result of both the House and Senate bills concerning the decrease in depletion allowances.
I have predicted that the price of gaso-
line all over the country will go up at
least 1.5 cents a gallon. How inflationary
will it be? Congress and the public
should be informed.

In terms of the total impact of the bill, what will be the effect of the exemp-
tion we have voted for the individual tax-
payer if the taxpayer gets a $200 in-
creased exemption over the period in-
time provided in the bill in individual exemptions? We talk, and the Senator from Oklahoma has just talked, about the difficulty of the rising interest rates.
Instead of complaining about making more money available to individual tax-
payers, if we find ways to encourage our people to save, the money made available by increased exemptions would imme-
diately improve the private stream of investments and would decrease interest costs for every-
one, including the Federal Government, because more private capital would be available.

When I look at the decrease in tax lia-
ibility and social security benefits result-
ing from the Senate approved amend-
ments, and this aside, the predicted effect of our amendments has been placed on the desk of every Senator—

It reminds me of the numbers game in accounting. One can do almost anything with figures. I do not believe that the impact of the Senate action on the bill can be ignored. If we can add another $2.3 billion to the Federal Treasury today—we must realize that increased employment means in-
creased tax revenues—increased savings means lower interest costs.
The investment credit is in effect to-
day. By preserving it for small businesses and depressed areas, how in the world have we affected the budget?
I oppose the Senator's motion to re-
commit bill and would vote against it.
Congress wants to take it away.
We tried to limit the relief provided
with relation to investment tax credit until the Hartke amendment was agreed to. I assume that the conference
committee will be composed of people
who serve on the Finance Committee who were opposed to these amendments to begin with. We have little chance to suc-
cceed in the conference committee, but, we are asked to make a decision now.
I note that we are not asked to take out all of the amendments agreed to on
the floor, but just a selected few. I would like to receive to the same consideration in the Conference Committee as the amendments of the Senator from Tennessee or the Senator from Indiana. I am prepared to abide by the decision of the conference Commit-
tee, but not by a selective recommittal motion which says that we should take out some measures but that the rest of them are ok. Amendments that are not listed in the motion to re-
commit have a great deal more effect on the budget than my amendment would have.

This table presented to us today states my amendment would cost $70 million with relation to investment tax credit for depressed areas in the fiscal year 1970. If the Treasury lost $70 million in 1970 as a result of my amendment, it would be 70,000 people who are currently unem-
ployed and probably on welfare rolls who would be put to work and would be pay-
ing taxes.

Anyone who states that we would lose $70 million from my amendment is com-
pletely unrealistic in my opinion.

The PRESIDING OFFICER. The question is on agreeing to the motion.

Mr. GORE. Mr. President, I yield 5 minutes to the Senator from Utah.

The PRESIDING OFFICER. The Sen-
ator from Utah is recognized for 5 min-
utes.

Mr. MOSS. Mr. President, we have heard much about fiscal responsibility re-
cently, but we have been hearing it from
the traditional opponents of social security. It really has nothing to do with tax re-
form.

If Mr. President, fiscal responsibility, like "law and order," has become an
abused term in the American political
language. Behind the rhetoric of fiscal responsibility is the clear but unspoken chance to to distort it as fiscally irre-
 sponsible.

Mr. President, "fiscal responsibility" will not be an empty order, has been the
usual refrain of the tobacco industry.

But we should not let the enemies of meaningful tax reform get away with it.
It is clear that those who vote against tax reform are being fiscally irrespon-
sible, not those who vote for tax relief.

Should President Nixon be allowed to get away with the rhetoric of fiscal responsibility? If the President had fought for tax reform with the same determination that he exhibited in the ABM and Haynsworth battles, we could have had a tax reform which would have added at least $2 billion to the revenue loss.

Instead, the Nixon administration not only opposed some of our amendments, but also wanted to cut the meager relief in the House bill by $1.7 billion and turn $1.6 of it over to the corporations in the form of a 2 percent reduction in corporate tax rates.

Mr. President, I shall vote against the motion to recommit. The Senate has ex-
ercised its responsibility in writing this bill, and I think we must send it on now to the President and let him exercise his function as he sees fit.
I do not happen to be in agreement with the Senator from Tennessee on his exemption, but the Senate has decided that we have to start a debate upon the tuition tax credit. It is my recollection that the Senator from Tennessee was not in favor of that. But the Senate has voted on both amendments, and it would seem to me that the only thing we are doing is saying that we should take out all the major things that have been put into the bill after extensive debate by the Senate, and I cannot see the advantage in going through this type of exercise.

The President. (Mr. Saxby in the chair). The time of the Senate has not expired, as I understand it.

Mr. Gore. I yield 1 additional minute to the Senator.

Mr. DOMINICK. Insofar as the tuition tax credit is concerned, on which I have voted, we have worked 15 years, that was passed by the Senate once. It was taken out in conference last time on the ground that the revenue loss was too high. This time it was passed by the Senate and its effectiveness was postponed until 1975. It seems to me that there is room in this budget, as we go on, to take another look at this matter. If it looks bad at that time, we can change it around or look at this matter. If it looks bad at that time, we can change it around or we can change it around or we can change it around.

What would happen to the amendment offered by the distinguished Senator from Alaska, who is trying to look after the interests of his State and to compensate, at least in part, for the damages caused by floods, tidal waves, earthquakes, and other disasters?

What would happen to the amendment offered by the distinguished Senator from California, which only asks that older Americans be given a full deduction for their medical costs?

What about the amendment proposed by the distinguished senior Senator from Tennessee, who is trying to raise the income exemption from a piddling $600 to a mere $600—and even that through stages? I think the $600 exemption has been long outdated, out of date, ridiculous, and in reality without any meaning. Frankly, I do not think the distinguished Senator from Tennessee went overboard seeking to raise the exemption rate to $1,200, and even then do I think you appreciate that justice to the people who are being hit the hardest—not the rich, but the poor and the middle income groups. These are the citizens who contribute most of the funds which this Government so willingly takes and which the Senate spends, along with our colleagues in the other body.

Next we find that the pending motion would knock out the social security benefit—15 percent. The administration recommended a 10-percent increase. But that would only cover the increase in the cost of living since the last raise in social security. This reduction would knock out as well the proposal of the distinguished Senator from West Virginia and the Senator from Montana, which would have raised the social security from $55 a month to $100 a month.

Who can live on $55 a month?

It would also knock out the provision that would lower the eligibility age from 65 to 60 with actuarially reduced benefits and to 50 for women—the latter feature with little or no effect on the fund.

Well, Mr. President, I can say is I have taken my stand on the bill. I voted for some amendments; I voted against others. I am willing to take my chances when I go back to my people and tell them whether it was for or against a depletion allowance, for an increase of 15 percent in social security payments or for whatever. The record is there. We voted. We know where we stand. The most sincerely the Senate will reject the motion to reconsider the pending bill. I hope most sincerely the Senate refuses to undo now what it has spent more than 3 years to achieve.

Mr. Miller. Mr. President, will the Senate yield?

Mr. MANSFIELD. Yes, indeed.

Mr. Miller. Maybe I did not hear the Senator from Montana correctly, but would the Senator mind repeating what he told the Senate about the state of the budget for calendar year 1970 under the bill as it has been amended, as against the bill reported by the Committee on Finance?

Mr. MANSFIELD. I did not refer to the state of the budget. I referred to the fact that the revenue gained from reforms in the committee bill amounted to $4.6 billion, but that as the bill stands now, with all the amendments, there is still a $5.6 billion gain from reforms.

Mr. Gore. From the reform provisions in the bill.

Mr. MANSFIELD. That is correct.

From the reform provisions in the bill.

Mr. Miller. Mr. President, I would like to comment on that statement because while I am sure these figures are accurate, I do not think they convey the true picture as far as the overall budget is concerned. That is what we have to look at.

Mr. MANSFIELD. We are not talking about the budget, but rather a bill which was reported by the Committee on Finance, a tax reform and tax relief bill. We have expressed our views on it. We had almost 100 votes, I believe. The situation is quite clear. Now is the time to vote it either up or down.

If you are not for the bill, which all of us voted for in part, with one exception, possibly then I think the best way to do it is to face up to the matter as is; and the best way to do that is to vote down the motion of the Senator from Delaware.

Mr. Miller. Mr. President, will the Senate yield further?

Mr. MANSFIELD. I yield.

Mr. Miller. Mr. President, I think it is terribly important to look at the budget, that is, the way the budget is under the bill of the Committee on Finance and the way it would be under the bill as now amended with all of these Christmas tree ornaments.

The Senate will find in the committee report that under the committee bill there would be a surplus of $8.6 billion for calendar year 1970, but under the bill as now amended we would have a deficit of nearly $3 billion.

Mr. MANSFIELD. Though I did not refer to the budget, I would cut the budget to the Senator some areas where we could cut...
that budget. For instance, I think we could cut it very easily in the Defense Department. Indeed, some of the cost overruns on some of its projects alone exceed many revenue items in the tax bill. There are other exotic items that have been funded in the past in the name of Defense that have wrong decisions. It seems that all the people in the Senate and the House committees on appropriations.

Mr. MANSEFIELD. The Senator used the figures the Senator from Montana presented here. He is correct. My point is that they do not go far enough in presenting the true picture. If we are so concerned about high interest rates in the country, we had better keep the Federal Government from competing in the money market with private industry and with individuals who want to buy homes. But we cannot do that if we continue to build up deficits.

The best part of the bill of the committees on Finance consists of the way high interest rates can go down.

Mr. President, I have one further comment. I think we should recognize this fact and I want to repeat it. When we increase the personal exemption from $600 to $800, that means that people like most of my colleagues in the Senate, who are at least in the 15-percent tax bracket, get $400 in tax reductions for the wealthy. The Senate is very lucky about a difference between $400 and $1,000.

Mr. MILLER. If the Senator's amendment would give every taxpayer a similar tax break, that would be one thing, but to give every Member of Congress a $400 tax break and the little fellow in the 15-percent bracket, who is in the 15-percent bracket, $400 is not very much equity and is not tax reform.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Delaware. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll. Mr. BYRD of West Virginia (after having voted in the negative). Mr. WILLIAMS of Delaware. Mr. President, I yield 2 minutes to the Senator from Iowa on the bill.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. MILLER. Mr. President, I agree with the figures which the Senator from Montana presented here. They are correct. My point is that they do not go far enough in presenting the true picture. If we are so concerned about high interest rates in the country, we had better keep the Federal Government from competing in the money market with private industry and with individuals who want to buy homes. But we cannot do that if we continue to build up deficits.

The best part of the bill of the Committee on Finance was that it assured a surplus. But under the amendments that have been agreed to, which the Senator from Delaware is trying to get off the backs of the American people, we are not going to eliminate this competition from the General Government for money. That is the way high interest rates can go down.

Mr. President, I have one further comment. I think we should recognize this fact and I want to repeat it. When we increase the personal exemption from $600 to $800, that means that people like most of my colleagues in the Senate, who are at least in the 15-percent tax bracket, get $400 in tax reductions for every exemption they have and the little fellow in the 15-percent tax bracket gets a $120 crumb.

Mr. President, will the Senator yield on that point? Mr. MILLER. I yield.
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Mr. CURTIS. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. If the bill is not passed, is it not true that, from the standpoint of the administrative budget, the deficit will be less than if it is passed?

Mr. WILLIAMS of Delaware. Future generations will appreciate him for the fight he has made here, not only today, not only last week, but throughout his career. He has not only built up a surplus sufficient to indicate that he shall vote for the bill as amended by the Senate, but that revenue will be derived from repealing the investment tax credit, extending the surcharge and the excise taxes all that has gone down the drain under this Senate bill.

Mr. CurTIS. If the Senator will yield further, I believe it is grossly unfair to ask the American people to accept repeal of the investment credit and extension of the surtax and the many increases that are in this bill as a whole because after all that is done, the deficit will be greater and the debt will be greater. A nay vote is a vote to improve the condition of the budget.

I think it is the most irresponsible piece of legislation that I have seen since I have been in the Senate.

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. If the Senator will yield further, I believe it is grossly unfair to ask the American people to accept repeal of the investment credit and extension of the surtax and the many increases that are in this bill as a whole because after all that is done, the deficit will be greater and the debt will be greater. A nay vote is a vote to improve the condition of the budget.
us will be pressing harder and harder for more equitable tax reforms.

Mr. LONG. Mr. President, I yield myself 1 minute.

I recorded myself as in favor of the Williams amendment, because I like the idea of being fiscally responsible with all revenue bills. But, as the Senator from Tennessee (Mr. Fulbright) so ably and succinctly pointed out, there is a lot of good tax reform in this bill, and we are certainly justifi ed in providing tax reduction to such area under international law. I understand that the committee has written a provision in accordance with international law with respect to the exploration and exploitation of natural resources. But already we have demonstrated the ability to explore and exploit far beyond the 3-mile limit or the 20-mile limit.

I should like to make it clear today that this is only a tax bill and that we are extending only our tax jurisdiction; that this provision does not establish any precedent or make any statement so far as U.S. jurisdiction over the outer Continental Shelf is concerned for defense purposes or for fishing or for the water column or air column overhead.

Mr. President, for the benefit of my colleagues, I ask unanimous consent that section 507 of the tax reform bill be printed at this point in the Record.

The Continental Shelf is the subject of great concern for several committees of the Senate. The distinguished and able Senator from Rhode Island (Mr. Pell) heads a subcommittee of the Committee on Foreign Relations; the able and distinguished Senator from South Carolina (Mr. Hollings) is in charge of a subcommittee of the Committee on Commerce, Science, and Transportation, and the distinguished Senator from Utah (Mr. Church) is chairman of the committee on Interior and Insular Affairs. The Committee on Interior and Insular Affairs is the committee that has had jurisdiction over Continental Shelf legislation for a long time. This is a subject of concern in the United Nations, as it was also in the last Interparliamentary Conference, the U.S. delegation to which was headed by the distinguished Senator from Alabama (Mr. Sparkman). It was a matter of much discussion.

We are concerned about whether we should include the outer Continental Shelf or should have jurisdiction for 20 miles or, as some South American nations have asserted their jurisdiction, for 200 miles.

The Department of Defense, the Department of State, and other department officials have yet to reach a conclusion as to what the recommendation should be made.

The bill provides that the United States shall have jurisdiction to tax provided such area is adjacent to our territorial waters and we have exclusive rights to such area under international law. I understand that the committee has written a provision in accordance with international law with respect to the exploration and exploitation of natural resources. But already we have demonstrated the ability to explore and exploit far beyond the 3-mile limit or the 20-mile limit.

The effect that this bill is not a step for-
the continental shelves of Mexico and Canada will not be included?  
Mr. LONG. We just do not want is-lands in that area to be regarded as contingent for purposes of taxation.

The President. I am very carefully con-sidered by the Treasury. That is what the Treasury thinks ought to be done for tax purposes.

There are certain provisions in the law that apply where a nation is contiguous to the United States. And we do not want to get involved in that.

That is why the language is there.  
Mr. PELL. It is a self-denying ordi-nance.

Mr. LONG. The Senator is correct.

Mr. METCALF. Mr. President, the only point is that this definition only has ap-plication for tax purposes.

Mr. LONG. The Senator is correct.

There is nothing more.

Mr. President, I yield such time as he may require to the majority leader.

The PRESIDENT. On the motion of Mr. MANSFIELD, Mr. President, at this time it would be appropriate to refer to those whose devotion and dedication made possible the enactment of the tax reform bill this year. To the committee, to its chairmen, the joint committee and most of all to the distinguished majority leader, the Senator from Montana (Mr. LONG), the able and distinguished ranking member—the Senator from Delaware (Mr. WILLIAMS)—we owe our deepest grati-tude. Their effort has produced the most significant legislation of this session and perhaps of the entire 91st Congress. During the past 2 weeks or so, we in the Senate who are not members of the committee experienced only a hint of what was necessary to pass a proposal of this magnitude. In all of my years, in fact, I have never witnessed any committee devote itself more dili-gently to a task, outside of the closing days of this session and perhaps of the entire 91st Congress. From the moment the tax reform bill was introduced in the Senate, the Senator from Louisiana (Mr. LONG), and the able and distinguished ranking member—the Senator from Delaware (Mr. WILLIAMS)—they have worked around the clock and many instances, on Sundays and holidays.

Frankly, I do not know how to express in words my gratitude, the gratitude of the Senate and of the Nation for the service that has been so magnificently performed.

Perhaps no Member will agree that the measure in its present form provides the reform and relief that will achieve absolute equity in our tax structure. No proposal could. In my opinion, however, it goes a long way toward a direction that certainly much further than ever before. I am confident as well that when the conferes return with their recommenda-tions it will be an even better proposal. But the remarkable story is how tax committee, Chairman LONG is to be par-ticularly lauded for his efforts, for his commitment, for his cooperation and performance.

In like manner, the ranking minority member, Senator Williams of Dela-were—who has for years championed the cause of tax reform—as well as all mem-bers of the Finance committee who have labored out of the taxed distinct set of pro-posals in a relatively short period, de-serve the praise and respect of the entire Senate and of the country.

The expeditious work of the Fi-nance Committee served as the example for the entire Senate. The bill was scheduled for floor action at the beginning of Thanksgiving week. Voting began the very first day and I must say that from the operation and considera-tion exhibited by all Members on both sides of the aisle was of the highest order. Speaking for the joint leadership, we are most grateful. The senators and the distinguished majority leader in our ef-forts to achieve meaningful tax reform. Only in this case, the Senator from Montana (Mr. LONG), to the 91st Congress. The Initiative as well as the accomplishments of the Finance Committee in particular for the very generous cooperation they gave to the chairman.

In some instances, the chairman de-cided that we would not conclude the hearings unless we strictly limited Sen-ators in their questioning. It was very considerate of the members of the com-mittee to go along with that mandate, without which we would not have concluded these 7,000 pages of hearings on the bill.

But, more than any Senator, I believe the success of the Finance Committee, headed by Tom Vail, and the Joint Com-mittee on Internal Revenue Taxation headed by Larry Woodworth deserve all the praise we can heap upon them. They have worked around the clock in many insteases, on Sundays and holidays as well as the ordinary workdays. I do not think there are more overworked people anywhere in Government than those who toil to ensure that the people of this Senate can accord them. I do not think there are many people in America who are as competent to work on the bill as those we had working for us.

There would also like to make special and fond mention of Harry Littell of the Legislative Council’s office. Words can-not begin to adequately praise Harry for the superb craftmanship of the work which this committe flowed from the enactment of the tax re-form-tax relief act. It should be high-lighted that this bill originated and was estab-lished before the question of tax reform as it can be most efficient when it devotes its 4 solid months. I do not believe that even they would not have this bill before us. With-out his efforts and skill we would not have a bill that is in such excellent tech-nical shape. We cannot begin to praise Harry enough.

Mr. MANSFIELD. Mr. President, what the distinguished Senator has said is not only well merited, but also very much de-served. The staff members have worked long. They have a good deal of work ahead of them. I think that out of the efforts of the committees and their very dedicated staffs, and the staffs of the Ways and Means Committee this tax bill this year will be one of the hallmarks, the benchmarks, the landmarks of this Congress.

Mr. LONG. The reason also should re-flect that many dedicated employees of the Treasury Department volunteered to work with our staffs on this bill.

I yield to the Senator from Massachu-setts such time as he requires.

Mr. KENNEDY. Mr. President, in the exercise in which he placed the distinguished majority leader has paid a great and well-deserved tribute to the distinguished chairman of the Committee on Finance and to the members of the committee. I warmly associate myself with his remarks, because I feel that this praise and this acclamation is well due.

In addition, as we go into the final minutes before we adjourn, I would like to make special reference to the efforts of the majority leader in our ef-forts to achieve meaningful tax reform. Indeed, I believe that it was the Senator from Montana who articulated the clearest relationship between the ex-tension of the surcharge and the inequities which exist in our present tax system. It was he who emphasized to us that the surcharge was unfair, be-cause it requires no contribution from those who escape their taxes. It was he who demanded that the surcharge should be coupled with tax reform. It was he who realized, could we bring maxi-mum pressure to bear on tax reform. In-deed, in main part, it is because of the majority leader’s strong and dedicated capably that the tax reform-tax relief bill will be enacted in part in the interest of the Committee on Finance and the members of the committee that we find ourselves in the successful pos-sition we are in today.

There were those who said we need not act hastily on the question of tax reform. There were those who said the matter ought to be studied. The majority leader, Mr. Vail, Mr. Long, the Senate Ways and Means Committee last spring that we should
wait until November for yet another review of tax reform proposals.

Throughout the 2 years of the position taken by the majority leader on tax reform was hard and difficult and courageous. He performed a great service not only to the Senate, but also to all our citizens. I am glad to be here at this time to join in acclaiming the members of the Finance Committee and the majority leader for their magnificent efforts.

Mr. MUSKIE, Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. MUSKIE. Mr. President, I should like to join in this well deserved tribute to the distinguished Senator from Montana, the majority leader (Mr. Mansfield). I know of his single-minded commitment to the objective of tax reform which he expressed first in the Demo
cratic Presidential campaign and throughout the summer. He sensed the interest of the country in the objective of tax reform. He understood, from his many years in the Senate, that unless such a commitment were made, the hard work of tax reform might well fall through the cracks as we considered the tax questions raised by the surcharge. He has stuck to his commitments steadfastly.

He was perfectly prepared for making that commitment in July and August. Doubts were raised later as to whether or not, because of the sheer immensity of the task, that commitment could be made. It is my belief that the cooperation of the distinguished chairman of the committee, the Senator from Louisiana (Mr. Long), that it was possible for the majority to make that commitment.

It seems to me most appropriate, as the distinguished Senator from Montana has pointed out, that at this point, prior to final vote on this tax package, we recognize, as the chairman of the leadership role played by the distinguished Senator from Montana.

Mr. HOLLAND, Mr. President, will the Senator yield?

Mr. HOLLAND. I thank the Senator.

Mr. MUSKIE. Mr. President, I yield to the Senator from Florida such time as he desires.

Mr. HOLLAND. I yield to the Senator from Florida such time as he desires.

Mr. HOLLAND. Mr. President, will the Senator yield to me for 3 additional minutes.

Mr. LONG. Mr. President, I yield to the Senator from Florida 3 additional minutes.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MUSKIE. Mr. President, I wish to inform the Senate I shall vote against the bill and hope that when the bill becomes law.

Some have been frustrated in the Senate are somewhat frustrated in the Senate. There is one ray of hope in this matte

that the U.S. Treasury would end up with a short fall in revenue for the calendar year, which the $27 billion—$20 billion, to be exact—if the bill in the form I find it today is enacted. In addition, in the calendar year of 1973 alone the effect of the Mansfield-Byrd amendment for the social security would be an added social security tax bill of $6.7 billion for middle-income taxpayers.

Because I cannot in conscience contribute to the destruction of fiscal responsibility, with the American people demanding and which this administration stands for, I find it necessary to announce that I shall vote against the final passage of the bill, a self-created economic monster. If it passes at all. Senate-House conference does not restore sanity to this legislation, I shall vote against the conference report.

However, I have a very good feeling that the bill which comes from the conference is not going to be identifiable with the bill which passes the Senate this afternoon. I also want to make it perfectly clear that I will be among those Senators who have announced that I will vote to sustain a veto by the President. In fact, on behalf of the taxpayers of this country, I urge recommend to the President that he exercise his economic monster. If it passes, and if the President that he exercise his veto. I cannot and will not vote against the conference report.

I also advocated at times an increase in the personal exemption, but that was not done at a time when we had taken 5 million people from the taxrolls and had decreased the taxes of some 7 million others.

So it is not that these things are bad, but rather that as amendments to the tax reform bill which the committee brought out, taken together, they are unacceptable for anyone who gives consideration to fiscal responsibility in this country.

I believe that the bill will be a better bill when it comes back from conference. I hope it will not look like the bill which will probably pass this afternoon.

Mr. President, let me say this in conclusion: There is no tax which is as cruel as inflation. It is said over and over. There are many Senators who are wealthy, but they will take care of themselves in an inflationary period, but the man who cannot properly take care of himself is the poor fellow working for perhaps $3,000, or perhaps even $8,000 a year to support his family, or the man and woman who have finished the productive years of their lives and are dependent upon social security, a pension, or fixed income. How can we say that we are being honest with them if we do not exert our last and best efforts to maintain the stability of the dollar by holding down inflation as the President has asked?

Senators telling constituents that we are giving them more and saying, "Look at what we did for you," is like Little Jack Horner who sat in the corner saying "What a great boy am I" when he pulled out a plum. We cannot tell them things like that and at the same time pursue a policy which destroys every hour of every day, the very thing we are giving them, with the other hand.

Therefore, Mr. President, I shall vote against the bill and pray that when we see the bill come back from conference, it will be a much better bill as far as the best interests of our citizens and our citizens are concerned.

Mr. President, I ask unanimous consent that a chart which has been prepared by the Treasury Department showing the revenue effects of the bill, which is illustrative of the remarks I have previously made, be printed in the Record.

There being no objection, the tabulation was ordered to be printed in the Record, as follows:

<table>
<thead>
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<td>900</td>
<td>6,458</td>
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<td>-3,298</td>
<td>-3,373</td>
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<td><strong>Floor amendments:</strong></td>
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<td></td>
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<td></td>
<td>-5</td>
<td>-15</td>
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<tr>
<td><strong>Medical expenses, aged</strong></td>
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<td>-225</td>
<td>-275</td>
<td>-225</td>
<td>-225</td>
<td>-225</td>
<td></td>
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<tr>
<td><strong>Real estate</strong></td>
<td>-60</td>
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<td>-80</td>
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<td></td>
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<tr>
<td><strong>Transportation expenses, disabled</strong></td>
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<td>-90</td>
<td>-90</td>
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<td><strong>Alternative tax</strong></td>
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<td>-20</td>
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<td></td>
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<td>-20</td>
<td>-20</td>
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<tr>
<td><strong>Depression</strong></td>
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<td>-5</td>
<td>-5</td>
<td>-5</td>
<td>-5</td>
<td>-5</td>
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<tr>
<td><strong>Investment credits:</strong></td>
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<tr>
<td><strong>Small business expenditures</strong></td>
<td>-520</td>
<td>-720</td>
<td>-720</td>
<td>-720</td>
<td>-720</td>
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<tr>
<td><strong>Depressed area expenditures</strong></td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
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<tr>
<td><strong>Foster children</strong></td>
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<td>-75</td>
<td>-75</td>
<td>-75</td>
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<tr>
<td><strong>Education credits</strong></td>
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<td>-45</td>
<td>-45</td>
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<td><strong>Pensions</strong></td>
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<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
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<td><strong>Citrus groves, etc.</strong></td>
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<td>-10</td>
<td>-10</td>
<td>-10</td>
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<td><strong>Subtotal, floor amendments.</strong></td>
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<td>-3,255</td>
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<td><strong>Social security.</strong></td>
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<td>-6,400</td>
<td>-6,400</td>
<td>-6,400</td>
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<tr>
<td><strong>Payments.</strong></td>
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<td>-6,700</td>
<td>-6,700</td>
<td>-6,700</td>
<td>-6,700</td>
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<tr>
<td><strong>Taxes.</strong></td>
<td>-2,600</td>
<td>-2,600</td>
<td>-2,600</td>
<td>-2,600</td>
<td>-2,600</td>
<td>-2,600</td>
<td>-2,600</td>
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<tr>
<td><strong>Total Senate bill, currently.</strong></td>
<td>-370</td>
<td>-2,767</td>
<td>-11,149</td>
<td>-12,738</td>
<td>-6,128</td>
<td>-6,218</td>
<td>-5,178</td>
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Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

Note: Net revenue loss 1969-74 $38,630,000,000, net revenue loss 1969-72 $38,784,000,000.

Mr. GRIFFIN. Mr. President, I wish very much that it were possible for me to join in the expressions of praise by my distinguished majority leader and the distinguished majority whip in their high praise of the chairman of the Finance Committee, the ranking minority member, and all other members of the Finance Committee who worked so hard on this bill. I think it is obvious, in most cases, that by and large, the committee would have helped them to educate their children. I have supported it.

I also very much that it were possible for me to join in the expressions of praise by my distinguished majority leader and the distinguished majority whip in their high praise of the chairman of the Finance Committee, the ranking minority member, and all other members of the Finance Committee who worked so hard on this bill. I think it is obvious, in most cases, that by and large, the committee
tried to achieve responsible and meaningful tax reform in their deliberations as evidenced by the bill that they reported. In particular, I want to refer to and commend the great Senator from Delaware (Mr. WILLIAMS). The old devil had reason to have printed in the CONGRESSIONAL Record an article about the fact that the distinguished Senator from Delaware has announced his retirement, an announcement which I think everyone in this body hopes he will reconsider and change his mind.

The article referred to the Senator from Delaware as being a giant in the Senate today. Mr. President, the Senator from Delaware (Mr. WILLIAMS) is not only a giant in the Senate today but, in the opinion of this Senator, his performance in connection with the pending bill, as in connection with so many other bills, will demonstrate that he is a giant in the history of the Senate.

Time will surely make it clear that he was not only a friend of the taxpayer but that he was also a friend of the consumer as he fought for sound fiscal principles. Mr. President, many of the amendments which were adopted and added to that bill were amendments to make it a "Christmas tree" amendments of great merit. So far as I personally am concerned, for many years I have advocated and have introduced bills to provide tax credits for expenses in connection with higher education. I found it very difficult and distasteful to vote against that amendment when it was offered to the bill, but I felt that the Senate must not abandon fiscal responsibility.

We have to face reality, and this is not easy when we can add to our revenue losses. For our Nation, like a fat man, to continue eating candy and double helpings of ice cream, would be the height of irresponsibility.

Senior citizens need and deserve an increase in social security benefits. In my view, a 15-percent increase in benefits is not too great, although I believe that a 10-percent increase now, coupled with an automatic escalator provision, based on the cost of living, would be a better deal in the long run for those who rely on social security.

We do a disservice to our senior citizens by taking social security legislation out of a tax package which is certain to push the cost of living up at an even faster pace. As it stands, this package contains too little tax reform, too much tax relief and a mighty big boost in prices for everyone. Mr. President, I have the utmost confidence in the good judgment and compassion of the American people. I believe that too many politicians do not give them enough credit.

The housewife, the businessman, the worker, are all deeply concerned about galloping inflation. I think they know and understand that Government spending, based upon borrowing, is largely responsible for the plight of our Nation today.

Mr. President, I have little doubt that the bill before us will be passed by the Senate, but, in good conscience, I cannot vote for it. Let me say a word to the Senator from Delaware to know that he does not stand alone and that the President does not stand alone. Both of them are right, and I am confident the people know they are right.

I shall cast my vote against the bill. The PRESIDING OFFICER. Who yields time?

Mr. WILLIAMS of Delaware. Mr. President, I yield 1 minute to the Senator from New York (Mr. Javits).

Mr. JAVITS. Mr. President, I can state my position on this bill very simply and very directly. I have searched my conscience. If I voted "no" I would do it in the hope that the bill would be carried to conference in spite of my vote. It is easy to vote either way, because none of us want the bill as it is, neither those who vote "yes" nor those who will vote "no."

Because I believe in doing something rather than doing nothing, I shall vote "yes," but I shall feel free to debate the Conference Committee, and to work with the other Senator from Delaware by tacking social security legislation onto that bill, or making other provisions on which he and I have agreed, so that a 10-percent increase now, coupled with an escalator provision, would be possible to salvage an equitable and fiscally sound social security trust fund. An increase of benefits for those over 65 cannot be viewed in the same light as other provisions in this bill which would have a negative revenue effect. Rather, it represents a carload of Christmas tree amendments. Like those disadvantaged in need of the immediate establishment of a humane and efficient system of family assistance, this is a provision which I support. I am particularly reluctant to vote against this bill when to vote for it would be a vote to send the Senate to conference which will have the opportunity to alter or eliminate the more unfortunate features of the bill and to limit its inflationary impact.

On balance, I believe it is possible to salvage an equitable and fiscally responsible bill, in which tax reform will predominate over rate-cutting and inflationary impact. For that reason I want to urge the Senate to carefully examine the work of the conference, to evaluate its report independently, to make a fresh judgment at that point on the virtues or defects of the tax reform bill, and to cast my final vote on the conference report accordingly. Only then can a definite judgment be made on the measure. For now, the momentous work of tax reform on the measure should not be aborted.

Mr. President, in conclusion, I want to note that the Senator from Delaware is a social security beneficiaries today, but he cannot live eternally. He has performed a great duty for the U.S. Senate. The PRESIDING OFFICER. The time of the Senator has expired. Mr. JAVITS. May I have 30 seconds?

Mr. WILLIAMS of Delaware. Mr. President, I yield whatever time the Senator needs.

Mr. JAVITS. He has exposed all aspects of this bill. As a Senator repre-
Mr. TALMAGE. Mr. President, I yield 4 minutes to the Senator from Indiana (Mr. Hartke).

Mr. HARTKE. Mr. President, I intend to vote for the bill. I think it is a good bill. It is far from perfect, but it is far better than it would have been without some of the changes that have been made in the Finance Committee and on the floor of the Senate.

I would like to make a brief statement about the amendment that I offered yesterday, and two of the amendments that I did not offer, but plan to pursue in the Finance Committee an appropriate time.

First, the amendment that I offered last night as an amendment to Senator Miller's amendment would have raised almost $740 million. Senator Miller's amendment is good in that it raised the rate of the minimum tax from 5 to 10 percent. On the other hand, it raises the question of the possibility of creation of a tax on capital gains that would be taxed and could not be taken as a deduction in the year that they were paid or incurred.

Second. Percentage depletion on natural resources would be repealed, and only cost depletion would be used.

Third. The capital gain provision of the tax laws would be treated as ordinary income.

Fourth. The special treatment of stock options would be repealed and all income arising from stock options would be taxed as any other type of income.

Fifth. Interest received from State and local bonds issued after December 31, 1984 would be taxed.

Sixth. New residential rental housing and property constructed after July 25, 1969, could only be depreciated by a method which did not exceed the amount of gain of 150 percent declining balance method.

Seventh. Personal property subject to a net lease could only be depreciated on methods which are not faster than the 150 percent declining balance method.

Eighth. Any deduction for a charitable contribution of appreciated property would have to be reduced by the amount of gain which would have been realized if the property had been sold at its fair market value.

Ninth. Provisions of the tax law permitting financial institutions to deduct reserves for losses on loans would be repealed.

Tenth. The amount of any excess investment interest for a taxable year could not be deducted.

This amendment in no way implies hostility or objection to the social and economic goals to be achieved by the various named preferences. A provision in the tax code is a preference to the extent that it allows any taxpayer to accumulate wealth or enjoy personal convenience without paying the full tax. A preference, then, means deviation from the norm, and the proponents of a preference should have the burden of proof as to the use of the tax code for such a purpose and the measure of its success.

My amendment would place the burden of proof on those enjoying special tax treatment, and not make tax reform conditioned upon public outrage. No one has a permanent right to the U.S. Treasury. Nothing in this life is permanent, and the ordinary taxpayer must make his plans with the realization that his tax burden can change from time to time. It is only fair that those who enjoy preferences face the same uncertainty. For as John Steinbeck said, "in the long run, we are all dead."

My second amendment, No. 395, would create a Senate Tax Reform Commission composed of 12 members selected for their professional qualifications, excellence, experience in finance public finance, taxation, or related fields. They should be selected by various Members of the Senate. In the drafting of this amendment, I tried to achieve as much independence for this Tax Reform Commission as possible. Once the members of the Senate have approved the members of the Senate, they should be entirely on their own to suggest desirable changes in our tax code.

It is my hope that this 2-year commission will use its expertise and fund of knowledge that the Members of the Senate could draw from. The debate of the last 2 weeks shows rather convincingly that there are many ideas for beneficial changes in the current tax code, but little concrete knowledge.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. TALMAGE. Does the Senator desire additional time?

Mr. HARTKE. Yes, 1 minute.

Mr. TALMAGE. I yield 1 minute to the Senator from Indiana.

Mr. HARTKE. This commission, then, would consider the various tax reform proposals and more carefully determine the various proposals' economic and social consequences. Tax reform is insufficient in itself if it does not include careful consideration of the economic and social change. Also, this commission in evaluating a certain area would develop various alternative approaches. In this way, the Senate could select a group of 12 preferable cities, and not be faced with the rather sterile rejection or approval of one proposal.

This Commission would also consider desirable changes in the tax code to enhance productivity, strengthen our economy, and the achievement of social goals. Finally, this commission would study the relationship between Federal, State, and local, and property taxation. The present U.S. taxation system is a crazy-quilt of different systems, often working against each other.

A columnist recently suggested that taxes are too complex to be handled by Congress. He suggested turning the entire function over to the executive branch. I consider this a most unwise proposal. Taxes are becoming increasingly technical and complex, but every administration is subject to the same pressures that are more conspicuously revealed in Congress. However, has the expertise and the technical staff so that their decisions seem nearer. If Congress is to meet its increas--
Mr. TOWER. Mr. President, I think there are provisions in the bill which perhaps should not be in it. On the other hand, there are many that should be there. In the time I have been a Member of the Senate, it has been my experience that bills of this magnitude usually come back from conference in far better shape than when they left the Senate. In my judgment, that will be true this time.

After a conference between the House and the Senate, this bill will be cut into shape, where it will be less inflationary in the years 1971 and 1972, and the relative inflow and outflow of funds will be substantially the same.

I pay tribute to the distinguished chairman and the ranking minority member of our committee, who have worked so diligently, as has the majority leader of the Committee on Finance, in perfecting this measure. As the distinguished majority leader has stated, it required almost 4 months' work. We heard virtually every day after day, and we sat in executive sessions day after day, week after week, and we sat in executive sessions for the same period of time. We had outstanding attendance of the members of our committee, both at the hearings and at the executive sessions.

Lastly, I pay tribute to the excellent staff that provided us so much outstanding assistance.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. TALMADGE. I yield myself 1 additional minute.

In my judgment, Dr. Larry Woodward, the chief of staff of the Joint Committee on Taxation, and Tom Vail, the chief counsel for the Senate Committee on Finance, did one of the most outstanding jobs I have ever experienced in my more than 20 years in government. They are knowledgeable, dedicated, and candid. When you ask them a question, you get a responsible, forthright, honest, and candid answer. Mr. President, I think much of what has been done here was an exercise in futility, because I think a significant portion of it will be stricken out by the conference committee; and if it is not, there is great probability that the bill will be vetoed.

It is, in many respects, a bad bill. I think that the bill is full of some elements in our society which have provided the capital flow which has been the dynamic behind the great economic growth of the United States of America. I fear that the bill will be designed to help people, which will have the ultimate effect of doing them grave injury, through the debasement and destruction of the buying power of their money.

Therefore, I intend to vote against the bill. I join my colleagues in commending my distinguished friend from Delaware, an able and tremendously patriotic Senator. In spite of my battles with him over the depletion allowance, I wish him well, and wish he were not leaving.

The PRESIDING OFFICER. Who yields the time?

Mr. TALMADGE. Mr. President, I yield myself 2 minutes.

In my judgment, much of the harsh criticism this bill has received is premised on the fact that there are provisions in the bill which perhaps should not be in it. On the other hand, there are many that should be there. In the time I have been a Member of the Senate, it has been my experience that bills of this magnitude usually come back from conference in far better shape than when they left the Senate. In my judgment, that will be true this time.

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Lastly, I pay tribute to the excellent staff that provided us so much outstanding assistance.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. TALMADGE. I yield myself 1 additional minute.

In my judgment, Dr. Larry Woodward, the chief of staff of the Joint Committee on Taxation, and Tom Vail, the chief counsel for the Senate Committee on Finance, did one of the most outstanding jobs I have ever experienced in my more than 20 years in government. They are knowledgeable, dedicated, and candid. When you ask them a question, you get a responsible, forthright, honest, and candid answer. Mr. President, I think much of what has been done here was an exercise in futility, because I think a significant portion of it will be stricken out by the conference committee; and if it is not, there is great probability that the bill will be vetoed.

It is, in many respects, a bad bill. I think that the bill is full of some elements in our society which have provided the capital flow which has been the dynamic behind the great economic growth of the United States of America. I fear that the bill will be designed to help people, which will have the ultimate effect of doing them grave injury, through the debasement and destruction of the buying power of their money.

Therefore, I intend to vote against the bill. I join my colleagues in commending my distinguished friend from Delaware, an able and tremendously patriotic Senator. In spite of my battles with him over the depletion allowance, I wish him well, and wish he were not leaving.

The PRESIDING OFFICER. Who yields the time?

Mr. TALMADGE. Mr. President, I yield myself 2 minutes.

In my judgment, much of the harsh criticism this bill has received is premised on the fact that there are provisions in the bill which perhaps should not be in it. On the other hand, there are many that should be there. In the time I have been a Member of the Senate, it has been my experience that bills of this magnitude usually come back from conference in far better shape than when they left the Senate. In my judgment, that will be true this time.

After a conference between the House and the Senate, this bill will be cut into shape, where it will be less inflationary in the years 1971 and 1972, and the relative inflow and outflow of funds will be substantially the same.

I pay tribute to the distinguished chairman and the ranking minority member of our committee, who have worked so diligently, as has the majority leader of the Committee on Finance, in perfecting this measure. As the distinguished majority leader has stated, it required almost 4 months' work. We heard virtually every day after day, and we sat in executive sessions day after day, week after week, and we sat in executive sessions for the same period of time. We had outstanding attendance of the members of our committee, both at the hearings and at the executive sessions.

Lastly, I pay tribute to the excellent staff that provided us so much outstanding assistance.

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The PRESIDING OFFICER. The Senator's time has expired.
In the heat of present emotions, given the pressure of a 10 per cent across-the-board increase in the consumer price Index since the last benefit rise comes to 9 per cent. The Nixon proposal that increased Social Security benefits be rendered of final judgment and decision. The very nature of representative government gives encouragement to those who are able to pay, to remove from the tax structure purported to provide fairness to those who are able to pay, to remove from the tax structure an escalator td keep pace with fue inflation. That reserve applies even more strongly to the step increase the President has voted in the benefit floor. This newspaper has long contended that the present 85 minimum is inadequate. We would urge the President to jump to $100 sets a wretched sample for the exercise of restraint in wage-price decisions in the private economy. It will require political courage for Mr. Nixon to stand up against these giveaways, and defend both the national's fiscal soundness and its ability to meet the social needs that cry out for expanded Federal aid. The President can and must demonstrate that courage by making it plain now that he will veto any tax bill that spurs inflation, even one packed with goodies for Social Security pensioners.

Mr. SCOTT. Mr. President, will the distinguished Senator yield?

Mr. MILLER. Mr. President, there is not much more I would like to complete my statement.

I supported the Williams motion to recommit. I regret very much that it was defeated. I intend to vote for the bill. For that reason, I went to conference with the clear understanding and the hope that the conference committee will come back with a bill which will be fiscally sound, one that I can support. If they do not do so, I will not be able to vote for the conference report. And I am quite sure that the President will veto it.

Mr. WILLIAMS of Delaware. Mr. President, I yield 1 minute to the Senator from Wyoming.

PERIODIC OFFICER. The Senator from Wyoming is recognized for 1 minute.

Mr. WILLIAMS of Delaware Mr. President, I yield 1 minute to the Senator from Wyoming.

The PRESIDING OFFICER. The Senator from Wyoming is recognized for 1 minute.

Mr. HANSEN. Mr. President, I shall vote against the bill. In so doing, I want it to be understood that I have nothing but the greatest respect for the mem- bers of this committee. It has been my privilege and pleasure to serve with them since early September.

I pay my respects also to the staff which has been most helpful to me, despite the fact that I am the most junior member of that committee. Their impartial, ever-obvious willingness to serve all of us fairly and patiently attests to their commitment to duty.

Mr. President, I take this opportunity to say a word about the distinguished Senator from Delaware.

In political motivation, but only by what he believes is best for our country, John Williams often stands alone in taking the honest, responsible position.

He pleases popular causes.

The nature of representative government gives encouragement to those who would engage in political demagogy, and I think that is what has characterized the actions of many on this matter for the last several days.

I leave to history, as all of us must, the rendering of final judgment and decision upon the wisdom of the distinguished Senator from Delaware, inspired by the heat of present emotions, given the advantage of looking back upon events still before us, I predict history will make an objective evaluation of this man that will fully confirm the great regard in which he is held by all of us.

Mr. WILLIAMS of Delaware. Mr. President, I ask the chairman of the committee and others in paying my respects to the staff of the Joint Committee on Taxation. I also pay my respects to the chairman of the Joint Committee for the excellent job that has been done in trying to get a bill before the Senate. I agree completely that we could not have had a more competent staff. We could not have done our job without them. Larry Woodward and Dennis Bedell are two of the most competent staff members that I have ever worked with.

As to the complimentary remarks concerning me, I thank all Senators.

I was sitting here thinking what consolation there would be if I were to say that I had changed my mind, but I will not say so they are safe.

It has been said concerning the $6.4 billion additional revenue raised by tax reform in this bill. That $6 billion is not all tax reform. I think we should point out the brouhaha that has come to it as in this manner: $4.2 billion is represented by the extension of the surcharge another 6 months and extending the excise taxes. The repeal of the investment credit account for $2.7 billion additional revenue in the bill as reported by the committee, and the tax reform accounts for $1.4 billion.

When we add that up we have $8.1 billion raised by the tax relief measures in the Finance Committee bill, as reported, $1.7 billion.

That brings us back to the net gain under the committee bill of $6.4 billion. I repeat, the $6.4 billion surplus for 1970 represented in the committee bill does not altogether consist of reform. It is the revenue derived from the extension of the surtax, the extension of the excise tax, the repeal of the investment credit and the tax credit, the $1.4 billion from tax reform that was in the bill, as it came from the conference, has been whittled down on the floor of the Senate by $500 million. That only leaves $900 million of actual tax reform in the bill. The $2.5 billion to be gained from the repeal of the investment credit has been whittled down on the floor by $800 million. That leaves only $1.7 billion.

The PRESIDING OFFICER. All time of the Senator has expired.

BYRD of West Virginia. Mr. President, I seek the yeas and nays.

The yea and nays were ordered.

Mr. PEARSON. Mr. President, I shall vote against H.R. 13270, the Tax Reform Act of 1969. The original purpose of this bill was to remove from our tax structure certain inequities which have accumulated during the past 56 years. The act purposed to provide fairness to those who are able to pay, to remove from the tax roles millions of citizens who fall into the tax brackets in the zero to twenty percent levels, and to do these things in a fiscally responsible way, having due regard for the goals of the Nation and the dangers of inflation.

The measure now before the Senate fails to achieve these purposes.
Inequities have been added to inequities. Many of the very low income citizens continue on the tax roles. The revenue lost to the Federal Treasury by virtue of amendments honestly considered and properly proposed offers the prospect of a huge budget deficit. I did not find it an easy matter to vote against an amendment to raise the standard deduction. I also voted against the amendment adding a new section to the bill providing that the 3-per cent floor on medical expenses and the 10-per cent floor on medicine would not apply to individuals who are 65 years of age or older.

But aside from the effect of the several individual amendments, the total effect of Senate floor action on this bill would mean that the Federal Government must borrow money to finance the tax benefits added, and that it must do so at very substantial interest rates in order to finance the revenue by the continuation of the surcharge.

Moreover, Mr. President, this revenue loss to the Federal Treasury increases the supply of money and thereby fire the flames of inflation precisely at the time when this administration, by resorting to some very difficult measures in cutting Federal spending and halting inflation, has to combat inflationary pressures.

President Nixon has announced his intention to veto this tax bill if it comes to his desk in the form in which the Senate is considering it. He has given us his reasons for feeling that this would be necessary. I agree with those reasons.—they are exactly the same ones which compel me to vote against final passage.

This bill, before us now, is a fiscally irresponsible bill which gives tax cuts at a time when tax cuts feed the fires of inflation as they already threaten to engulf the economy of this Nation.

Fiscal responsibility is not a matter of being all head and no heart; it is a matter of social responsibility, too.

The country's troubles multiply when legislators do not add and subtract properly.

It is no kindness to the electorate to legislate relief to the extent that this would mean a balance, or a deficit, of the Federal Government at this time, when the country needs the surtax to ensure the recovery of the Federal Government at this time, when the country needs the surtax to ensure the recovery of the country itself. To make the Federal Government more efficient and more effective, it must have the surtax. Without it, it may no longer serve a useful social benefit.

There were: First, meaningful tax relief for low- and moderate-income families; second, extension of the surtax up to $20,000 per year, primarily to aid small businessmen and farmers. I voted for a number of such amendments. The problem, of course, is that many such provisions do not even then; and third, a balance or a nay vote on the Tax Reform Act of 1969.

First, separation of the surtax questions from tax reform might have weakened the push for the latter. By keeping the two together, we have at least accomplished a step forward toward putting more equity into tax relief for persons and conglomerates.

Second, I was not persuaded that the surtax would be or would be effective in slowing the climb in prices. I am still not persuaded, but on balance the long-range plus tax relief provisions outweigh the short-range surtax the short-range surtax removed by a 6-month extension of the surtax.

The gap between the revenue which will be lost and the revenue which will be gained in the Senate bill is a more difficult problem with which to deal. Without getting into specific figures, it is clear that as now presented, the Senate bill will cost the U.S. Treasury more than the House bill. And it goes without saying that with increasing demands on the Federal dollar, such a decrease cannot be achieved.

Certainly we could have closed or partially closed numerous loopholes un- touched or only slightly touched by this bill, and I voted for a number of such amendments. And certainly we have cut back on loophole closing recommended by the Senate Finance Committee or approved by the House, and I have voted for sever- al such amendments. The problem, of course, is that many such provisions do not serve a useful social benefit.

Because some tax benefits are good for society, such as those which might help small businesses to compete better with conglomerates, it becomes difficult to close them all.

A better approach, it seems to me, might be to enact a stiffer minimum tax for persons taking undue advantage of loopholes and limiting the way they can make deductions. This stiffer approach would not necessarily seriously affect useful tax benefits but everyone would pay more for the privilege of using the loopholes. That is why I cosponsored an amendment which would establish a graduated minimum tax. Unfortunately, that amendment was defeated.

At any rate, I faced with a "yea" and a "nay" vote on the Tax Reform Act of 1969 which would result if the Senate bill became law without change, I will vote yes with the hope that the conferees will do what they can to correct the revenue shortcomings.

Mr. DOLE. Mr. President, the passage of my amendment deleting intangible drilling and development costs as a preference item under H.R. 13270 was a victory for those income groups and the economics of our oil- and gas-producing States. That amendment deleting intangible drilling and development costs for taxpayers who gross $2 million or less annually was necessary to encourage greater investment in the exploration and development of our oil and gas resources by independent producers. Industry spokesmen indicate the producer of more than 3,000 barrels a day will receive the greatest benefit from this legislation, thus covering approximately 90 percent of our Kansas oil producers.

Witnesses before the Finance Committee indicated that more than 85 percent of the Nation's efforts to search for oil reserves is conducted by these independent producers. Government and industry report that the lack of incentives has been the principal reason for the sharp reduction in exploration drilling during the past 12 years.

That intangible drilling and development costs for taxpayers who gross $2 million or less annually was necessary to encourage greater investment in the exploration and development of our oil and gas resources by independent producers. Industry spokesmen indicate the producer of more than 3,000 barrels a day will receive the greatest benefit from this legislation, thus covering approximately 90 percent of our Kansas oil producers.

During Senate debate, Senator Long, chairman of the Finance Committee,
December 11, 1969

CONGRESSIONAL RECORD — SENATE

made a very good point—that the oil in-ustry would have paid $500 million in additional taxes under the House-passed bill and that the section dealing with intangibles alone would have constituted a burden of $250 million in additional tax.

In Kansas, where oil and natural gas production means one-half billion dollars to the economy, the small independent producers and the supply, equipment and service lines in the oil industry depend directly on the vitality of that industry. The 27,800 Kansans employed in oil and gas production in 1968 and the 100,000 persons in the families of those employees are affected by the tax. The Treasury should concentrate on this in developing its report to the Joint Committee on Internal Revenue Taxation.

The PRESIDING OFFICER. All time having expired, the question Is, Shall the bill pass? On this question the ayes and nays have been ordered, and the clerk will call the roll.

Mr. MATHIAS (when his name was called). On this vote I have a live pair with the Senator from Arizona (Mr. Goldwater). If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." I therefore withhold my vote.

Mr. STEVENS (after having voted in the affirmative). On this vote I have a live pair with the Senator from Louisiana (Mr. ELDREDGER). If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." I therefore withhold my vote.

Mr. SAXBE (after having voted in the negative). On this vote I have a live pair with the Senator from Missouri (Mr. SYMINGTON). If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." I therefore withdraw my vote.

Mr. CASS (after having voted in the affirmative). The bill clerk concluded the call of the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. AREZOLA), the Senator from Missouri (Mr. SYMINGTON), and the Senator from Maryland (Mr. TYdings) are necessarily absent.

Mr. STEVENS (after having voted). I further announce that the Senator from Louisiana (Mr. ELLENBERG) is absent on official business.

I further announce that, if present and voting, the Senator from New Mexico (Mr. AREZOLA), the Senator from Maryland (Mr. TYdings), and the Senator from South Dakota (Mr. MUNDT) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) is absent on official business, and his pair has been previously announced. The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

Mr. MANSFIELD. The Senator from Ohio (Mr. SAXBE) and the Senator from Alaska (Mr. STEVENS) have previously announced their respective pairs.

The result was announced—yeas 69, nays 22, as follows:

Not Voting—6

Anderson, Goldwater
Elender, Mundt

So the bill (H.R. 13270) was passed.

Mr. LONG, I move to reconsider the vote by which the bill was passed.

Mr. SYMINGTON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LONG, Mr. President, I move that the Senate insist upon its amendment in the nature of a substitute for the House passed version of H.R. 13270 and request a conference with the House of Representatives on the disagreeing votes of the two Houses thereon, and that the Chair be authorized to appoint the conference on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. LONG, Mr. ANDERSON, Mr. GORE, Mr. TALMAGE, Mr. WILLIAMS of Delaware, Mr. BENNETT, and Mr. CURTIS conferences on the part of the Senate.

Mr. LONG, Mr. President, I ask unanimous consent that the amendment of the Senate to the bill (H.R. 13270) be printed; and that in the engrossment of the amendment of the Senate to the bill the Secretary of the Senate be authorized to strike out such sections as are inconsistent with the House amendments, and conforming changes and corrections, including the placing of new provisions added to the bill by floor amendments, and corrections in section, subsection, and so forth, designations, and cross references thereto, of the bill and of the sections of the Internal Revenue Code, and corrections in the table of contents of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, no one in the Senate respects the tradition of the Senate more than I. I have served on conference committees when we knew there would be disagreement. It is the duty of the conferees to work out an agreement between the House and the Senate versions of the bill. Nevertheless, it is the tradition of the Senate that they put on the conference committees those Members they feel can reasonably support the Senate position.

I felt so strongly I could not support this bill in its present form, and it was with great regret that I had to vote against it after having worked on it so hard for the past several months.
I cannot in good conscience serve as a conferee and pretend to support the position of the Senate on something which I think is so radically wrong and irresponsible. I opposed all of the major amendments by the Senate, and it would not be fair to serve as a conferee.

I ask to be excused as a conferee.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, may we have order? Would the Chair direct Senators to take our seats?

The PRESIDING OFFICER. The Senate will be in order.

The Senator from Montana was recognized.

Mr. LONG addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana has the floor.

Mr. MANSFIELD. I yield.

Mr. LONG. Mr. President, I would hope the Senator from Delaware would relent in his decision about this matter, but if he insists on it I will have to ask unanimous consent that the Senator from Iowa (Mr. MILLER) be added as a conferee.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Iowa is added as a conferee.

Mr. DOLE. Mr. President, I understand the conferees have been named by the Senate.

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. Mr. President, I understand the conferees do not now include the name of the Senator from Delaware. Is that correct?

The PRESIDING OFFICER. The Senator is correct. The Senator from Delaware withdrew.

Mr. DOLE. Mr. President, could the Senator from Delaware be reinstated at his request?

The PRESIDING OFFICER. Not without unanimous consent.

Mr. MANSFIELD. Would the Senator like him to be reinstated?

Mr. DOLE. Yes.

Mr. MANSFIELD. I would like to see him reinstated. Would he approve?

Mr. DOLE. I hope he will reconsider. I think it would be a great tragedy if he were not a conferee. Every Member on this side of the aisle shares that view.

The PRESIDING OFFICER. I think it would be inappropriate unless the Senator from Delaware were present.

Mr. MANSFIELD. The Presiding Officer is correct.
H. R. 13270

IN THE SENATE OF THE UNITED STATES

DECEMBER 11, 1969

Senate passed substitute version ordered to be printed

(All after the enacting clause of the House passed bill was stricken out and the language below in italics was inserted in lieu thereof.)

AN ACT

To reform the income tax laws.

1 SECTION 1. SHORT TITLE, ETC.

2 (a) Short Title.—This Act may be cited as the "Tax Reform Act of 1969".

3 (b) Table of Contents.—

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Sec. 1102. Actuarially reduced benefits.
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Sec. 1104. Amendment of Civil Service Retirement Act.

TITLE XII—CAPITOL GUIDE SERVICE

Sec. 1201. Short title.
Sec. 1202. Establishment and purposes.
Sec. 1203. Guides.
Sec. 1204. Powers of the Board.
Sec. 1205. Transfer provisions.
Sec. 1206. Effective date.

(c) Amendment of 1954 Code.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

TITLE I—TAX EXEMPT ORGANIZATIONS

Subtitle A—Private Foundations
"SEC. 508. SPECIAL RULES WITH RESPECT TO SECTION 501(c)(3) ORGANIZATIONS.

(a) NEW ORGANIZATIONS MUST NOTIFY SECRETARY THAT THEY ARE APPLYING FOR RECOGNITION OF SECTION 501(c)(3) STATUS.—Except as provided in subsection (c), an organization organized after October 9, 1969, shall not be treated as an organization described in section 501(c)(3)—

(1) unless it has given notice to the Secretary or his delegate, in such manner as the Secretary or his delegate may by regulations prescribe, that it is applying for recognition of such status, or

(2) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary or his delegate by regulations for giving notice under this subsection.

For purposes of paragraph (2), the time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.
“(b) Presumption That Organizations Are Private Foundations.—Except as provided in subsection (c), any organization (including an organization in existence on October 9, 1969) which is described in section 501(c)(3) and which does not notify the Secretary or his delegate, at such time and in such manner as the Secretary or his delegate may by regulations prescribe, that it is not a private foundation shall be presumed to be a private foundation. The time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

“(c) Exceptions.—

“(1) Mandatory Exceptions.—Subsections (a) and (b) shall not apply to—

“(A) churches, their integrated auxiliaries, and conventions or associations of churches, or

“(B) any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than $5,000.

“(2) Exceptions by Regulations.—The Secretary or his delegate may by regulations exempt (to the extent and subject to such conditions as may be prescribed in such regulations) from the provisions of subsection (a) or (b) or both—
"(A) educational organizations which normally maintain a regular faculty and curriculum and normally have a regularly enrolled body of pupils or students in attendance at the place where their educational activities are regularly carried on; and

"(B) any other class of organizations with respect to which the Secretary or his delegate determines that full compliance with the provisions of subsections (a) and (b) is not necessary to the efficient administration of the provisions of this title relating to private foundations.

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*   *   *   *   *
Subtitle C—Moving Expenses

SEC. 221. MOVING EXPENSES.

(a) DEDUCTION FOR MOVING EXPENSES.—Section 217 (relating to moving expenses) is amended to read as follows:

"SEC. 217. MOVING EXPENSES.

"(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction moving expenses paid or incurred during the taxable year in connection with the commencement of work by the taxpayer as an employee or as a self-employed individual at a new principal place of work.

"(b) DEFINITION OF MOVING EXPENSES.—

"(1) IN GENERAL.—For purposes of this section,
the term 'moving expenses' means only the reasonable 
expenses—

“(A) of moving household goods and personal 
effects from the former residence to the new resi-
dence,

“(B) of traveling (including meals and lodg-
ing) from the former residence to the new place of 
residence,

“(C) of traveling (including meals and lodg-
ing), after obtaining employment, from the former 
residence to the general location of the new princi-
pal place of work and return, for the principal pur-
pose of searching for a new residence,

“(D) of meals and lodging while occupying 
temporary quarters in the general location of the 
new principal place of work during any period of 
30 consecutive days after obtaining employment, or 

“(E) constituting qualified residence sale, pur-
chase, or lease expenses.

“(2) QUALIFIED RESIDENCE SALE, ETC., EX-
penses.—For purposes of paragraph (1)(E), the term 
'qualified residence sale, purchase, or lease expenses' 
means only reasonable expenses incident to—

“(A) the sale or exchange by the taxpayer or 
his spouse of the taxpayer’s former residence (not
including expenses for work performed on such residence in order to assist in its sale) which (but for this subsection and subsection (e)) would be taken into account in determining the amount realized on the sale or exchange,

“(B) the purchase by the taxpayer or his spouse of a new residence in the general location of the new principal place of work which (but for this subsection and subsection (e)) would be taken into account in determining—

“(i) the adjusted basis of the new residence, or

“(ii) the cost of a loan (but not including any amounts which represent payments or prepayments of interest),

“(C) the settlement of an unexpired lease held by the taxpayer or his spouse on property used by the taxpayer as his former residence, or

“(D) the acquisition of a lease by the taxpayer or his spouse on property used by the taxpayer as his new residence in the general location of the new principal place of work (not including amounts which are payments or prepayments of rent).

“(3) LIMITATIONS.—

“(A) DOLLAR LIMITS.—The aggregate amount
allowable as a deduction under subsection (a) in connection with a commencement of work which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1) shall not exceed $1,000. The aggregate amount allowable as a deduction under subsection (a) which is attributable to qualified residence sale, purchase, or lease expenses shall not exceed $2,500, reduced by the aggregate amount so allowable which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1).

"(B) HUSBAND AND WIFE.—If a husband and wife both commence work at a new principal place of work within the same general location, subparagraph (A) shall be applied as if there was only one commencement of work. In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting ‘$500’ for ‘$1,000’, and by substituting ‘$1,250’ for ‘$2,500’.

“(C) INDIVIDUALS OTHER THAN TAXPAYER.—In the case of any individual other than the taxpayer, expenses referred to in subparagraphs (A) through (D) of paragraph (1) shall be taken into account only if such individual has both the former residence and the new residence as his prin-
cipal place of abode and is a member of the taxpayer's household.

"(c) CONDITIONS FOR ALLOWANCE.—No deduction shall be allowed under this section unless—

"(1) the taxpayer's new principal place of work—

"(A) is at least 20 miles farther from his former residence than was his former principal place of work, or

"(B) if he had no former principal place of work, is at least 20 miles from his former residence, and

"(2) either—

"(A) during the 12-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee, in such general location, during at least 39 weeks, or

"(B) during the 24-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee or performs services as a self-employed individual on a full-time basis, in such general location, during at least 78 weeks, of which not less than 39 weeks are during the 12-month period referred to in subparagraph (A).
For purposes of paragraph (1), the distance between two points shall be the shortest of the more commonly traveled routes between such two points.

"(d) RULES FOR APPLICATION OF SUBSECTION (c) (2).—

"(1) The condition of subsection (c) (2) shall not apply if the taxpayer is unable to satisfy such condition by reason of—

"(A) death or disability, or

"(B) involuntary separation (other than for willful misconduct) from the service of, or transfer for the benefit of, an employer after obtaining full-time employment in which the taxpayer could reasonably have been expected to satisfy such condition.

"(2) If a taxpayer has not satisfied the condition of subsection (c) (2) before the time prescribed by law (including extensions thereof) for filing the return for the taxable year during which he paid or incurred moving expenses which would otherwise be deductible under this section, but may still satisfy such condition, then such expenses may (at the election of the taxpayer) be deducted for such taxable year notwithstanding subsection (c) (2).

"(3) If—
“(A) for any taxable year moving expenses have been deducted in accordance with the rule provided in paragraph (2), and

“(B) the condition of subsection (c)(2) cannot be satisfied at the close of a subsequent taxable year, then an amount equal to the expenses which were so deducted shall be included in gross income for the first such subsequent taxable year.

“(e) DENIAL OF DOUBLE BENEFIT.—The amount realized on the sale of the residence described in subparagraph (A) of subsection (b)(2) shall not be decreased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a), and the basis of a residence described in subparagraph (B) of subsection (b)(2) shall not be increased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a). This subsection shall not apply to any expenses with respect to which an amount is included in gross income under subsection (d)(3).

“(f) RULES FOR SELF-EMPLOYED INDIVIDUALS.—

“(1) DEFINITION.—For purposes of this section, the term ‘self-employed individual’ means an individual who performs personal services—
“(A) as the owner of the entire interest in an unincorporated trade or business, or

“(B) as a partner in a partnership carrying on a trade or business,

“(2) Rule for application of subsections (b)(1) (c) and (d).—For purposes of subparagraphs (C) and (D) of subsection (b)(1), an individual who commences work at a new principal place of work as a self-employed individual shall be treated as having obtained employment when he has made substantial arrangements to commence such work.

“(g) Regulations.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section.”

(b) Inclusion in Gross Income of Moving Expense Reimbursements.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding after section 81 the following new section:

“SEC. 82. REIMBURSEMENT FOR EXPENSES OF MOVING.

“There shall be included in gross income (as compensation for services) any amount received or accrued, directly or indirectly, by an individual as a payment for or reimbursement of expenses of moving from one residence to another residence which is attributable to employment or self-employment.”
(c) CONFORMING AMENDMENTS.—

(1) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 82. Reimbursement of moving expenses."

(2) Section 1001 (relating to determination of amount and recognition of gain or loss) is amended by adding after subsection (e) (as added by section 516(a) of this Act) the following new subsection:

"(f) CROSS REFERENCE.—

"For treatment of certain expenses incident to the sale of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e)."

(3) Section 1016(c) is amended to read as follows:

"(c) CROSS REFERENCES.—

"(1) For treatment of certain expenses incident to the purchase of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e).

"(2) For treatment of separate mineral interests as one property, see section 614."

(d) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969, except that section 217 of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not apply to any item to the extent that the taxpayer received or accrued reimbursement or other expense allowance for such item in a taxable year beginning on or before December 31, 1969, which was not included in his gross income.

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used by the taxpayer which the Secretary or his delegate
has determined results in a reasonable allowance under
section 167(a), and which is not—

"(A) a declining balance method,

"(B) the sum of the years-digits method, or

"(C) any other method allowable solely by
reason of the application of subsection (b)(4) or
(j)(1)(C) of section 167,

then the adjustment to earnings and profits for depreciation
for such year shall be determined under the method
so used (in lieu of under the straight line method).

"(3) Certain foreign corporations.—The
provisions of paragraph (1) shall not apply in computing
the earnings and profits of a foreign corporation for
any taxable year for which less than 20 percent of the
gross income from all sources of such corporation is de-

dived from sources within the United States."

(b) Conforming Amendments.—

(1) Section 964(a) (relating to earnings and
profits of a foreign corporation) is amended by striking
out "For purposes of this subpart," and inserting in lieu
thereof "Except as provided in section 312(m)(3), for
purposes of this subpart".

(2) Section 1248(c)(1) (relating to general rule
for determination of the earnings and profits of a foreign
TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS
Subtitle D—Subchapter S Corporations

SEC. 531. QUALIFIED PENSION, ETC., PLANS OF SMALL BUSINESS CORPORATIONS.

(a) In General.—Subchapter S of chapter 1 (relating to election of certain small business corporations as to taxable status) is amended by adding at the end thereof the following new section:

"SEC. 1379. CERTAIN QUALIFIED PENSION, ETC., PLANS.

(a) ADDITIONAL REQUIREMENT FOR QUALIFICATION OF STOCK BONUS OR PROFIT-SHARING PLANS.—A trust forming part of a stock bonus or profit-sharing plan which provides contributions or benefits for employees some or all of whom are shareholder-employees shall not constitute a qualified trust under section 401 (relating to qualified pension, profit-sharing, and stock bonus plans) unless the plan of which such trust is a part provides that forfeitures attributable to contributions deductible under section 404(a)(3) for any taxable year (beginning after December 31, 1970) of the employer with respect to which it is an electing small business corporation may not inure to the benefit of any individual who is a shareholder-employee for such taxable year. A plan shall be considered as satisfying the requirement of this subsection for the period beginning with the first day of a taxable year and ending with the 15th day of the third month following the close of such
taxable year, if all the provisions of the plan which are
necessary to satisfy this requirement are in effect by the end
of such period and have been made effective for all purposes
with respect to the whole of such period.

"(b) Taxability of Shareholder-Employee
Beneficiaries.—

"(1) Inclusion of Excess Contributions in
Gross Income.—Notwithstanding the provisions of sec-
tion 402 (relating to taxability of beneficiary of em-
ployees' trust), section 403 (relating to taxation of
employee annuities), or section 405(d) (relating to
taxability of beneficiaries under qualified bond purchase
plans), an individual who is a shareholder-employee of
an electing small business corporation shall include in
gross income, for his taxable year in which or with
which the taxable year of the corporation ends, the ex-
cess of the amount of contributions paid on his behalf
which is deductible under section 404(a) (1), (2),
or (3) by the corporation for its taxable year over the
lesser of—

"(A) 10 percent of the compensation received
or accrued by him from such corporation during its
taxable year, or

"(B) $2,500.

"(2) Treatment of Amounts Included In
GROSS INCOME.—Any amount included in the gross income of a shareholder-employee under paragraph (1) shall be treated as consideration for the contract contributed by the shareholder-employee for purposes of section 72 (relating to annuities).

"(3) DEDUCTION FOR AMOUNTS NOT RECEIVED AS BENEFITS.—If—

"(A) amounts are included in the gross income of an individual under paragraph (1), and

"(B) the rights of such individual (or his beneficiaries) under the plan terminate before payments under the plan which are excluded from gross income equal the amounts included in gross income under paragraph (1),

then there shall be allowed as a deduction, for the taxable year in which such rights terminate, an amount equal to the excess of the amounts included in gross income under paragraph (1) over such payments.

"(c) CARRYOVER OF AMOUNTS DEDUCTIBLE.—No amount deductible shall be carried forward under the second sentence of section 404(a)(3)(A) (relating to limits on deductible contributions under stock bonus and profit-sharing trusts) to a taxable year of a corporation with respect to which it is not an electing small business corporation from a taxable year (beginning after December 31, 1970) with
(d) SHAREHOLDER-EMPLOYEE.—For purposes of this section, the term 'shareholder-employee' means an employee or officer of an electing small business corporation who owns (or is considered as owning within the meaning of section 318(a)(1)), on any day during the taxable year of such corporation, 10 percent or more of the outstanding stock of the corporation.”

(b) CONFORMING AMENDMENT.—Section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (8) the following new paragraph:

“(9) PENSION, ETC., PLANS OF ELECTING SMALL BUSINESS CORPORATIONS.—The deduction allowed by section 1379(b)(3).”

(c) CLERICAL AMENDMENT.—The table of sections for subchapter S of chapter 1 is amended by adding at the end thereof the following new item:

“Sec. 1379. Certain qualified pensions, etc., plans.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years of electing small business corporations beginning after December 31, 1970.

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TITLE IX—MISCELLANEOUS PROVISIONS

Subtitle A—Miscellaneous Income Tax

Provisions
SEC. 914. DEDUCTIONS FOR MEDICAL CARE, MEDICINE, AND DRUGS FOR INDIVIDUALS WHO HAVE ATTAINED THE AGE OF 65.

(a) In General.—

(1) Section 213(a) (relating to allowance of deduction for medical, dental, etc., expenses) is amended to read as follows:

"(a) ALLOWANCE OF DEDUCTION.—There shall be allowed as a deduction the following amounts, not compensated for by insurance or otherwise:

"(1) If neither the taxpayer nor his spouse has attained the age of 65 before the close of the taxable year—

"(A) the amount of the expenses paid during the taxable year for medical care of any dependent (as defined in section 152) who—

"(i) is the mother or father of the taxpayer or of his spouse, and

"(ii) has attained the age of 65 before the close of the taxable year;

"(B) the amount by which the amount of expenses paid during the taxable year (reduced by
any amount deductible under subparagraph (C))
for medical care of the taxpayer, his spouse, and
dependents (other than any dependent described in
subparagraph (A)) exceeds 3 per centum of the
adjusted gross income; and

"(C) an amount (not in excess of $150) equal
to one-half of the expenses paid during the taxable
year for insurance which constitutes medical care
for the taxpayer, his spouse, and dependents (other
than any dependent described in subparagraph
(A)).

"(2) If either the taxpayer or his spouse has
attained the age of 65 before the close of the taxable
year—

"(A) the amount of the expenses paid during
the taxable year for medical care of the taxpayer,
his spouse, and any dependent described in para-
graph (1)(A);

"(B) the amount by which the amount of
expenses paid during the taxable year (reduced by
any amount deductible under subparagraph (C))
for medical care of dependents (other than any
dependent described in paragraph (1)(A))
exceeds 3 percent of the adjusted gross income;
and
“(C) an amount (not in excess of $150) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care of dependents (other than any dependent described in paragraph (1)(A)).”

(2) Section 213(b) (relating to limitation with respect to medicine and drugs) is amended by adding at the end thereof the following new sentence: “The preceding sentence shall not apply to amounts paid for the care of—

“(1) the taxpayer and his spouse, if either of them has attained the age of 65 before the close of the taxable year, or

“(2) any dependent described in subsection (a) (1)(A).”

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 1969.

* * * * *
Subtitle C—Miscellaneous Administrative Provisions

* * * * *
SEC. 944. REPORTING OF MEDICAL PAYMENTS.

(a) In General.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning trans-
actions with other persons) is amended by adding after section 6050 (as added by section 121(e)) the following new section:

"SEC. 6050A. RETURNS REGARDING PAYMENTS TO SUPPLIERS OF MEDICAL AND HEALTH CARE SERVICES AND GOODS.

"(a) Requirement of Reporting.—Every person who during any calendar year—

"(1) makes any payment to a supplier of medical and health care services or goods for medical and health care services or goods rendered, furnished, or dispensed to an individual by such supplier or by another such supplier, or

"(2) makes any payment to any person in reimbursement for amounts paid or payable to a supplier of medical and health care services or goods for medical and health care services or goods rendered, furnished, or dispensed to an individual by such supplier or by another such supplier,

shall, if the aggregate amount of the payments described in paragraph (1) or (2) made during the calendar year to, or in reimbursement of amounts paid or payable to, such supplier is $600 or more, make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the total amount of the payments described
in paragraph (1) made to such supplier during the calendar year, and the total amount of the payments described in paragraph (2) made during the calendar year in reimbursement for amounts paid or payable to such supplier, and the name and address of such supplier.

"(b) Exceptions.—Subsection (a) shall not apply to—

"(1) any payment by an individual for medical and health care services or goods rendered, furnished, or dispensed to himself or any other individual (other than any such payment made in the course of a trade or business),

"(2) any payment of wages (as defined in section 3401(a)) with respect to which a statement is made under section 6051,

"(3) any payment to an organization—

"(A) which is described in section 501(c)(3)

and is exempt from taxation under section 501(a), or

"(B) which is an agency or instrumentality of the United States or of any State or political subdivision thereof,

"(4) any payment for goods or services dispensed or supplied by a noninstitutional pharmacy,

"(5) any payment to an individual by his attorney or agent made with respect to medical and health care
services or goods rendered, furnished, or dispensed
to such individual or any other individual, or

"(6) any payment made by any person with respect
to which a return is made by any other person.

In the case of any payment in settlement of a claim which in-
cludes reimbursement for amounts paid or payable to a sup-
plier of medical and health care services or goods, subsection
(a)(2) shall apply to such payment only to the extent that
such amounts paid or payable have been separately identified
to the person making such payment.

"(c) Treatment of Certain Deductible
Amounts.—For purposes of subsection (a)(2), if—

"(1) a single payment is made to any person in
reimbursement for amounts paid or payable to two or
more suppliers of medical and health care services or
goods,

"(2) such payment is less than the amounts paid or
payable to such suppliers by such person, and

"(3) such payment does not separately state the
amount paid in reimbursement of the amount paid or
payable to each such supplier,
such payment shall be treated, under regulations prescribed
by the Secretary or his delegate, as made proportionately in
reimbursement for the amount paid or payable to each such
supplier.
"(d) Returns by Government Officers.—Any return required under subsection (a) with respect to payments made by the United States, any State or political subdivision thereof, or any agency or instrumentality of the foregoing, shall be made by the officers or employees having information as to such payments.

"(e) Definitions.—For purposes of this section.—

"(1) Medical and health care services and goods.—The term ‘medical and health care services or goods’ means—

"(A) services and goods described in paragraphs (1) through (9) of section 1861(s) of the Social Security Act, or in paragraphs (1) through (15) of section 1905(a) of such Act,

"(B) dentist's services and dental prosthetic devices, and

"(C) such other services and goods (similar or related to the services and goods described in subparagraphs (A) and (B)) as the Secretary or his delegate may prescribe by regulations.

"(2) Supplier of medical and health care services or goods.—The term ‘supplier of medical and health care services or goods’ means any person who—

"(A) renders or furnishes to individuals any
medical and health care services described in paragraph (1), or

"(B) furnishes, dispenses, sells, or leases to individuals any medical and health care goods described in paragraph (1).

"(f) Statements To Be Furnished To Persons With Respect To Whom Information Is Furnished.—Every person making a return under subsection (a) shall furnish to each person whose name is set forth in such return a written statement showing—

"(1) the name and address of the person making such return, and

"(2) the total amount of payments described in subsection (a)(1) to the person as shown on such return, and the total amount of payments described in subsection (a)(2) in reimbursement of amounts paid or payable to the person as shown on such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a) was made.

"(g) Retention of Records.—Every person making a return under subsection (a) shall—

"(1) retain the records and other documents relating to the payments with respect to which such return is
made for such time as the Secretary or his delegate prescribes by regulations, and

“(2) make such records and documents available to the Secretary or his delegate whenever in the judgment of the Secretary or his delegate such records and documents are necessary to the determination of the tax imposed on any person under subtitle A.”

(b) **Clerical and Conforming Amendments.**—

(1) The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by adding at the end thereof the following new item:

“Sec. 6050A. Returns regarding payments to suppliers of medical and health care services and goods.”

(2) Section 6041(a) (relating to information at source) is amended by striking out “or 6049(a)(1)” and inserting in lieu thereof “6049(a)(1), or 6050A (a)”.

(3) Section 6652(a) (relating to failure to file certain information returns) is amended—

(A) by striking out “or” at the end of paragraph (2);

(B) by inserting “or” at the end of paragraph (3);

(C) by inserting after paragraph (3) the following new paragraph:
“(4) to make a return required by section 6050A(a) (relating to reporting payments made to suppliers of medical and health care services and goods) with respect to payments to, and in reimbursement of amounts paid or payable to, a supplier of medical and health care services and goods,”; and

(D) by striking out “(2) or (3)” and inserting in lieu thereof “(2), (3), or (4)”. 

(4) Section 6678 (relating to failure to furnish certain statements) is amended—

(A) by inserting “6050A(f),” before “or 6052 (b)” ; and

(B) by inserting “6050A(a),” before “or 6052 (a)”. 

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by subsections (a) and (b) shall apply with respect to payments made on or after January 1, 1970.

(2) CALENDAR YEAR 1969.—Section 6050A of the Internal Revenue Code of 1954 (as added by subsection (a)) shall apply to payments made during the calendar year 1969 under titles V, XVIII, and XIX of the Social Security Act.

(3) TIME FOR RETURNS.—In the case of payments
made during calendar year 1969 to which such section 6050A applies, the time for filing returns required under subsection (a) of such section and for furnishing statements under subsection (f) of such section shall be the last day of the fourth month which begins after the date of the enactment of this Act.

(4) Existing authority.—The amendments made by this section shall not be construed to affect the authority of the Secretary of the Treasury or his delegate under section 6041 of the Internal Revenue Code of 1954 with respect to payments to suppliers of medical and health care services or goods made during any period before the provisions of section 6050A of such Code (as added by subsection (a)) become applicable to such payments under paragraphs (1) and (2) of this subsection.

(d) Amendment to Social Security Act.—

(1) Keeping of records regarding medicare and medicaid payments.—Title XI of the Social Security Act is amended by adding after section 1121 the following new section:

"RECORDS WITH RESPECT TO MEDICAL AND HEALTH CARE ITEMS AND SERVICES

"Sec. 1122. (a) It shall be the duty of the Secretary
to compile, keep, and maintain, such records as may be necessary accurately to indicate—

“(1) the identity (by name, address, medical or health care specialty, and such other identifying criteria as may be appropriate) of each person who, during the calendar year, furnishes medical or health care items or services to any individual and the number of individuals to whom such items or services were furnished by such person during such year, if all or any part of the cost or charge attributable to the provision of such items or services is payable under a program established by title XVIII or under any program or project under or established pursuant to this title, title V, or title XIX; and

“(2) with respect to each person referred to in paragraph (1), the aggregate of the amounts of the costs or charges attributable, under each program or project referred to in such paragraph, to medical or health care items or services furnished, during the calendar year, by such person to individuals under such programs and projects (including, in the aggregate amount of costs or charges so attributable, the amounts paid to individuals by reason or on account of the furnishing by such person of such items or services to such individuals).

“(b)(1) In order to carry out the provisions of subsection (a), the Secretary shall require persons, agencies, or
agents (including carriers and intermediaries utilized under
title XVIII and fiscal agents and insurers utilized under any
program established under or pursuant to title V or XIX) ad-
ministering, or assisting in the administration of, any pro-
gram or project referred to in subsection (a)(1) to collect,
and submit to the Secretary at such time or times as the Secre-
tary may require, such data and information as the Secre-
tary may deem necessary or appropriate. Such persons,
agents, carriers, intermediaries, fiscal agents, and insurers
shall utilize, in supplying the data and information provided
for in the preceding sentence, the identifying numbers required
under paragraph (2) as the basic means of identifying per-
sons referred to in subsection (a)(1).

"(2) The Secretary shall require, for purposes of iden-
tifying the persons referred to in subsection (a)(1), the em-
ployment of the identifying numbers utilized on returns re-
quired with respect to payments to such persons pursuant
to section 6050A of the Internal Revenue Code of 1954.

"(c)(1) The Secretary shall submit to the Committee
on Finance of the Senate and the Committee on Ways and
Means of the House of Representatives with respect to each
calendar year, beginning with the calendar year ending De-
cember 31, 1969, a report indicating the name, address, and
medical or health care specialty of each person who, during
such year, furnished medical or health care items or services
to individuals the costs of or charges for which give rise to payments under one or more of the programs or projects referred to in subsection (a)(1) of $25,000 or more. Such report shall indicate the amount of payments under each of such programs or projects attributable to such items or services furnished during such year by each such person and the number of individuals to whom such items or services were furnished by such person during such year.

“(2) Such report for the calendar year ending December 31, 1969, shall be submitted not later than June 30, 1970, and such report for each succeeding calendar year shall be submitted not later than June 30 of the following calendar year.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall be effective with respect to calendar years beginning after December 31, 1968.
SEC. 946. DECLARATIONS OF ESTIMATED TAX BY FARMERS.

(a) Return as Declaration or Amendment.—Section 6015(f) (relating to return considered as declaration or amendment) is amended by striking out "February 15" and inserting in lieu thereof "March 15".

(b) Effective Date.—The amendment made by sub-
section (a) shall apply with respect to taxable years beginning

after December 31, 1968.

*    *    *    *    *
TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

SHORT TITLE

Sec. 1001. This title may be cited as the "Social Security Amendments of 1969".

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Sec. 1002. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:
**TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS**

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<tr>
<th>I</th>
<th>II</th>
<th>III</th>
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<tbody>
<tr>
<td>(Primary insurance benefit under 1939 Act, as modified)</td>
<td>(Primary insurance amount under 1939 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefit)</td>
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If an individual's primary insurance benefit (as determined under subsec. (g)) is—

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<th>At least—</th>
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<th>But not more than—</th>
<th>The amount referred to in the preceding paragraphs of this subsection shall be—</th>
<th>And the maximum amount of benefits payable (as provided in sec. 802(g)) on the basis of his wages and self-employment income shall be—</th>
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<td>$30.37 44.45 43.77 40.34 35.81 34.51 32.61 32.60 32.01</td>
<td>$190.00 206.40 201.50 198.90 193.70 188.50 185.90 183.80 181.30</td>
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<td>$115.00 126.60 121.70 116.80 111.90 107.00 102.10 97.20 92.30</td>
<td>$110.00 122.20 117.30 112.60 108.00 103.50 99.00 94.60 90.20</td>
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<td>$151.00 153.10 151.20 149.30 147.40 145.50 143.60 141.70</td>
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*Note:* The table provides a method for determining the primary insurance amount and maximum family benefits based on various wage and insurance benefit levels. The columns and rows are structured to compare different wage amounts and insurance benefits, allowing for the calculation of benefits under the specified acts and amendments. The table is designed to assist in understanding the eligibility and amount of insurance benefits as per the 1939 Act, as modified.
"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued"

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<td>(Primary insurance benefit under 1959 Act, as modified)</td>
<td>(Primary insurance amount under 1979 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
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<td>If an individual's primary insurance benefit (as determined under subsec. (d)) is—</td>
<td>Or his primary insurance amount (as determined under subsection (c)) is—</td>
<td>Or his average monthly wage (as determined under subsec. (b)) is—</td>
<td>The amount referred to in the preceding paragraphs of this subsection shall be—</td>
<td>And the maximum amount of benefits payable (as provided in sec. 220(c)) on the basis of his wages and self-employment income shall be—</td>
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income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

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

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to January 1970, for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph

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(1) had not been applicable to such total of benefits for January 1970, or”.

(c) Section 215(b)(4) of such Act is amended by striking out “January 1968” each time it appears and inserting in lieu thereof “December 1969”.

(d) Section 215(c) of such Act is amended to read as follows:

“Primary Insurance Amount Under 1967 Act

“(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual’s primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

“(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month.”

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance
benefits under section 202(a) of such Act for January 1970,
or he died in such month, then, for purposes of section 215
(a)(4) of the Social Security Act (if applicable), the
amount in column IV of the table appearing in such section
215(a) for such individual shall be the amount in such
column on the line on which in column II appears his pri-
mary insurance amount (as determined under section 215
(c) of such Act) instead of the amount in column IV equal
to the primary insurance amount on which his disability
insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72
AND OVER

Sec. 1003. (a)(1) Section 227(a) of the Social Security
Act is amended by striking out “$40” and inserting in lieu
thereof “$46,” and by striking out “$20” and inserting in
lieu thereof “$23”.

(2) Section 227(b) of such Act is amended by striking
out in the second sentence “$40” and inserting in lieu thereof
“$46”.

(b)(1) Section 228(b)(1) of such Act is amended
by striking out “$40” and inserting in lieu thereof “$46”.

(2) Section 228(b)(2) of such Act is amended by
striking out “$40” and inserting in lieu thereof “$46”, and
by striking out “$20” and inserting in lieu thereof “$23”.

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

MAXIMUM AMOUNT OF A WIFE'S OF HUSBAND'S INSURANCE BENEFITS

Sec. 1004. (a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

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

(b) Section 202(c)(3) of such Act is amended to read as follows:

"(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to one-half of the primary insurance amount of his wife for such month."
(c) Sections 202(e)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

Sec. 1005. (a) Section 201(b)(1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,"

(b) Section 201(b)(2) of such Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1,
1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969, 

INCREASE IN WAGE BASE

Sec. 1006. (a) Notwithstanding any other provision of law, beginning with years beginning after December 31, 1972, the earnings counted for benefit and tax purposes under titles II and XVIII of the Social Security Act and appropriate sections of the Internal Revenue Code shall be increased from $7,800 to $12,000.

(b) The Secretary of Health, Education, and Welfare is directed to modify the table in section 215(a) of the Social Security Act to include benefits, consistent with the formula underlying the benefits in section 215(a), for average monthly wages greater than $650 but less than or equal to $1,000.

DISREGARDING OASDI BENEFIT INCREASES TO THE EXTENT ATTRIBUTABLE TO RETROACTIVE EFFECTIVE DATES

Sec. 1007. Notwithstanding any other provision of law, there shall be excluded in determining the income of any individual or family for purposes of title I, IV, X, XIV, or XVI of the Social Security Act (in addition to any other amounts so excluded or disregarded) any amount paid to such individual in any month under title II of such Act (or
under the Railroad Retirement Act of 1937 by reason of the first proviso in section 3(e) thereof, otherwise than as the regular monthly payment due such individual for the preceding month, to the extent that such payment is attributable to an increase under this title or a subsequent Act (resulting from the enactment of a retroactive general increase in primary insurance amounts under such title II) in the amount of the monthly benefits payable under the old-age, survivors, and disability insurance system for one or more months before the month in which such payment is received.

DISREGARDING OF INCOME IN DETERMINING NEED FOR PUBLIC ASSISTANCE

Sec. 1008. (a) In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement that—

(1) in determining need of any adult individual for such aid or assistance, the State agency administering or supervising the administration of such plan shall disregard $7.50 per month of income of such individual, and

(2)(A) each individual receiving such aid or assistance for any month shall realize an increase in the amount of his benefit in the form of money payments of
$7.50 per month, whether such increase is brought about by reason of the application of clause (1) or otherwise, and

(B) in the administration of any such plan, there shall be used for the purpose of providing the increased benefits required by subclause (A), an amount equal to any savings realized in the provision of such benefits by reason of the enactment, in this title, of any provision increasing the amount of monthly benefits payable to individuals under title II of the Social Security Act.

(b) If, as a result of the application of the requirements imposed in clauses (1) and (2) of subsection (a), any State incurs, in the operation of its State plan (referred to in subsection (a)) for any calendar quarter, expense in excess of the amount of expense it would have incurred if such requirements had not been applied, then, it shall be entitled to be paid, out of any money appropriated by the Federal Government to assist the State in carrying out such plan, an additional amount equal to the amount of such excess.

(c) Any additional amount to which a State is entitled under subsection (b) with respect to a State plan (referred to in subsection (a)) shall be made in accordance with the same methods, and otherwise in like manner, as are the pay-
ments which such State is entitled to receive with respect to such plan under other provisions of Federal law.

TITLE XI—AMENDMENTS TO THE SOCIAL SECURITY ACT

SHORT TITLE

Sec. 1101. This title may be cited as the “Social Security Retirement Age Amendments of 1969”.

ACTUARILY REDUCED BENEFITS

Sec. 1102. (a) (1) Section 202(a)(2) of the Social Security Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(2) Section 202(b)(1) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(3) Section 202(c) (1) and (2) of such Act is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(4)(A) Section 202(f)(1)(B), (2), (5), and (6) is amended by striking out “62” wherever it appears therein and inserting in lieu thereof “60”.

(B) Section 202(f)(1)(C) of such Act is amended by striking out “or was entitled” and inserting in lieu thereof “or was entitled, after attainment of age 62;”.

(5)(A) Section 202(h)(1)(A) of such Act is
amended by striking out “62” and inserting in lieu thereof “60”.

(B) Section 202(h)(2)(A) of such Act is amended by inserting “subsection (q) and” after “Except as pro-

vided in”.

(C) Section 202(h)(2)(B) of such Act is amended by inserting “subsection (q) and” after “except as pro-

vided in”.

(D) Section 202(h)(2)(C) of such Act is amended by—

(i) striking out “shall be equal” and inserting in lieu thereof “shall, except as provided in subsection (q), be equal”; and

(ii) inserting “and section 202(q)” after “section 203(a)”.

(b)(1) The first sentence of section 202(q)(1) of such Act is amended (A) by striking out “husband’s, widow’s, or widower’s” and inserting in lieu thereof “husband’s, widow’s, widower’s, or parent’s”, and (B) by striking out, in subparagraph (A) thereof, “widow’s or widower’s” and inserting in lieu thereof “widow’s, widower’s, or parent’s”.

(2)(A) Section 202(q)(3)(A) of such Act is amended (i) by striking out “husband’s, widow’s, or widow-
er's' each place it appears therein and inserting in lieu thereof "husband's, widow's, widower's, or parent's", (ii) by striking out "age 62" and inserting in lieu thereof "age 60", and (iii) by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, or parent's".

(B) Section 202(q)(3)(B) of such Act is amended by striking out "or husband's" each place it appears therein and inserting in lieu thereof "husband's, widow's, widower's, or parent's".

(C) Section 202(q)(3)(C) is amended by striking out "or widower's" each place it appears therein and inserting in lieu thereof "widower's, or parent's".

(D) Section 202(q)(3)(D) of such Act is amended by striking out "or widower's" and inserting in lieu thereof "widower's, or parent's".

(E) Section 202(q)(3)(E) of such Act is amended (i) by striking out "(or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be) entitled to a widow's or widower's insurance benefit to which such individual was first entitled for a month before she or he" and inserting in lieu thereof "(or would, but for subsection (c)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit to which such individual was first entitled for a month before such individ-
ual”, (ii) by striking out “the amount by which such widow’s or widower’s insurance benefit” and inserting in lieu thereof “the amount by which such widow’s, widower’s, or parent’s insurance benefit”, (iii) by striking out “over such widow’s or widower’s insurance benefit” and inserting in lieu thereof “over such widow’s, widower’s, or parent’s insurance benefit”, and (iv) by striking out “attained retirement age” each place it appears therein and inserting in lieu thereof “attained age 60 (in the case of a widow or widower) or attained retirement age (in the case of a parent)”.

(F) Section 202(q)(3)(F) of such Act is amended (i) by striking out “(or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be) entitled to a widow’s or widower’s insurance benefit to which such individual was first entitled for a month before she or he” and inserting in lieu thereof “(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow’s, widower’s, or parent’s insurance benefit for which such individual was first entitled for a month before such individual”, (ii) by striking out “the amount by which such widow’s or widower’s insurance benefit” and inserting in lieu thereof “the amount by which such widow’s, widower’s, or parent’s insurance benefit”, (iii) by striking out “over
such widow's insurance benefit’ and inserting in lieu thereof
“over such widow’s, widower’s, or parent’s insurance bene-
fit’’. (iv) by striking out “62” and inserting in lieu thereof
“60”, and (v) by striking out “attained retirement age”
each place it appears therein and inserting in lieu thereof
“attained age 60 (in the case of a widow or widower) or
attained retirement age (in the case of a parent)”.  

(G) Section 202(q)(3)(G) of such Act is amended
by striking out “62” and inserting in lieu thereof “60”.  

(3) Section 202(q)(5)(B) of such Act is amended
by striking out “62” and inserting in lieu thereof “60”.  

(4) Section 202(q)(6) of such Act is amended (i)
by striking out “husband’s, widow’s, or widower’s” and in-
serting in lieu thereof “husband’s, widow’s, widower’s, or
parent’s”, and (ii) by striking out, in clause (III), “wid-
ow’s or widower’s” and inserting in lieu thereof “widow’s,
widower’s, or parent’s”.  

(5) Section 202(q)(7) of such Act is amended—

(A) by striking out “husband’s, widow’s, or wid-
ower’s” and inserting in lieu thereof “husband’s, wid-
ow’s, widower’s, or parent’s”; and

(B) by striking out, in subparagraph (E),
“widow’s or widower’s” and inserting in lieu thereof
“widow’s, widower’s, or parent’s”.
(6) Section 202(q)(9) of such Act is amended by striking out "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(c)(1) The heading to section 202(r) of such Act is amended by striking out "Wife's or Husband's" and inserting in lieu thereof "Wife's, Husband's, Widow's, Widower's, or Parent's".

(2)(A) Section 202(r)(1) of such Act is amended (i) by striking out "wife's or husband's" the first place it appears therein and inserting in lieu thereof "wife's, husband's, widow's, widower's, or parent's", and (ii) by inserting immediately before the period at the end thereof the following: "or for widow's, widower's, or parent's insurance benefits but only if such first month occurred before such individual attained age 62".

(B) Section 202(r)(2) of such Act is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, widower's, or parent's".

(d) Section 214(a)(1) of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new subparagraphs (A) and (B):

"(A) in the case of a woman who has died, the
year in which she died or (if earlier) the year in which she attained age 62,

“(B) in the case of a woman who has not died, the year in which she attained (or would attain) age 62.”.

(e)(1) Section 215(b)(3) of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new paragraphs (A) and (B):

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

“(B) in the case of a woman who has not died, the year occurring after 1960 in which she attained (or would attain) age 62.”.

(2) Section 215(f)(5) of such Act is amended (A) by inserting after “attained age 65,” the following: “or in the case of a woman who became entitled to such benefits and died before the month in which she attained age 62,”; (B) by striking out “his” each place it appears therein and inserting in lieu thereof “his or her”; and (C) by striking out “he” each place after the first place it appears therein and inserting in lieu thereof “he or she”.

(f)(1) Section 216(b)(3)(A) of such Act is amend-
ed by striking out “62” and inserting in lieu thereof “60”.

(2) Section 216(c)(6)(A) of such Act is amended by striking out “62” and inserting in lieu thereof “60”.

(3) Section 216(f)(3)(A) of such Act is amended by striking out “62” and inserting in lieu thereof “60”.

(4) Section 216(g)(6)(A) of such Act is amended by striking out “62” and inserting in lieu thereof “60”.

(g)(1) Section 202(q)(5)(A) of such Act is amended by striking out “No wife's insurance benefit” and inserting in lieu thereof “No wife's insurance benefit to which a wife is entitled”.

(2) Section 202(q)(5)(C) of such Act is amended by striking out “woman” and inserting in lieu thereof “wife”.

(3) Section 202(q)(6)(A)(II) of such Act is amended (A) by striking out “wife's insurance benefit” and inserting in lieu thereof “wife's insurance benefit to which a wife is entitled”, and (B) by striking out “or” at the end and inserting in lieu thereof the following: “or in the case of a wife's insurance benefit to which a divorced wife is entitled, with the first day of the first month for which such individual is entitled to such benefit, or”.

(4) Section 202(q)(7)(B) of such Act is amended by striking out “wife's insurance benefits” and inserting in lieu thereof “wife's insurance benefits to which a wife is entitled”.
(h) Section 224(a) of such Act is amended by striking out “62” and inserting in lieu thereof “60”.

EFFECTIVE DATE

Sec. 1103. The amendments made by section 1102 of this title shall apply with respect to monthly benefits under title II of the Social Security Act for months after the month in which the President issues a proclamation that he has determined that it is desirable to expand consumer purchasing power by making additional persons eligible to receive social security benefits.

AMENDMENT OF CIVIL SERVICE RETIREMENT ACT

Sec. 1104. Section 8332(j) of title 5 of the United States Code is amended by striking “individual, widow,” in the first sentence and substituting in lieu thereof “individual is at least 62 years of age, or if his widow”  

* * * * *
Passed the Senate December 11, 1969.

Attest: FRANCIS R. VALEO,

Secretary.
AN ACT
To reform the income tax laws.

DECEMBER 11, 1969
Senate passed substitute version ordered to be printed
The message also announced that the Senate had passed with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 13270. An act to reform the income tax laws.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 13270) entitled "An act to reform the income tax laws, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. Long, Mr. Anderson, Mr. Gore, Mr. Talmadge, Mr. Bennett, Mr. Curtis and Mr. Miller to be the conferees on the part of the Senate."
APPOINTMENT OF CONFEREES ON H.R. 13270, TAX REFORM ACT OF 1969

Mr. MILLS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 13270) to reform the income tax laws, the so-called Tax Reform Act of 1969, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference requested by the Senate.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

Mr. VANIK. Mr. Speaker, reserving the right to object, and I do not object at this time, I would like to reserve the right to offer a preferential motion in which I would urge that the conferees or the managers on the part of the House be instructed with respect to increasing exemptions and insisting on the House provisions on the oil and gas depletion allowances.

Mr. Speaker, will such a preferential motion be in order?

The SPEAKER pro tempore. It will be if the unanimous-consent request on the conference is agreed to.

Mr. VANIK. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Democratic Members became alarmed. Approximately 25,500,000 recipients of social security over the Nation also became alarmed at that threat, and millions upon millions of wage earners and salary earners who are paying big taxes, were also shocked. As chairman of the Democratic Steering Committee and because of the pressure of the Members on this side I called a special meeting of the committee this afternoon during which this veto matter was taken up.

Mr. Speaker, I will read the resolution that was adopted—almost unanimously with the exception of one vote:

Resolved, That the House Democratic Steering Committee hereby endorses and recommends enactment of proposed legislation providing for a $200 increase in the personal income tax exemption, to the House Tax Reform Bill and a 15 percent increase in Social Security Insurance System benefits effective as of January 1, 1970.

RAY J. MADDEN,
Chairman,
House Democratic Steering Committee.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

* * * * *
Along with my colleagues, I have a great stake in the adoption of a fair and equitable tax bill. It would be my hope that it might not have to be done again next year—or in the next session—or in the next Congress.

If we can truly make this a tax reform bill—one that can truly provide a more equitable tax—then those who have had unfair preference—if we can truly provide tax relief to those most deserving—our work may prevent the taxpayers' revolt which former Secretary of the Treasury Joe Barr said would soon occur.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. VANIK. I am happy to yield to my distinguished chairman.

Mr. MILLS. I would much prefer, of course, at all times not to go to a conference under instructions, but if I were going to this conference under instructions from my colleagues in the House there are many, many items I would have included in such a motion which the gentleman does not include in his motion. I wish the other body to know that if any of my colleagues in the House should be to the conferees—at least to me as a conferee—that I fight as hard in the conference as I do in the House.

Mr. VANIK. That the gentleman indicate whether or not we can expect tax relief by way of increased exemptions, because that matter was not considered in our committee?

Mr. MILLS. I did not take that topic up in the Committee on Ways and Means, as the gentleman knows. We preferred in the committee by a vote—I have forgotten what it was to do it by rate reductions. The Senate on the other hand has preferred to do it by an increase in personal exemption.

I have as much interest in increased exemptions as anyone in this House. It is a question of timing with me. I do not want us to do something that will permit the President to possibly say that a Democratic-controlled Congress has made it impossible for him in the year 1970 to do anything to stop inflation. However, if we do something that will put his budget out of balance for fiscal year 1970, if he daresay that would be the charge he would make, I do not want us to get into that position. I think my friend from Ohio would agree with me that any tax reductions that we finally agree upon in the tax bill should be tax reductions that do not affect the fiscal year 1970 and, perhaps, do not affect even calendar year 1970.

There is one that is frozen insofar as 1970 is concerned, but I am not sure what I want to do about it and that is the minimum standard deduction. Their change is nearly the same as ours. So there will be this change in 1970, in any event which will have an effect on revenues in the calendar year 1970.

Mr. VANIK. Am I correct in understanding the distinguished chairman and believing that that matter was not considered first? My intention to provide some system of relief by way of increased exemptions?

Mr. MILLS. Oh, yes. We have that definitely in mind.

Mr. VANIK. I will insist on not just that. Why does the gentleman not ask me about all of them?

Mr. MILLS. As far as I am concerned, I am going to insist on all of them, if I can get them all.

Mr. MADDEN. Mr. Speaker, will the gentleman yield?

Mr. VANIK. I yield to the gentleman from Indiana.

Mr. MADDEN. Mr. Speaker, I want to commend the chairman of the Committee on Ways and Means for the work that he and his committee have done. They have been on the conference front. I want to correct the gentleman on a statement that he has just made.

The gentleman said that he did not want to have the President feel that a Democratic-controlled Congress resort to politics and jeopardize his legislative program. It has been my observation, and the observation of most Members on this side of the House, that when most Democratic platform issues are debated the Republican leadership and a few of the southern Democrats get together, that they can outvote us by about 15 to 20 votes, so this session is not in reality a Democratic-controlled Congress.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. VANIK. I yield to the gentleman from Indiana.

Mr. GROSS. Mr. Speaker, I wonder if the gentleman from Arkansas could tell us or give us any idea on whether he will try to get these concessions out of the other body by New Year's Day?

Mr. MILLS. Mr. Speaker, would the gentleman yield?

Mr. VANIK. I yield to the distinguished chairman, from Arkansas.

Mr. MILLS. Mr. Speaker, I appreciate the gentleman yielding to me.

I want to keep all my colleagues advised, as we go along on this matter. It is my understanding that we will begin our conference with the Senate on this matter at 10 o'clock next Monday morning.

I had hoped that we could begin our conference in the morning, and that we could work Saturday, but I can understand the reluctance of any Member of the other body—after having labored over this bill as long as they have—wanting to get a little bit of rest from the tax bill, at least over the weekend.

So, Mr. Speaker, I agreed to resist my own feelings and lay them aside, and accommodate the other side's feeling. So we will go to conference at 10 o'clock on Monday morning. That means that we may be able to have a conference report before Christmas, but it is going to be quite difficult for us to reach agreement on a conference report, to have the report filed, and to have an opportunity for the House to vote on it before Christmas.

I think my friend, the gentleman from Iowa, knows that it takes some little time for our technicians to prepare the conference report after the decisions are all completed.

Mr. GROSS. Mr. Speaker, would the gentleman yield further?

Mr. VANIK. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Speaker, one Member of the other body has described it as a Christmas tree. I just wondered if that was an accurate description.

Mr. MILLS. If the gentleman will yield further, Mr. Speaker, if it is a Christmas tree it should be all right for it to remain
so through the Christmas season, even if we have to remove the trimmings after Christmas. That is a common practice, I understand.

But we intend to do some removing of these trimmings even before Christmas.

Mr. GROSS. Mr. Speaker, I thank the gentleman from Ohio for yielding.

Mr. VANIK. Mr. Speaker, I want to thank my distinguished chairman. The conferees and managers on the part of the House have our best wishes, and I ask that they speak for the average taxpayers of America who need to get some relief out of this tax program which will be before the conference.

Mr. Speaker, I withdraw my motion.

The SPEAKER. The gentleman from Ohio withdraws his preferential motion.

The Chair appoints the following conferees: Messrs. MILLS, BOSGD, WATTS, ULLMAN, BYRNE of Wisconsin, UTT, and BETTS.
The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SECTION 1. SHORT TITLE, ETC.

(a) Short Title.—This Act may be cited as the "Tax Reform Act of 1969".

(b) Table of Contents.—

TITLE I—TAX EXEMPT ORGANIZATIONS

Subtitle A—Private Foundations

Sec. 101. Private foundations.

Subtitle B—Other Tax Exempt Organizations

Sec. 121. Tax on unrelated business income.

TITLE II—INDIVIDUAL DEDUCTIONS

Subtitle A—Charitable Contributions

Sec. 201. Charitable contributions.
Subtitle B—Farm Losses, Etc.

Sec. 211. Gain from disposition of property used in farming where farm losses offset nonfarm income.

Sec. 212. Livestock.

Sec. 213. Deductions attributable to activities not engaged in for profit.

Sec. 214. Gain from disposition of farm land.

Sec. 215. Crop insurance proceeds.

Sec. 216. Capitalization of costs of planting and developing citrus groves.

Subtitle C—Interest

Sec. 221. Interest.

Subtitle D—Moving Expenses

Sec. 231. Moving expenses.

TITLE III—MINIMUM TAX; ADJUSTMENTS PRIMARILY AFFECTING INDIVIDUALS

Subtitle A—Minimum Tax

Sec. 301. Minimum tax for tax preferences.

Subtitle B—Income Averaging

Sec. 311. Income averaging.

Subtitle C—Restricted Property

Sec. 321. Restricted Property.

Subtitle D—Accumulation Trusts, Multiple Trusts, Etc.

Sec. 331. Treatment of excess distributions by trusts.

Sec. 332. Trust income for benefit of a spouse.

TITLE IV—ADJUSTMENTS PRIMARILY AFFECTING CORPORATIONS

Subtitle A—Multiple Corporations

Sec. 401. Multiple corporations.

Subtitle B—Debt-Financed Corporate Acquisitions and Related Problems

Sec. 411. Interest on indebtedness incurred by corporation to acquire stock or assets of another corporation.

Sec. 412. Installment method.

Sec. 413. Bonds and other evidences of indebtedness.

Sec. 414. Limitation on deduction of bond premium on repurchase.

Sec. 415. Treatment of certain corporate interests as stock or indebtedness.

Subtitle C—Stock Dividends

Sec. 421. Stock dividends.
Subtitle D—Financial Institutions

Sec. 431. Reserve for losses on loans; net operating loss carrybacks
Sec. 432. Mutual savings banks, etc.
Sec. 433. Treatment of bonds, etc., held by financial institutions.
Sec. 434. Limitation on deduction for dividends received by mutual savings banks, etc.
Sec. 435. Foreign deposits in United States banks.

Subtitle E—Depreciation Allowed Regulated Industries; Earnings and Profits Adjustment for Depreciation

Sec. 441. Public utility property.
Sec. 442. Effect on earnings and profits.

TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

Subtitle A—Natural Resources

Sec. 501. Percentage depletion rates.
Sec. 502. Treatment processes in the case of oil shale.
Sec. 503. Mineral production payments.
Sec. 504. Exploration expenditures.
Sec. 505. Continental shelf areas.
Sec. 506. Foreign tax credit with respect to certain foreign mineral income.

Subtitle B—Capital Gains and Losses

Sec. 511. Increase in alternative capital gains tax.
Sec. 512. Capital losses of corporations.
Sec. 513. Capital losses of individuals.
Sec. 514. Letters, memorandums, etc.
Sec. 515. Total distributions from qualified pension, etc., plans.
Sec. 516. Other changes in capital gains treatment.

Subtitle C—Real Estate Depreciation

Sec. 521. Depreciation of real estate.

Subtitle D—Subchapter S Corporations

Sec. 531. Qualified pension, etc., plans of small business corporations.

TITLE VI—STATE AND LOCAL OBLIGATIONS

Sec. 601. Arbitrage bonds.

TITLE VII—EXTENSION OF TAX SURCHARGE AND EXCISE TAXES; TERMINATION OF INVESTMENT CREDIT

Sec. 701. Extension of tax surcharge.
Sec. 702. Continuation of excise taxes on communication services and on automobiles.
Sec. 703. Termination of investment credit.
Sec. 704. Amortization of pollution control facilities.
Sec. 705. Amortization of railroad rolling stock and right-of-way improvements.
Sec. 706. Expenditures in connection with certain railroad rolling stock.
Sec. 707. Amortization of certain coal mine safety equipment.

TITLE VIII—ADJUSTMENT OF TAX BURDEN FOR INDIVIDUALS

Sec. 801. Personal exemptions.
Sec. 802. Low income allowance; increase in standard deduction.
Sec. 803. Tax rates for single individuals and heads of household; optional tax.
Sec. 804. Fifty-percent maximum rate on earned income.
Sec. 805. Collection of income tax at source on wages.

TITLE IX—MISCELLANEOUS PROVISIONS

Sec. 901. Exclusion of additional living expenses.
Sec. 902. Deductibility of treble damage payments, fines and penalties, etc.
Sec. 903. Accrued vacation pay.
Sec. 904. Deduction of recoveries of antitrust damages, etc.
Sec. 905. Corporations using appreciated property to redeem their own stock.
Sec. 906. Reasonable accumulations by corporations.
Sec. 907. Insurance companies.
Sec. 908. Certain unit investment trusts.
Sec. 909. Foreign corporations not availed of to reduce taxes.
Sec. 910. Sales of certain low-income housing projects.
Sec. 911. Per-unit retain allocations.
Sec. 912. Foster children.
Sec. 913. Cooperative housing corporations.
Sec. 914. Personal holding company dividends.
Sec. 915. Replacement of property involuntarily converted within a 2-year period.
Sec. 916. Change in reporting income on installment basis.
Sec. 917. Recognition of gain in certain liquidations.

Subtitle B—Miscellaneous Excise Tax Provisions
Sec. 931. Concrete mixers.
Sec. 932. Constructive sale price.

Subtitle C—Miscellaneous Administrative Provisions
Sec. 941. Filing requirements.
Sec. 942. Computation of tax by Internal Revenue Service.
Sec. 943. Failure to make timely payment or deposit of tax.
Sec. 944. Declarations of estimated tax by farmers.
Sec. 945. Portion of salary, wages, or other income exempt from levy.
Sec. 946. Interest and penalties in case of certain taxable years.
Subtitle D—United States Tax Court

Sec. 951. Status of Tax Court.
Sec. 952. Appointment; term of office.
Sec. 953. Salary.
Sec. 954. Retirement.
Sec. 955. Survivors.
Sec. 956. Powers.
Sec. 957. Tax disputes involving $1,000 or less.
Sec. 958. Commissioners.
Sec. 959. Notice of appeal.
Sec. 960. Conforming amendments.
Sec. 961. Continuation of status.
Sec. 962. Effective dates.

Title X—Increase in Social Security Benefits

Sec. 1001. Short title.
Sec. 1002. Increase in old-age, survivors, and disability insurance benefits.
Sec. 1003. Increase in benefits for certain individuals age 72 and over.
Sec. 1004. Maximum amount of a wife's or husband's insurance benefit.
Sec. 1005. Allocation to disability insurance trust fund.
Sec. 1006. Disregarding of retroactive payment of OASDI benefit increase.
Sec. 1007. Disregarding of income of OASDI recipients in determining need for public assistance.

(c) Amendment of 1954 Code.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.
TITLE I—TAX EXEMPT ORGANIZATIONS
Subtitle A—Private Foundations

SEC. 101. PRIVATE FOUNDATIONS.

(a) In General.—Subchapter F of chapter 1 (relating to exempt organizations) is amended by redesignating parts II, III, and IV as parts III, IV, and V, respectively, and by inserting after part I the following new part:

"PART II—PRIVATE FOUNDATIONS"

"Sec. 507. Termination of private foundation status.
"Sec. 508. Special rules with respect to section 501(c)(3) organizations.
"Sec. 509. Private foundation defined."
"SEC. 508. SPECIAL RULES WITH RESPECT TO SECTION 501(c)(3) ORGANIZATIONS.

"(a) New Organizations Must Notify Secretary That They Are Applying for Recognition of Section 501(c)(3) Status.—Except as provided in subsection (c), an organization organized after October 9, 1969, shall not be treated as an organization described in section 501(c)(3)—

"(1) unless it has given notice to the Secretary or his delegate, in such manner as the Secretary or his delegate may by regulations prescribe, that it is applying for recognition of such status, or

"(2) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary or his delegate by regulations for giving notice under this subsection.

For purposes of paragraph (2), the time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

"(b) Presumption That Organizations Are Private Foundations.—Except as provided in subsection (c), any organization (including an organization in existence on October 9, 1969) which is described in section 501(c)(3) and which does not notify the Secretary or his delegate, at such time and in such manner as the Secretary or his delegate may by regulations prescribe, that it is not a private foundation shall be presumed to be a private foundation. The time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

"(c) Exceptions.—

"(1) Mandatory exceptions.—Subsections (a) and (b) shall not apply to—

"(A) churches, their integrated auxiliaries, and conventions or associations of churches, or

"(B) any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than $5,000.

"(2) Exceptions by regulations.—The Secretary or his delegate may by regulations exempt (to the extent and subject to such conditions as may be prescribed in such regulations) from the provisions of subsection (a) or (b) or both—

"(A) educational organizations which normally maintain a regular faculty and curriculum and normally have a regularly enrolled body of pupils or students in attendance at the place where their educational activities are regularly carried on; and

"(B) any other class of organizations with respect to which the Secretary or his delegate determines that full compliance with the provisions of subsections (a) and (b) is not necessary to the efficient administration of the provisions of this title relating to private foundations.

"(d) Disallowance of Certain Charitable, etc., Deductions.—

"(1) Gift or bequest to organizations subject to section 501(c) tax.—No gift or bequest made to an organization upon which the tax provided by section 501(c) has been imposed shall be
allowed as a deduction under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such gift or bequest is made—

"(A) by any person after notification is made under section 507(a), or

"(B) by a substantial contributor (as defined in section 507(d)(2)) in his taxable year which includes the first day on which action is taken by such organization which culminates in the imposition of tax under section 507(c) and any subsequent taxable year.

"(2) GIFT OR BEQUEST TO TAXABLE PRIVATE FOUNDATION, SECTION 4947 TRUST, ETC.—No gift or bequest made to an organization shall be allowed as a deduction under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such gift or bequest is made—

"(A) to a private foundation or a trust described in section 4947 in a taxable year for which it fails to meet the requirements of subsection (e) (determined without regard to subsection (e)(2)(B) and (C)), or

"(B) to any organization in a period for which it is not treated as an organization described in section 501(c)(3) by reason of subsection (a).

"(3) Exception.—Paragraph (1) shall not apply if the entire amount of the unpaid portion of the tax imposed by section 507(c) is abated by the Secretary or his delegate under section 507(g).

"(e) GOVERNING INSTRUMENTS.—

"(1) General rule.—A private foundation shall not be exempt from taxation under section 501(a) unless its governing instrument includes provisions the effects of which are—

"(A) to require its income for each taxable year to be distributed at such time and in such manner as not to subject the foundation to tax under section 4942, and

"(B) to prohibit the foundation from engaging in any act of self-dealing (as defined in section 4941(d)), from retaining any excess business holdings (as defined in section 4943(c)), from making any investments in such manner as to subject the foundation to tax under section 4944, and from making any taxable expenditures (as defined in section 4945(d)).

"(2) Special rules for existing private foundations.—In the case of any organization organized before January 1, 1970, paragraph (1) shall not apply—

"(A) to any taxable year beginning before January 1, 1972,

"(B) to any period after December 31, 1971, during the pendency of any judicial proceeding begun before January 1, 1972, by the private foundation which is necessary to reform, or to excuse such foundation from compliance with, its governing instrument or any other instrument in order to meet the requirements of paragraph (1), and

"(C) to any period after the termination of any judicial proceeding described in subparagraph (B) during which its governing instrument or any other instrument does not permit it to meet the requirements of paragraph (1).
TITLE II—INDIVIDUAL DEDUCTIONS

*   *   *   *   *

(67)
Subtitle D—Moving Expenses

SEC. 231. MOVING EXPENSES.

(a) DEDUCTION FOR MOVING EXPENSES.—Section 217 (relating to moving expenses) is amended to read as follows:

"SEC. 217. MOVING EXPENSES.

"(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction moving expenses paid or incurred during the taxable year in connection with the commencement of work by the taxpayer as an employee or as a self-employed individual at a new principal place of work.

"(b) DEFINITION OF MOVING EXPENSES.—

"(1) IN GENERAL.—For purposes of this section, the term 'moving expenses' means only the reasonable expenses—

(A) of moving household goods and personal effects from the former residence to the new residence,

(B) of traveling (including meals and lodging) from the former residence to the new place of residence,

(C) of traveling (including meals and lodging), after obtaining employment, from the former residence to the general location of the new principal place of work and return, for the principal purpose of searching for a new residence,

(D) of meals and lodging while occupying temporary quarters in the general location of the new principal place of work during any period of 30 consecutive days after obtaining employment, or

(E) constituting qualified residence sale, purchase, or lease expenses.

"(2) QUALIFIED RESIDENCE SALE, ETC., EXPENSES.—For purposes of paragraph (1)(E), the term 'qualified residence sale, purchase, or lease expenses' means only reasonable expenses incident to—

(A) the sale or exchange by the taxpayer or his spouse of the taxpayer's former residence (not including expenses for work performed on such residence in order to assist in its sale) which (but for this subsection and subsection (e)) would be taken into account in determining the amount realized on the sale or exchange,

(B) the purchase by the taxpayer or his spouse of a new residence in the general location of the new principal place of work which (but for this subsection and subsection (e)) would be taken into account in determining—

(i) the adjusted basis of the new residence, or

(ii) the cost of a loan (but not including any amounts which represent payments or prepayments of interest),

(C) the settlement of an unexpired lease held by the taxpayer or his spouse on property used by the taxpayer as his former residence, or

(D) the acquisition of a lease by the taxpayer or his spouse on property used by the taxpayer as his new residence in the general location of the new principal place of work (not including amounts which are payments or prepayments of rent).
“(3) LIMITATIONS.—

“(A) DOLLAR LIMITS.—The aggregate amount allowable as a deduction under subsection (a) in connection with a commencement of work which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1) shall not exceed $1,000. The aggregate amount allowable as a deduction under subsection (a) which is attributable to qualified residence sale, purchase, or lease expenses shall not exceed $2,500, reduced by the aggregate amount so allowable which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1).

“(B) HUSBAND AND WIFE.—If a husband and wife both commence work at a new principal place of work within the same general location, subparagraph (A) shall be applied as if there was only one commencement of work. In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting ‘$500’ for ‘$1,000’, and by substituting ‘$1,250’ for ‘$2,500’.

“(C) INDIVIDUALS OTHER THAN TAXPAYER.—In the case of any individual other than the taxpayer, expenses referred to in subparagraphs (A) through (D) of paragraph (1) shall be taken into account only if such individual has both the former residence and the new residence as his principal place of abode and is a member of the taxpayer’s household.

“(c) CONDITIONS FOR ALLOWANCE.—No deduction shall be allowed under this section unless—

“(1) the taxpayer’s new principal place of work—

“(A) is at least 50 miles farther from his former residence than was his former principal place of work, or

“(B) if he had no former principal place of work, is at least 50 miles from his former residence, and

“(2) either—

“(A) during the 12-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee, in such general location, during at least 39 weeks, or

“(B) during the 24-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee or performs services as a self-employed individual on a full-time basis, in such general location, during at least 78 weeks, of which not less than 39 weeks are during the 12-month period referred to in subparagraph (A).

For purposes of paragraph (1), the distance between two points shall be the shortest of the more commonly traveled routes between such two points.

“(d) RULES FOR APPLICATION OF SUBSECTION (c)(2).—

“(1) The condition of subsection (c)(2) shall not apply if the taxpayer is unable to satisfy such condition by reason of—

“(A) death or disability, or

“(B) involuntary separation (other than for willful misconduct) from the service of, or transfer for the benefit of, an employer after obtaining full-time employment in which the taxpayer could reasonably have been expected to satisfy such condition.
"(2) If a taxpayer has not satisfied the condition of subsection (c)(2) before the time prescribed by law (including extensions thereof) for filing the return for the taxable year during which he paid or incurred moving expenses which would otherwise be deductible under this section, but may still satisfy such condition, then such expenses may (at the election of the taxpayer) be deducted for such taxable year notwithstanding subsection (c)(2).

"(3) If—

"(A) for any taxable year moving expenses have been deducted in accordance with the rule provided in paragraph (2), and

"(B) the condition of subsection (c)(2) cannot be satisfied at the close of a subsequent taxable year,

then an amount equal to the expenses which were so deducted shall be included in gross income for the first such subsequent taxable year.

"(e) DENIAL OF DOUBLE BENEFIT.—The amount realized on the sale of the residence described in subparagraph (A) of subsection (b)(2) shall not be decreased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a), and the basis of a residence described in subparagraph (B) of subsection (b)(2) shall not be increased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a). This subsection shall not apply to any expenses with respect to which an amount is included in gross income under subsection (d)(3).

"(f) RULES FOR SELF-EMPLOYED INDIVIDUALS.—

"(1) DEFINITION.—For purposes of this section, the term 'self-employed individual' means an individual who performs personal services—

"(A) as the owner of the entire interest in an unincorporated trade or business, or

"(B) as a partner in a partnership carrying on a trade or business.

"(2) RULE FOR APPLICATION OF SUBSECTIONS (b)(1)(c) AND (d).—For purposes of subparagraphs (C) and (D) of subsection (b)(1), an individual who commences work at a new principal place of work as a self-employed individual shall be treated as having obtained employment when he has made substantial arrangements to commence such work.

"(g) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(b) INCLUSION IN GROSS INCOME OF MOVING EXPENSE REIMBURSEMENTS.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding after section 81 the following new section:

"SEC. 82. REIMBURSEMENT FOR EXPENSES OF MOVING.

"There shall be included in gross income (as compensation for services) any amount received or accrued, directly or indirectly, by an individual as a payment for or reimbursement of expenses of moving from one residence to another residence which is attributable to employment or self-employment."

(c) CONFORMING AMENDMENTS.—

"(1) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 82. Reimbursement of moving expenses."
(f) CROSS REFERENCE.—

"For treatment of certain expenses incident to the sale of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e)."

(3) Section 1016(c) is amended to read as follows:

"(c) Cross References.—

"(1) For treatment of certain expenses incident to the purchase of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e).

"(2) For treatment of separate mineral interests as one property, see section 614."

(d) Effective Dates.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969, except that—

(1) section 217 of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not apply to any item to the extent that the taxpayer received or accrued reimbursement or other expense allowance for such item in a taxable year beginning on or before December 31, 1969, which was not included in his gross income; and

(2) the amendments made by this section shall not apply (at the election of the taxpayer made at such time and manner as the Secretary of the Treasury or his delegate prescribes) with respect to moving expenses paid or incurred before July 1, 1970, in connection with the commencement of work by the taxpayer as an employee at a new principal place of work of which the taxpayer had been notified by his employer on or before December 19, 1969.

* * * * *
TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

* * * * *

(155)
Subtitle B—Capital Gains and Losses
SEC. 515. TOTAL DISTRIBUTIONS FROM QUALIFIED PENSION, ETC., PLANS.

(a) LIMITATION ON CAPITAL GAINS TREATMENT.—

(1) Employees' Trust.—Section 402(a) (relating to taxability of beneficiary of exempt trust) is amended by adding at the end thereof the following new paragraph:

"(5) LIMITATION ON CAPITAL GAINS TREATMENT.—The first sentence of paragraph (2) shall apply to a distribution paid after December 31, 1969, only to the extent that it does not exceed the sum of—

"(A) the benefits accrued by the employee on behalf of whom it is paid during plan years beginning before January 1, 1970, and

"(B) the portion of the benefits accrued by such employee during plan years beginning after December 31, 1969, which the distributee establishes does not consist of the employee's allocable share of employer contributions to the trust by which such distribution is paid.

The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph."

(2) Employee Annuities.—Section 403(a)(2) (relating to capital gains treatment for certain distributions under a qualified annuity plan) is amended by adding at the end thereof the following new subparagraph:

"(C) LIMITATION ON CAPITAL GAINS TREATMENT.—Subparagraph (A) shall apply to a payment paid after December 31, 1969, only to the extent it does not exceed the sum of—

"(i) the benefits accrued by the employee on behalf of whom it is paid during plan years beginning before January 1, 1970, and

"(ii) the portion of the benefits accrued by such employee during plan years beginning after December 31, 1969, which the payee establishes does not consist of the employee's
allocable share of employer contributions under the plan
under which the annuity contract is purchased.

The Secretary or his delegate shall prescribe such regulations
as may be necessary to carry out the purposes of this sub-
paragraph.”

(b) LIMITATION ON TAX.—Section 72(n) (relating to treatment of
certain distributions with respect to contributions by self-employed
individuals) is amended—
(1) by striking out so much thereof as precedes paragraph (2)
and inserting in lieu thereof the following:

“(n) TREATMENT OF TOTAL DISTRIBUTIONS.—

“1. APPLICATION OF SUBSECTION.—

“(A) GENERAL RULE.—This subsection shall apply to

amounts—

“(i) distributed to a distributee, in the case of an em-
ployees’ trust described in section 401(a) which is exempt
from tax under section 501(a), or

“(ii) paid to a payee, in the case of an annuity plan
described in section 403(a),

if the total distributions or amounts payable to the distributee
or payee with respect to an employee (including an individual
who is an employee within the meaning of section 401(c)(1))
are paid to the distributee or payee within one taxable year of
the distributee or payee, but only to the extent that section
402(a)(2) or 403(a)(2)(A) does not apply to such amounts.

“(B) DISTRIBUTIONS TO WHICH APPLICABLE.—This sub-
section shall apply only to distributions or amounts paid—

“(i) on account of the employee’s death,

“(ii) with respect to an individual who is an employee
without regard to section 401(c)(1), on account of his sep-
aration from the service,

“(iii) with respect to an employee within the meaning of
section 401(c)(1), after he has attained the age of 59½
years, or

“(iv) with respect to an employee within the meaning of
section 401(c)(1), after he has become disabled (within the
meaning of subsection (m)(7)).

“(C) MINIMUM PERIOD OF SERVICE.—This subsection shall
apply to amounts distributed or paid to an employee from or
under a plan only if he has been a participant in the plan for 5
or more taxable years prior to the taxable year in which
such amounts are distributed or paid.

“(D) AMOUNTS SUBJECT TO PENALTY.—This subsection shall
not apply to amounts described in clauses (ii) and (iii) of
paragraph (A) of subsection (m)(5) (but, in the case of
amounts described in clause (ii) of such subparagraph, only to
the extent that subsection (m)(5) applies to such amounts).”;
and

(2) by adding at the end thereof the following new paragraph:

“(4) SPECIAL RULE FOR EMPLOYEES WITHOUT REGARD TO SEC-
tion 401(c)(1).—In the case of amounts to which this subsection
applies which are distributed or paid with respect to an individual
who is an employee without regard to section 401(c)(1), paragraph
(2) shall be applied with the following modifications:

“(A) ‘7 times’ shall be substituted for ‘5 times’, and ‘14½
percent’ shall be substituted for ‘20 percent’.
"(B) Any amount which is received during the taxable year by the employee as compensation (other than as deferred compensation within the meaning of section 404) for personal services performed for the employer in respect of whom the amounts distributed or paid are received shall not be taken into account.

"(C) No portion of the total distributions or amounts payable (of which the amounts distributed or paid are a part) to which section 402(a)(2) or 403(a)(2)(A) applies shall be taken into account.

Subparagraph (B) shall not apply if the employee has not attained the age of 59½ years, unless he has died or become disabled (within the meaning of subsection (m)(7))."

c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 405(e) (relating to capital gains treatment not to apply to bonds distributed by trusts) is amended—

(A) by striking out "CAPITAL GAINS TREATMENT" in the heading and inserting in lieu thereof "CAPITAL GAINS TREATMENT AND LIMITATION OF TAX";

(B) by striking out "Section 402(a)(2)" and inserting in lieu thereof "Section 72(n) and section 402(a)(2)"; and

(C) by striking out "section" and inserting in lieu thereof "sections".

(2) Section 406(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of capital gain provisions) is amended—

(A) by striking out "PROVISIONS." in the heading and inserting in lieu thereof "PROVISIONS AND LIMITATION OF TAX."; and

(B) by striking out "section 402(a)(2)" and inserting in lieu thereof "section 72(n), section 402(a)(2)".

(3) Section 407(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of capital gain provisions) is amended—

(A) by striking out "PROVISIONS." in the heading and inserting in lieu thereof "PROVISIONS AND LIMITATION OF TAX."; and

(B) by striking out "section 402(a)(2)" and inserting in lieu thereof "section 72(n), section 402(a)(2)".

(4) Section 1304(b)(2) (relating to certain provisions inapplicable) is amended to read as follows:

"(2) section 72(n)(2) (relating to limitation of tax in case of total distribution)."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1969.
Subtitle D—Subchapter S
Corporations

SEC. 531. QUALIFIED PENSION, ETC., PLANS OF SMALL BUSINESS CORPORATIONS.

(a) In General.—Subchapter S of chapter 1 (relating to election of certain small business corporations as to taxable status) is amended by adding at the end thereof the following new section:

“SEC. 1379. CERTAIN QUALIFIED PENSION, ETC., PLANS.

“(a) ADDITIONAL REQUIREMENT FOR QUALIFICATION OF STOCK BONUS OR PROFIT-SHARING PLANS.—A trust forming part of a stock bonus or profit-sharing plan which provides contributions or benefits for employees some or all of whom are shareholder-employees shall not constitute a qualified trust under section 401 (relating to qualified pension, profit-sharing, and stock bonus plans) unless the plan of which such trust is a part provides that forfeitures attributable to contributions deductible under section 404(a)(3) for any taxable year (beginning after December 31, 1970) of the employer with respect to which it is an electing small business corporation may not inure to the benefit of any individual who is a shareholder-employee for such taxable year. A plan shall be considered as satisfying the requirement of this subsection for the period beginning with the first day of a taxable year and ending with the 15th day of the third month following the close of such taxable year, if all the provisions of the plan which are necessary to satisfy this requirement are in effect by the end of such period and have been made effective for all purposes with respect to the whole of such period.

“(b) TAXABILITY OF SHAREHOLDER-EMPLOYEE BENEFICIARIES.—

“(1) INCLUSION OF EXCESS CONTRIBUTIONS IN GROSS INCOME.—Notwithstanding the provisions of section 402 (relating to taxability of beneficiary of employees' trust), section 403 (relating to taxation of employee annuities), or section 405(d) (relating to taxability of beneficiaries under qualified bond purchase plans), an individual
who is a shareholder-employee of an electing small business corporation shall include in gross income, for his taxable year in which or with which the taxable year of the corporation ends, the excess of the amount of contributions paid on his behalf which is deductible under section 404(a) (1), (2), or (3) by the corporation for its taxable year over the lesser of—

"(A) 10 percent of the compensation received or accrued by him from such corporation during its taxable year, or

"(B) $2,500.

"(2) Treatment of amounts included in gross income.—Any amount included in the gross income of a shareholder-employee under paragraph (1) shall be treated as consideration for the contract contributed by the shareholder-employee for purposes of section 72 (relating to annuities).

"(3) Deduction for amounts not received as benefits.—If—

"(A) amounts are included in the gross income of an individual under paragraph (1), and

"(B) the rights of such individual (or his beneficiaries) under the plan terminate before payments under the plan which are excluded from gross income equal the amounts included in gross income under paragraph (1),

then there shall be allowed as a deduction, for the taxable year in which such rights terminate, an amount equal to the excess of the amounts included in gross income under paragraph (1) over such payments.

"(c) Carryover of amounts deductible.—No amount deductible shall be carried forward under the second sentence of section 404(a)(3) (A) (relating to limits on deductible contributions under stock bonus and profit-sharing trusts) to a taxable year of a corporation with respect to which it is not an electing small business corporation from a taxable year (beginning after December 31, 1970) with respect to which it is an electing small business corporation.

"(d) Shareholder-Employee.—For purposes of this section, the term 'shareholder-employee' means an employee or officer of an electing small business corporation who owns (or is considered as owning within the meaning of section 318(a)(1)), on any day during the taxable year of such corporation, more than 5 percent of the outstanding stock of the corporation."

(b) Conforming Amendment.—Section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (8) the following new paragraph:

"(9) Pension, etc., plans of electing small business corporations.—The deduction allowed by section 1379(b)(8)."

(c) Clerical Amendment.—The table of sections for subchapter S of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1379. Certain qualified pensions, etc., plans."

(d) Effective Date.—The amendments made by this section shall apply with respect to taxable years of electing small business corporations beginning after December 31, 1970.
TITLE IX—MISCELLANEOUS PROVISIONS

* * * * * *
Subtitle C—Miscellaneous Administrative Provisions
SEC. 944. DECLARATIONS OF ESTIMATED TAX BY FARMERS.

(a) Return as Declaration or Amendment.—Section 6015(f) (relating to return considered as declaration or amendment) is amended by striking out "February 15" and inserting in lieu thereof "March 1".

(b) Effective Date.—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1968.

* * * * *
**TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS**

**SEC. 1001. SHORT TITLE.**

This title may be cited as the "Social Security Amendments of 1969".

**SEC. 1002. INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS.**

(a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS"

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(271)
"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
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</tr>
</thead>
<tbody>
<tr>
<td>(Primary insurance benefit under 1955 Act, as modified)</td>
<td>(Primary insurance amount under 1967 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefit)</td>
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<td>$8.01</td>
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<tr>
<td>$19.09</td>
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</tbody>
</table>

The amount referred to in the preceding paragraphs of this subsection shall be—

And the maximum amount of benefits payable (as provided in sec. 280(g)) on the basis of his wages and self-employment income shall be—

| $117.30    | $339 | $359 |
| $119.90    | $348 | $368 |
| $122.50    | $358 | $378 |
| $125.10    | $368 | $388 |
| $127.70    | $378 | $398 |
| $130.30    | $388 | $408 |
| $132.90    | $398 | $418 |
| $135.50    | $408 | $428 |
| $138.10    | $418 | $438 |

Max. family benefit.
**TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued**

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Primary insurance benefit under 1950 Act, as modified)</td>
<td>(Primary insurance amount under 1957 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
</tr>
</tbody>
</table>

If an individual’s primary insurance benefit (as determined under subsec. (d)) is—

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<td>$150.00</td>
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Or his average monthly wage (as determined under subsec. (b)) is—

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The amount referred to in the preceding paragraphs of this subsection shall be—

<table>
<thead>
<tr>
<th>And the maximum amount of benefits payable (as provided in sec. 205(a)) on the basis of his wages and self-employment income shall be—</th>
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</table>

The amount of benefits payable (as provided in sec. 205(a)) on the basis of his wages and self-employment income shall be—

| $251.00 |
| $250.00 |
| $249.00 |
| $248.00 |
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Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

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

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of the Social Security Amendments of 1969 (and prior to January 1, 1970), for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or”.

Notwithstanding any other provision of law, when two or more persons are entitled to monthly insurance benefits under title II of the Social Security Act for any month after 1969 on the basis of the wages and self-employment income of an insured individual (and at least one of such persons was so entitled for a month before January 1971 on the basis of an application filed before 1971), the total of the benefits to which such persons are entitled under such title for such month (after the application of sections 203(a) and 202(q) of such Act) shall be not less than the total of the monthly insurance benefits to which such persons would be entitled under such title for such month (after the application of such sections 203(a) and 202(q)) without regard to the amendment made by subsection (a) of this section.

(c) Section 215(b)(4) of such Act is amended by striking out “January 1969” each time it appears and inserting in lieu thereof “December 1969”.

(d) Section 215(c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1967 Act

“(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual’s primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

“(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month.”
The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

SEC. 1003. INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER.

(a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(2) Section 227(b) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

SEC. 1004. MAXIMUM AMOUNT OF A WIFE’S OR HUSBAND’S INSURANCE BENEFIT.

(a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

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

(b) Section 202(c)(3) of such Act is amended to read as follows:

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

(c) Sections 202(e)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased
individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

SEC. 1005. ALLOCATION TO DISABILITY INSURANCE TRUST FUND.

(a) Section 201(b)(1) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,"

(b) Section 201(b)(2) of such Act is amended—

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,"

SEC. 1006. DISREGARDING OF RETROACTIVE PAYMENT OF OASDI BENEFIT INCREASE.

Notwithstanding the provisions of sections 2(a)(10), 402(a)(7), 1002(a)(8), 1402(a)(8), and 1602(a)(13) and (14) of the Social Security Act, each State, in determining need for aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV, of such Act, shall disregard (and the plan shall be deemed to require) the amount of such increase is paid separately from the rest of the monthly benefit of such individual for January or February 1970.

SEC. 1007. DISREGARDING OF INCOME OF OASDI RECIPIENTS IN DETERMINING NEED FOR PUBLIC ASSISTANCE.

In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual receiving aid or assistance for any month after March 1970 and before July 1970 who also receives in such month a monthly insurance benefit under title II of such Act which is increased as a result of the enactment of the other provisions of this title, the sum of the aid or assistance received by him for such month, plus the monthly insurance benefit received by him in such month (not including any part of such benefit which is disregarded under section 1006), shall exceed the sum of the aid or assistance which would
have been received by him for such month under such plan as in effect for March 1970, plus the monthly insurance benefit which would have been received by him in such month without regard to the other provisions of this title, by an amount equal to $4 or (if less) to such increase in his monthly insurance benefit under such title II (whether such excess is brought about by disregarding a portion of such monthly insurance benefit or otherwise).

And the Senate agree to the same.

W. D. Mills,
Hale Boggs,
John C. Watts,
Al Ullman,
John W. Byrnes,
James B. Utt,
Jackson E. Betts,
Managers on the Part of the House.

Russell B. Long,
Clinton P. Anderson,
Albert Gore,
Herman E. Talmadge,
Wallace F. Bennett,
Jack Miller,
Managers on the Part of the Senate.
STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws submit the following in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate struck out all of the House bill after the enacting clause and inserted a substitute amendment. The conference has agreed to a substitute for both the Senate amendment and the House bill. The following statement explains the principal differences between the effect of the House bill and the effect of the substitute agreed to in conference:

TITLE I—TAX EXEMPT ORGANIZATIONS

SUBTITLE A—PRIVATE FOUNDATIONS

1. Excise tax based on investment income (sec. 4940 of the code)

The House bill imposes a tax of 7.5 percent on the net investment income of a private foundation for each taxable year.

The Senate amendment substitutes for the House provision an annual audit-fee tax of one-tenth of 1 percent (one-fifth of 1 percent for 1970) of the noncharitable assets of a private foundation, but in no event less than $100.

The conference substitute (sec. 101(b) of the substitute and sec. 4940 of the code) provides a tax of 4 percent of the net investment income of each foundation for the taxable year.

2. Prohibitions against self-dealing (sec. 4941 of the code)

Both the House bill and the Senate amendment impose taxes on the following acts of self-dealing:

(a) The sale, exchange, or leasing of properties between a private foundation and a disqualified person,
(b) The lending of money or other extension of credit between such persons,
(c) The furnishing of goods, services, or facilities between such persons,
(d) The payment of compensation by a private foundation to a disqualified person,
(e) The transfer to or use by, or for the benefit of, disqualified persons of the income or assets of a private foundation, and
(f) Agreement by a private foundation to make any payment of money or other property to a Government official (other than an agreement to employ such individual for certain periods after termination of Government service).

1 All references to titles, subtitles, and sections of the bill, unless otherwise specified, will use the designation in the conference substitute.
The Senate amendment adds a seventh category to the term "self-dealing." It specifies that payment by a private foundation of any of the taxes imposed under the new provisions added by the bill upon any disqualified person constitutes self-dealing.

The conference substitute (sec. 101(b) of the substitute and sec. 4941(d)(1) of the code) omits this category in view of the fact that such payments are already considered to be self-dealing by paragraph (e) referred to above.

The conferees also agree with the statement appearing in the report of the Senate Committee on Finance to the effect that where stock is bought or sold by the foundation in order to manipulate the price of the stock for the benefit of a disqualified person (as referred to below), then the foundation's assets have been used for the "benefit of a disqualified person" within the meaning of paragraph (e) above.

The term "disqualified person", as it appears in both the House bill and the Senate amendment, includes a substantial contributor to the foundation. A substantial contributor under the House bill is anyone who (with his spouse) contributes more than $5,000 in any one year or who (with his spouse) contributes more than anyone else in any one year, even though less than $5,000.

The Senate amendment modifies the definition of substantial contributor to mean any person who contributes more than $5,000 to a private foundation if such amount is more than 2 percent of the contributions received by the foundation before the end of the year in which the foundation receives the contribution of the person.

The conference substitute (sec. 101(a) of the substitute and sec. 507(d)(2) of the code) follows the Senate amendment.

The Senate amendment also modifies the definition of a disqualified person in other respects. The House bill provides that a general partner of a substantial contributor is also to be treated as a disqualified person. The Senate substitute limits this to an owner of more than 20 percent of the profits interest of a partnership.

The conference substitute (sec. 101(b) of the substitute and sec. 4946(a)(1) of the code) follows the Senate amendment.

The House bill provides that a disqualified person includes a member of the family (within the meaning of sec. 341(d) of the code) of a substantial contributor, foundation manager or certain other persons. Included in the definition in section 341(d) is a brother or sister (and any of their descendants) of any of the foregoing persons. The Senate amendment omit such brothers and sisters and their descendants from the definition of the term "family."

The conference substitute (sec. 101(b) of the substitute and sec. 4946(d) of the code) follows the Senate amendment.

Under both the House bill and the Senate amendment a violation of the self-dealing provision results in an annual tax on the self-dealer of 5 percent of the amount involved in the violation. If the self-dealing is not corrected within an appropriate length of time, then a tax of 200 percent of the amount involved is imposed on the self-dealer. If the foundation manager is knowingly involved in the self-dealing, a tax
of 2.5 percent initially is imposed upon him (subject to a maximum of $10,000). Where the foundation manager refuses to agree to the correction of the initial transaction, a tax of 50 percent of the amount involved is imposed (subject to a maximum of $10,000). In the case of repeated or willful violations, the tax imposed on the self-dealer or foundation managers may be doubled. (A third level of tax may also be assessed as described below in “Change of Status”.)

The Senate amendment provides that the tax on the foundation manager who knowingly participates in the self-dealing is not to apply unless the violation is willful and is not due to reasonable cause. In addition, the amendment provides that the burden of proof that a violation by a foundation manager is “knowing” is to be upon the Government to the same extent as in civil fraud in present law.

The conference substitute (secs. 101(b) and (l) of the substitute and sec. 4941(a) of the code) follows the Senate amendment.

The Senate amendment provides that in the case of leases and loans outstanding on October 9, 1969, and also where under arrangements in existence prior to that date, goods and services or facilities were shared by a private foundation and a disqualified person, such transactions are not to constitute self-dealing if the foundation receives terms at least as favorable as terms offered to third parties in arm’s-length transactions. Under the amendment these existing arrangements can continue for a period up to 10 years.

The conference substitute (sec. 101(l)(2) of the substitute) follows the Senate amendment but includes within the term “loan,” reference to “extension of credit.”

The Senate amendment provides that where a private foundation and disqualified person, together owned on October 9, 1969, more than 20 percent of the voting stock of a company, then the foundation may make fair-market-value sales of that stock or nonvoting stock to disqualified persons before January 1, 1975, so long as the sales do not bring the combined holdings of the voting stock below 20 percent. After that date, such sales may be made to disqualified persons only if the stock has to be disposed of in order to avoid violating the excess business holdings rules, described below.

The conference substitute (sec. 101(l)(2) of the substitute) follows the Senate amendment.

The House bill and the Senate amendment both require as a condition of tax exemption that a foundation’s governing instrument conform to the new provisions added by this bill (regarding the rules relating to self-dealing, distribution of income, excess business holdings, investments jeopardizing charitable purpose, and taxable expenditures). Both the House bill and the Senate amendment give existing organizations until 1972 to modify their governing instruments in the respects set out above (or longer if it is impossible to conform their governing instruments by that time.)

The House bill and Senate amendment also contain savings clauses permitting fair-price sales of existing holdings to disqualified persons under certain circumstances. The Senate amendment also provides that an organization’s governing instrument need not prohibit activities which are permitted to it under the excess business holdings savings clauses.
The conference substitute (sec. 101 (l)(6) of the substitute) follows the Senate amendment and extends it to activities permitted under any other of the special savings clauses.

3. Taxes on failure to distribute income (sec. 4942 of the code)

Both the House bill and the Senate amendment provide for the imposition of taxes on a private foundation where it does not distribute currently an amount equal to all of its income, or if higher, an amount equal to a specified percentage of the value of its assets (other than those assets currently being used in the active conduct of the foundation's exempt activities).

Both the House bill and the Senate amendment provide that a tax of 15 percent of the undistributed amount is to be imposed where there has been a failure to distribute by the end of the taxable year after the income is earned (unless certain exceptions apply). If the distribution of the remaining amount is not made during the "correction period", a tax of 100 percent of the amount not distributed is then imposed.

The minimum amount which must be paid out, for years beginning in 1970, is the greater of the adjusted net income or 5 percent of the assets (the Secretary or his delegate is authorized in certain years to make changes in this percentage based upon changes in money rates and investment yields).

The Senate amendment changes this percentage to 6 percent.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(e) of the code) follows the Senate amendment.

Both the House bill and the Senate amendment do not apply the minimum investment return for the years 1970 and 1971.

In addition, the Senate amendment provides that the minimum investment return is not to be more than 3.5 percent in 1972, 4 percent in 1973, 4.5 percent in 1974, 5 percent in 1975, and 5.5 percent in 1976.

The conference substitute (sec. 101(l)(3) of the substitute) provides that the minimum investment return is not to be more than 4.5 percent in 1972, 5 percent in 1973, and 5.5 percent in 1974.

The Senate amendment allows foundations to make deficiency distributions (along the lines of deficiency dividend procedures presently allowable to personal holding companies) if failure to distribute is due to failure to properly value the assets and is not willful but is due to reasonable cause.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(a) of the code) follows the Senate amendment.

Under the House bill the tax on investment income and any tax on unrelated business income reduce the amount of the required current distribution only when the foundation's income exceeds the minimum percentage for that year.

The Senate amendment allows the audit-fee tax and any tax on unrelated business income as deductions in determining the amount of income which must be distributed currently.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(d) of the code) follows the Senate amendment.

The Senate amendment makes it clear that reasonable administrative expenses in operating a private foundation are also to be treated as qualifying distributions.
The conference substitute (sec. 101(b) of the substitute and sec. 4942(g) of the code) follows the Senate amendment.

Loans to individuals which are related to the exempt purpose for which a private foundation was established (for example, student loans) have generally been considered as qualifying distributions at the time the loan was made. The Senate amendment also provides that when the loan is repaid (or when amounts are received from the sale of assets previously used for charitable purposes) these amounts should be treated as income, for purposes of the minimum distribution requirement, to the extent the private foundation had previously treated the amounts as expenditures which were qualifying distributions. (This rule also applies where an amount previously set aside and treated as a qualifying distribution at that time is no longer needed for the purpose for which it was set aside.)

The conference substitute (sec. 101(b) of the substitute and sec. 4942(f) of the code) follows the Senate amendment.

The House bill provides that where a private foundation spends more than the minimum required distributable amount in a given year, the excess expenditures over this amount are to be treated as qualifying expenditures in the next 5 years. The Senate amendment makes it clear that the distributions in years before the first taxable year beginning after December 31, 1969, are not to be taken into account for purposes of applying this 5-year carryover rule.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(i) of the code) follows the Senate amendment.

The Senate amendment provides that where written commitments have been made before October 9, 1969, by one private foundation to another private foundation, the grants made by December 31, 1974, under such commitments are to be treated as qualifying distributions if the foundation to which the distributions are made is not controlled by the granting foundation. For the grant to be so treated, however, it must be made for the charitable, educational, or other purpose consistent with the basis for the organization's exemption.

The conference substitute (sec. 101(l)(3) of the substitute) follows the Senate amendment but provides that the written commitment must have been made before May 27, 1969.

The Senate amendment provides that if a corporation redeems existing excess business holdings of a private foundation, such a redemption is not to be treated as essentially the equivalent of a dividend for purposes of determining the foundation's income that must be distributed.

The conference substitute (sec. 101(l)(3) of the substitute) follows the Senate amendment.

4. **Taxes on excess business holdings (sec. 4943 of the code)**

The House bill as a general rule limits to 20 percent the combined ownership of a corporation's voting stock which may be held by a foundation and all disqualified persons together. However, if someone else can be shown to have control of the business, the 20-percent limit is raised to 35 percent. Excess holdings acquired by gift or bequest in the future under the House bill generally must be disposed of within 5 years.

The House bill provides that the 20-percent limit referred to above (or the 35-percent limit if applicable) needs to be met with respect to
existing holdings only after the lapse of a 10-year period. The House bill also provides certain interim requirements of progressive partial divestiture at the end of 2 years and at the end of 5 years.

The Senate amendment provides that in the case of present holdings the combined holdings of a private foundation and all disqualified persons in any one business (if at present in excess of 50 percent) must generally be reduced to 50 percent by the end of the 10 years after the date of enactment of the bill. However, where the combined holdings now exceed 75 percent, an additional 5 years is allowed before the 50-percent limit must be reached. Present holdings in excess of 20 percent but less than 50 percent need not be decreased but also may not be increased.

The conference substitute (sec. 101(b) of the substitute and sec. 4943(c)(4) of the code) provides that where existing holdings are in excess of 50 percent but are not in excess of 75 percent, a 10-year period is to be available before the holdings must be reduced to 50 percent. If the holdings are more than 75 percent but not over 95 percent, the reduction to 50 percent need not occur for a 15-year period. If the foundation itself holds more than 95 percent of a corporation’s stock, the reduction to 50 percent need not occur until the lapse of a 20-year period. The excess time provided above the 10 years in the second case is not to be available if a disqualified person having 15 percent or more of the stock of the corporation objects to this additional time for disposition of the excess holdings.

If at the end of the 10, 15, or 20-year period referred to above, the foundation and all disqualified persons together have holdings not in excess of 50 percent and the foundation has holdings of not more than 25 percent, then no further divestiture is required in order for the taxes on excess holdings not to apply. If the disqualified persons together hold no more than 2 percent of the stock, then the foundation is not subject to the 25-percent limit of the preceding sentence (however, the 50-percent total still applies to the combined holdings at the end of this first period); then the foundation is to have 15 additional years to bring its holdings of the stock in question down to 35 percent without imposition of any tax under this provision.

The House bill and the Senate amendment both permit fair price sales by a private foundation to disqualified persons in the case of existing excess business holdings without tax consequences.

Under the Senate amendment fair market value exchanges and other dispositions are also permitted under the same conditions as in the case of sales.

The conference substitute (sec. 101(l)(2) of the substitute) follows the Senate amendment.

5. Taxes on investments which jeopardize charitable purpose (sec. 4944 of the code)

At present a private foundation loses its tax exemption if its accumulated income is invested in such a manner as to jeopardize the carrying out of its charitable purposes. The House bill and the Senate amendment provide that unless this test is met with respect to all of its assets (not merely its accumulated income), a foundation will be subject to a special tax.
The House bill provides that where a foundation invests in a manner which would jeopardize the carrying out of its charitable purposes a tax is to be imposed equal to 100 percent of the investment.

The Senate amendment provides an initial tax on private foundations of 5 percent of the amount involved, and an initial tax on the foundation manager, where he knowingly jeopardizes the carrying out of the foundation's exempt purposes, of 5 percent (up to a maximum of $5,000 on the manager). The Senate amendment also modifies the second level tax where the jeopardy situation is not corrected by providing a 25-percent tax on the foundation and a 5-percent tax on the foundation manager who refuses to take action to correct the situation. (In the case of the foundation manager, this sanction may not exceed $10,000.)

The conference substitute (sec. 101(b) of the substitute and sec. 4944 of the code) follows the Senate amendment.

6. Taxes on taxable expenditures (sec. 4945 of the code)

Among the activities which under the House bill give rise to taxable expenditures are those to influence the outcome of any public election. The Senate amendment modifies this to prohibit expenditures for the purpose of influencing the outcome of any specific public election.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(d) of the code) follows the Senate amendment.

Both the House bill and the Senate amendment provide for taxes on expenditures where the private foundations spend money on activities generally referred to as lobbying expenditures. The House bill prohibits expenditures on attempts to influence legislation through attempts to affect the opinion of the general public.

The Senate amendment taxes expenditures where attempts are made to influence legislation by attempting to cause members of the general public to propose, support, or oppose legislation.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(e) of the code) follows the House provision except that the managers on the part of the House desire to make it clear that in retaining this language it is not intended to prevent the examination of broad social, economic, and similar problems of the type the Government could be expected to deal with ultimately, even though this would not permit lobbying on matters which have been proposed for legislative action. In addition, the conferees are in accord with the Senate Finance Committee's report language regarding the application of this provision to noncommercial educational broadcasting.

The House bill attempts to influence legislation through private communications with persons who participate in the formation of legislation other than through making available the results of nonpartisan analysis or research (except that private foundations could communicate with respect to their own tax-exempt status, etc.).

The Senate amendment would tax attempts to influence legislation through communications with Government personnel who may participate in the formation of legislation except in the case of technical advice or assistance provided to a governmental body in response to a written request by such body or person. In addition, an exception is provided where the activity consists of making available nonpartisan analysis, study, or research and an exception is also provided for
communications with respect to the tax-exempt status, etc., of the foundation itself.

The House bill provides that where a foundation invests in a 4945(e) of the code) follows the Senate amendment except that in the case of technical advice or assistance provided to a governmental body in response to a written request by such body or member of such body, the substitute limits the request which can be made of this type to requests by the body itself or a subdivision such as a committee of such body and provides that the response can be given only to such body or subdivision.

The House bill provides for the imposition of taxes on expenditures for grants to organizations other than public charities unless the granting organization becomes responsible for how the money is spent and for providing information to the Secretary or his delegate regarding the expenditures.

Under the Senate amendment this expenditure responsibility does not make the granting foundation an insurer of the activity of the organization to which it makes a grant, if it uses reasonable efforts and establishes adequate procedures so that the funds will be used for public charitable purposes. In effect, this provides a "prudent man" standard in such cases and would permit, for example, without imposition of tax, situations where an organization to whom the grant is made supplies a certified audit as to the purpose of the expenditures.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(h) of the code) follows the Senate amendment.

The House bill provides that voter registration drives are to be permitted where:

1. the organization's principal activity is nonpartisan political activity;
2. the organization's nonpartisan political activities are carried on in five or more States;
3. substantially all of the support (other than gross investment income) normally comes from five or more independent exempt organizations or from the general public; and
4. no more than 25 percent of the support (other than gross investment income) may normally come from any one exempt organization.

The Senate amendment provides that voter registration drives are to be permitted where:

1. the organization's activities are nonpartisan;
2. the organization's activities are carried on in more than one State;
3. substantially all of the support (other than gross investment income) normally comes from three or more independent exempt organizations, government, or the general public;
4. no more than 40 percent of the support (other than gross investment income) may come from any one exempt organization in 5 consecutive years; and
5. voter registration drive contributions may not be subject to the condition that they be used in only one specific election period.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(f) of the code) provides that voter registration drives are to be permitted where:

1. the organization's principal activities are nonpartisan;
2. the organization's activities are carried on in five or more States;
3. not over 50 percent of the organization's support is derived from gross investment income;
4. no more than 25 percent of the
support (other than gross investment income) may come from any one exempt organization in 5 consecutive years; and (5) voter registration drive contributions may not be subject to the condition that they may be used in only one specific election period.

Under the House bill there is one level of taxation in the case of expenditures for activities representing taxable expenditures. A tax equal to 100 percent of the amount improperly spent is provided plus a tax on the foundation manager who knowingly makes the improper expenditure of 50 percent of that amount.

The Senate substitute provides an initial tax of 10 percent of the amount improperly spent (plus a tax of 2½ percent up to a maximum of $5,000 on the foundation manager who knowingly makes the improper expenditure). The second tax (100 percent) is to apply later only if the foundation fails to correct the earlier improper action to the extent possible. In addition, the second level (50 percent) tax on the manager (up to a maximum of $10,000) is to apply later only if he refuses to agree to the correction.

The conference substitute (sec. 101(b) of the substitute and secs. 4945(a), (b), and (c) of the code) follows the Senate amendment except that if full recovery of the expenditure is not possible, then (in order to avoid the second-level tax) the foundation must take such additional corrective action as may be prescribed by regulations.

7. Disclosure and publicity requirements (secs. 6033, 6034, 6056, 6104, 6652, 6685, and 7207 of the code)

The House bill provides that every exempt organization (whether or not a private foundation) must file an annual information return, except where the Secretary or his delegate determines that this is unnecessary for efficient tax administration.

The Senate amendment provides two exceptions from this provision. First it exempts churches and their integrated auxiliary organizations and associations or conventions of churches from the requirement of filing this annual information return (where the church or its auxiliary organization, etc., is engaged in an unrelated trade or business, however, it would still be required to file an unrelated business income tax return). The integrated auxiliary organizations to which this applies include the church's religious school, youth group, and men's and women's clubs.

The Senate amendment also exempts from the requirement for filing the annual information return any organization that normally has gross receipts of $5,000 or less where the organization is of a type not required to file an information return under present law. (As under the House bill, in addition to these two exempt categories the Secretary or his delegate can exempt other types of organizations from the filing requirement if he concludes that the information is not of significant value.)

The conference substitute (sec. 101(d) of the substitute and sec. 6033(a) of the code) follows the Senate amendment except that it also exempts from the filing requirement any religious order with respect to its exclusively religious activities (but not including any educational, charitable, or other exempt activities which would serve as a basis of exemption under section 501(c)(3) if an organization which is not a religious organization is required to report with respect to such activities).
The House bill requires that there be shown on each information return the names and addresses of all substantial contributors, directors, trustees, and other management officials, and of highly compensated employees. Compensation and other payments to managers and highly compensated employees also must be shown.

The Senate amendment differs from the House bill provision only in that it does not require the names and addresses of substantial contributors to be disclosed to the public in the case of exempt organizations other than private foundations. (Such organizations would, however, still be required to disclose these names to the Internal Revenue Service.)

The conference substitute (sec. 101(e) of the substitute and sec. 6104(b) of the code) follows the Senate amendment.

The Senate amendment provides that private foundations with at least $5,000 of assets at any time during the year are required to file an annual report providing information in addition to that previously described. The principal additional information consists of lists of assets showing book and market values, lists of grants (including amounts and purposes thereof), and grantees' names, as well as other information. In addition to this information being filed with the Service, a copy of this annual report must be made available to any citizen at the foundation's office for at least 180 days and the foundation must publicize its availability.

The conference substitute (secs. 101(d) and (e) of the substitute and secs. 6056, 6104, 6652, 6685, and 7207 of the code) follows the Senate amendment.

8. Termination of private foundation status and certain other rules with respect to sec. 501(c)(3) organizations (secs. 507 and 508 of the code)

The House bill provides that an organization which was a private foundation for its last taxable year ending before May 27, 1969, or becomes one subsequently may not change its status unless it repays to the Government the aggregate tax benefits (with interest) which have resulted from its tax-exempt status. (This tax may be abated, however, as described below.) The tax benefits to be repaid in these cases are the net increases in income, estate, and gift taxes which would have been imposed upon the organization and all substantial contributors if the organization had been liable for income taxes and if its contributors had not received deductions for contributions to the organization.

If a private foundation is required to pay this tax or volunteers to pay this tax in order to change its status, the Secretary or his delegate may then abate any part of the tax which has not been paid if the foundation (1) distributes all of its assets to organizations which had been public charities for 5 years or (2) itself operates for at least 5 years as a section 501(c)(3) organization which is not a private foundation.

The Senate amendment modifies this provision in several respects: (1) it provides that an existing private foundation need not go through the “change of status” process if it becomes a public charity by the end of its first taxable year beginning after December 31, 1969; (2) if the foundation intends to change its status by acting as a public charity for 5 years it must notify the Secretary or his delegate in
advance of its intention to do so as well as demonstrate at the end of the period that it has fully lived up to the appropriate requirements; (3) where the private foundation volunteers to change its status by acting in all respects as a public charity for at least 5 years, the foundation is to be classified as a public charity during the 5-year period (should the organization fail to act as a public charity during that period it would lose its status as of that date as a public charity but it would still be subject to the “change of status” rules during this period); (4) the tax on the change of status may be abated if the Secretary or his delegate is satisfied that corrective action to preserve the foundation’s assets for charity has been taken by the State attorney general or other appropriate State official under the supervision of the appropriate courts.

The conference substitute (sec. 101(a) of the substitute and sec. 507 of the code) follows the Senate amendment.

The House bill provides that new exempt organizations (those coming into existence after May 26, 1969) must notify the Secretary or his delegate if they claim exempt status under section 501(c)(3). It also requires that they and existing organizations notify the Secretary or his delegate if they claim to be other than private foundations. In addition, the House bill provides that the Treasury Department may exempt from either or both of these notification requirements the following: churches (or conventions and associations of churches), schools and colleges, and any other class of organization where the Treasury determines that full compliance is not necessary for efficient administration.

The Senate amendment modifies the House bill in several respects. It provides that the organizations which must notify the Service as to their exempt status are those coming into existence after October 9, 1969, rather than after May 26, 1969; it provides that churches, their integrated auxiliaries and conventions or associations of churches are not in any event to be required to claim exempt status in order to be exempt from tax, nor are they to be required to file with the Secretary or his delegate in order to avoid classification as private foundations; and it exclude from these notice rules those educational or public charitable organizations whose gross receipts normally are $5,000 or less. In addition, the Senate amendment requires special information returns to be filed by exempt organizations upon their liquidation, dissolution, or substantial contraction.

The conference substitute (sec. 101(a) of the substitute and sec. 508 of the code) follows the Senate amendment.

9. Private foundation defined (sec. 509 of the code)

The House bill in general defines private foundations as organizations described in section 501(c)(3) of the code other than:

(1) Organizations contributions to which may be deducted to the extent of 30 percent (or 50 percent under the bill) of an individual's income;

(2) Broadly publicly supported organizations; and

(3) Organizations organized and operated exclusively for the benefit of one or more of the types of organizations described in (1) or (2) above which are controlled by one or more of these organizations or are operated in connection with one of them and are not controlled by disqualified persons; and
(4) Organizations organized and operated exclusively for testing for public safety.

The Senate amendment in general provides that an organization which would meet all of the tests of the third category described above except that it is operated in connection with more than one organization, nevertheless may qualify where all of the organizations it operates in connection with are educational organizations.

The conference substitute (sec. 101(a) of the substitute and sec. 509(a) of the code) follows the Senate amendment except that it provides that an organization which meets all of the tests of the third category described above except that it is operated in connection with two or more specific organizations may qualify where all of the specific organizations are the type of organizations described in (1) or (2) above.

The Senate amendment also provides that a foundation which is run in conjunction with an organization exempt under paragraphs (4), (5), or (6) of section 501(c) (such as a social welfare, labor, or agricultural organization, business league, or real estate board, etc.) which is publicly supported is to be treated as meeting the publicly supported tests for purposes of being a public charity rather than a private foundation.

The conference substitute (sec. 101(a) of the substitute and sec. 509(a) of the code) follows the Senate amendment.

10. Private operating foundation defined (sec. 4942(j) of the code)

The House bill provides that an operating foundation is a private foundation substantially all of whose income is spent directly for the active conduct of its activities representing the purpose or function for which it is organized and operated. The foundation must also meet one of two other tests. The first of these alternative tests requires that substantially more than half of the assets of the foundation must be devoted directly to the activities for which it is organized or to functionally related businesses. The second alternative covers cases where the organization normally receives substantially all of its support (other than gross investment income) from five or more exempt organizations or private individuals. In this case not more than 25 percent of the foundation's support (other than gross investment) may be received from any of these exempt organizations.

Under the Senate amendment, in addition to the categories that meet the private operating foundation definition under the House bill, another category also qualifies. The new category is a private foundation substantially all of whose income is spent directly for the active conduct of its activities representing the purpose or function for which it is organized and operated and where the organization's endowment based upon a rate of return of 80 percent of the minimum investment rate (for purposes of minimum distribution requirement) is no more than adequate to meet its current operating expenses.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(j)(3) of the code) follows the Senate amendment but modifies the rate of return referred to above to 66⅔ percent.

11. Hospitals (sec. 501 of the code)

The House bill provides that hospitals, if they meet all the other requirements of section 501(c)(3), are exempt under that provision, whether or not they provide charitable services on a no-cost or low-cost basis. The Senate amendment strikes out these provisions.
The conference substitute (sec. 101(j) of the substitute and sec. 501(c)(3) of the code) follows the Senate amendment.

**SUBTITLE B—OTHER TAX-EXEMPT ORGANIZATIONS**

1. *Unrelated debt-financed income (sec. 514 of the code)*

The House bill provides that all exempt organizations' income from "debt-financed" property which is unrelated to their charitable function is to be subject to tax in the proportion in which the property is financed by the debt. Capital gains on the sale of debt-financed property also are taxed. Exceptions are made for property to be used for an exempt purpose of the organization within a reasonable time and also for property acquired by gift or inheritance under certain conditions. Special exceptions are also provided for the sale of annuities and for debts insured by the Federal Housing Administration to finance low- and moderate-income housing.

The Senate amendment makes minor or technical modifications in the House bill.

The conference substitute (sec. 121(d) of the substitute and sec. 514 of the code) in general follows the Senate amendment.

2. *Tax on unrelated business income (secs. 511 and 512 of the code)*

The House bill extends the unrelated business income tax to all exempt organizations (except U.S. instrumentalities). The bill contains several administrative provisions including one providing that no audit of a church, its integrated auxiliaries or convention or association of churches is to be made unless the principal internal revenue officer for the region believes the church may be engaged in a taxable activity. Churches will not be subject to tax under this provision for 6 years on businesses they now own.

The Senate amendment among other technical provisions provides that the unrelated business income tax is not to apply to a religious order or to an educational institution maintained by such religious orders or by a State that has held unrelated businesses which provide services under licenses issued by a Federal regulatory agency for 10 years or more, if the unrelated business distributes not less than 90 percent of its earnings each year and it is established to the satisfaction of the Secretary or his delegate that rates and other charges for services charged by such a business are fully competitive with, and do not exploit, similar businesses operated in the same general area.

The conference substitute (sec. 121(b)(2)(C) of the substitute and secs. 511 and 512 of the code) follows the Senate amendment except that it does not extend this provision to educational institutions maintained by a State.

The fact that an unrelated business income tax is payable by an organization is not intended to mean that the organization should, or should not, retain its exemption. This is to be determined on the basis of the organization's overall activities without regard to the fact that some of its activities are subject to the unrelated business income tax.

3. *Taxation of investment income of social, fraternal and similar organizations (sec. 512 of the code)*

The House bill provides for the taxation (at regular corporate rates) of the investment income of social clubs, fraternal beneficiary
associations and employee beneficiary associations. In the case of the income of fraternal beneficiary associations and employees beneficiary associations this tax does not apply, however, to the extent the income is set aside to be used only for the exempt insurance function of these organizations or for charitable purposes. In any year such an amount is taken out of the setaside and used for any other purpose, however, this amount becomes subject to tax at that time.

The Senate amendment modifies the House bill by excluding fraternal beneficiary associations from the tax on investment income. It also provides a new category of exemption for fraternal beneficiary associations where the fraternal activities are largely religious, charitable, or educational in nature but where no insurance is provided for the members.

The conference substitute (sec. 121(b) of the substitute and sec. 512 of the code) follows the Senate amendment.

The Senate amendment extends the exemption from the investment income tax available in the House bill for fraternal beneficiary associations and employees beneficiary associations in the case of amounts set aside for charitable purposes to social clubs. The Senate amendment also provides that the tax on investment income is not to apply to the gain from the sale of assets used by the organizations in the performance of their exempt functions to the extent that the proceeds are reinvested in assets used for such exempt functions beginning 1 year before the date of the sale and ending 3 years after that date.

The conference substitute (sec. 121(b) of the substitute and sec. 512 of the code) generally follows the Senate amendment with minor modifications.

4. Interest, rent and royalties from controlled corporations (sec. 512 of the code)

The House bill provides that where a tax-exempt organization owns more than 80 percent of a taxable subsidiary, interest, annuities, royalties, and rents received by it are to be treated as "unrelated business income" and subject to tax. The deductions connected with the production of this income are allowed.

The Senate amendment makes minor and technical modifications in the House bill.

The conference substitute (sec. 121(b) of the substitute and sec. 512 of the code) generally follows the Senate amendment with minor modifications.

5. Limitation on deductions of none xempt membership organizations (sec. 277 of the code)

The House bill provides that in the case of a taxable membership organization, the deductions for expenses incurred in supplying services, facilities, or goods to the members is to be allowed only to the extent of the income received from these members.

The Senate amendment modifies this provision to exclude from its application organizations which receive prepaid dues income as consideration for services and also securities and commodity exchanges organized on a membership basis. The Senate amendment also provides a carryover to succeeding years of the cost of furnishing services, facilities or goods to members where this exceeds the income from members. It also treats as income received from members income received from institutes and trade shows. The Senate Amendment further postpones the effective date of this provision until 1971.
The conference substitute (sec. 121(b) of the substitute and sec. 277 of the code) follows the Senate amendment except that, in the case of institutes and trade shows it limits the treatment described above to those institutes and trade shows which are primarily for the education of members.

6. Income from advertising, etc., activities (sec. 513 of the code)

The House bill provides that the term “trade or business” for purposes of the tax on unrelated business income includes any activity which is carried on for the production of income from the sale of goods or the performance of services. It further indicates that for this purpose an activity does not lose its identity as a trade or business merely because it is carried on within a larger aggregate of similar businesses which may, or may not, be related to the exempt purposes of the organization.

The Senate amendment provides that the provision should apply only in the case of advertising in the case of a sale by a hospital pharmacy of drugs to persons other than hospital patients and to the operation of a racetrack by an exempt organization.

The conference substitute (sec. 121(c) of the substitute and sec. 513 of the code) follows the House bill except that it provides that where an activity carried on for profit constitutes an unrelated trade or business no part of it is to be excluded from such classification merely because it does not result in profit.
SUBTITLE D—MOVING EXPENSES (SECS. 217 AND 82 OF THE CODE)

The House bill extends the present moving expense deduction to cover three additional types of job-related moving expenses:

1. Traveling, meals, and lodging expenses for premove house-hunting trips;

2. Expenses for meals and lodging in the general location of the new job location for a period of up to 30 days after obtaining employment; and
(3) Expenses incident to the sale of a residence or a settlement of a lease at the old job location or to the purchase of a residence or the acquisition of a lease at the new job location. A limitation of $2,500 is placed on the deduction allowed for these three additional categories of moving expenses. In addition, expenses for house hunting trips and temporary living expenses may not account for more than $1,000 of the $2,500. The House bill provides that the 39-week test is to be waived if the taxpayer is unable to satisfy it due to circumstances beyond his control. In addition, the House bill requires that reimbursements of moving expenses must be included in gross income.

The Senate amendment modifies the House bill in the following respects:

1. The moving expense deduction (both the categories which are deductible under present law and those made deductible by this bill) are extended to self-employed persons. However, the period of time the self-employed person is required to work at the new location is extended from 39 to 78 weeks.

2. The moving expense deduction which may be claimed by a husband and wife, both of whom work, is limited to the amount which could be claimed if only one were employed.

3. The Senate amendment provides that the taxpayer's new principal place of work must be located at least 20 miles (the same as under existing law instead of the 50 miles as provided by the House bill) farther from his former residence than his former place of work. However, the distance between the two points is to be the shortest of the more commonly traveled routes between these two points rather than the distance between the two points.

The conference substitute (sec. 231 of the substitute and secs. 217 and 82 of the code) follows the Senate amendment except that it substitutes a 50-mile test for the 20-mile test referred to in No. 3 above. In addition, the conference substitute permits taxpayers who move before July 1, 1970, pursuant to notices received from their employers on or before December 19, 1969, to apply the provisions of existing law rather than the new provisions.

* * * * * * *
TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

* * * * *
The Senate amendment deletes these provisions of the House bill. The conference substitute (sec. 506 of the substitute and secs. 901 and 904 of the code) provides that a foreign tax credit is not to be allowed for foreign taxes imposed on foreign mineral income considered on a country-by-country basis to the extent the foreign tax is attributable to the percentage depletion allowance granted by the United States. Thus, excess foreign tax credits attributable to the percentage depletion allowance on mineral income from a foreign country cannot reduce U.S. tax payable on other foreign income. For this purpose mineral income includes income from extraction, processing, transportation, distribution, and sales of the primary products derived from the mineral or the mineral itself. This rule applies to taxable years beginning after December 31, 1969. Taxpayers who previously elected the overall limitation on the foreign tax credit may revoke the election without the consent of the Treasury Department for the taxpayer's first taxable year beginning after 1969.

SUBTITLE B—CAPITAL GAINS AND LOSSES

★ ★ ★ ★ ★
5. Total distribution from qualified pension, etc., plans (secs. 402(a), 403(a)(2), and 72(n) of the code)

The House bill limits the extent to which capital gains treatment is to be allowed for lump-sum distributions from qualified employee trusts (qualified pension, profit sharing, stock bonus, and annuity plans). Amounts attributable to employer contributions for plan years beginning after 1969 are treated as ordinary income. All other amounts received in the lump-sum distribution continue to be accorded capital gains treatment if received in one taxable year upon separation from employment or death. A special 5-year "forward" averaging is provided for the amounts to be treated as ordinary income. The tax on this amount may be recomputed at the end of 5 years by including one-fifth of the ordinary income amount in gross income for the 5 taxable years. If the recomputed tax determined in this manner results in a lower tax than previously paid, the taxpayer would be entitled to a refund.

The Senate amendment deletes this provision from the bill.

The conference substitute (sec. 515 of the substitute and secs. 402(a), 403(a)(2), and 72(n) of the code) follows the House provision whereby employer contributions to qualified pension, profit sharing, stock bonus, and annuity plans for plan years beginning after 1969 are to be treated as ordinary income when received in a lump-sum distribution. The amounts to be treated as ordinary income, however, are to be eligible for a special 7-year "forward" averaging. In addition, the amounts received by the employee as compensation (other than deferred compensation) during the taxable year the lump-sum distribution is received and the capital gains portion of the lump-sum distribution are not to be taken into account for the calculation of the tax on the ordinary income portion of the distribution under the 7-year special averaging procedure. There is no recomputation or refund procedure.
Both the House bill and the Senate amendment provide limitations similar to those contained in the retirement plans for individuals (the so-called H.R. 10-type plans) with respect to contributions made by subchapter S corporations to the retirement plans for individuals who are "shareholder-employees." Under the bill, a shareholder-employee must include in his income the contributions made by the corporation under a qualified plan on his behalf to the extent contributions exceed 10 percent of his salary or $2,500, whichever is less.

The Senate amendment makes the following modifications in the House provision:

1. The definition of a shareholder-employee is changed from an employee or officer who owns more than 5 percent of the corporation's stock to one who holds 10 percent or more.
2. The provision is not to apply until taxable years beginning after 1970. The House bill would apply this provision to taxable years beginning after 1969.

The conference substitute (sec. 531 of the substitute and sec. 1379 of the code) follows the Senate amendment deferring the application of this provision to 1971. The conference substitute, however, does not follow the Senate amendment changing the percentage relating to the definition of a shareholder-employee.

E. HOUSE PROVISION OMITTED—COOPERATIVES (SEC. 531 OF THE HOUSE BILL)

The House bill requires cooperatives to revolve out patronage dividends and per unit retains within 15 years from the time the written
notice of allocation was made or the per unit retain certificate was issued. In addition, the percentage of patronage allocations which must be paid out currently in cash or by qualified check are increased under the House bill from 20 to 50 percent. The additional 30 percent is to be paid with respect to the current allocation or in redemption of prior allocations. The increase in the required payout is phased in ratably over a 10-year period.

The Senate amendment omits this provision.

The conference substitute omits this provision.

The conference noted that the Treasury Department and congressional staffs had been requested by the Committee on Finance to study problems in the tax treatment of cooperatives, particularly as to whether cooperatives engage in activities which are unrelated to the purpose for which special tax treatment is given and that a report had been requested on this subject. The conferees requested that this report be made by January 1, 1972.

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TITLE IX—MISCELLANEOUS PROVISIONS

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4. Declarations of estimated tax by farmers (sec. 6015 of the code)

The House bill does not include this provision.

The Senate amendment advances the due date for filing of tax returns by farmers and fishermen in order to be excused from filing declarations of estimated tax from February 15 to March 15.

The conference substitute (sec. 944 of the substitute and sec. 6015 of the code) advances this date from February 15 to March 1.
E. S\^YNATE PROVISIONS OMITTED

* * * * *
2. *Deductions for medical care, medicine, and drugs for individuals who have attained the age of 65 (sec. 914 of the Senate amendment)*

No such provision is contained in the House bill.

The Senate amendment eliminates the 3 and 1 percent floors applicable to medical and drug expenses of individuals age 65 and over.

The conference substitute omits this provision.

* * * * *
7. Reporting of medical payments (sec. 944 of Senate amendment)

No such provision is contained in the House bill.

The Senate amendment requires the filing of information returns for payments of $600 or more to a supplier of medical goods and services including doctors and dentists. The information return requirement also applies to bills for services by doctors, dentists, etc., which are reimbursed by the insurance company or other organizations to the patient.

The conference substitute omits this provision.
TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

The Senate amendment added to the House bill a new title X (the "Social Security Amendments of 1969") increasing social security benefits and making related changes in the OASDI and public assistance programs.

1. Benefit increase and related OASDI provisions

The Senate amendment increased regular OASDI benefits by 15 percent with a minimum primary insurance amount of $100, beginning January 1970, and provided a similar (15 percent) increase in the special payments for certain individuals aged 72 and older who have no coverage or whose coverage is insufficient to qualify for regular benefits. In addition, it eliminated the $105 limitation on wife's, husband's, widow's, and widower's insurance benefits, revised the allocation of tax receipts between the OASI and DI trust funds, and raised from $7,800 to $12,000 (beginning January 1973) the social security earnings base for benefit and tax purposes.

Although the House bill itself had no corresponding provisions, H.R. 15095 (which passed the House on December 15, 1969) contained provisions which are the same as those in the Senate amendment except that (a) the minimum primary insurance amount is left at $64 (the figure which results from simply applying the 15-percent increase to the existing $55 minimum), and (b) the earnings base is not raised above its present level of $7,800.

The conference substitute (secs. 1002 through 1005) follows H.R. 15095; i.e., it retains, with technical modifications, those benefit increase provisions of the Senate amendment which are also contained in H.R. 15095 and omits those provisions (the specially increased minimum PIA and the higher earnings base) which are not.

2. Public assistance provisions

The Senate amendment also contained provisions designed to assure that at least a part of the OASDI benefit increase will be reflected in the total income of public assistance recipients; under these provisions each State is required, in determining need under any of the public assistance programs, to disregard any retroactive social security benefit increase payments (including those made under future laws as well as those resulting from this increase), and in addition to disregard $7.50 per month of the income of each adult public assistance recipient or (if the State is already satisfying this requirement) to otherwise provide at least a $7.50 increase in the amount of such recipient's aid or assistance.

The conference substitute contains provisions which are similar in intent to those in the Senate amendment.

Under section 1006 of the conference substitute, each State is required (in determining the need of its public assistance recipients) to disregard any retroactive payment of the OASDI benefit increase provided by the bill for January and February 1970, which is expected to be paid (by separate check) in April; but this requirement would be limited to the situation created by the bill and would not apply to any retroactive payments which may result from future laws.

Under section 1007 of the conference substitute, each State is also required (in determining the need of its public assistance recipients)
to assure that every recipient of aid or assistance under any of its adult public assistance programs who also receives an OASDI benefit which is increased under the bill will realize an increase in the total of his public assistance and OASDI benefit payments equal to $4 a month (or the amount of the increase in his OASDI benefit if less), whether such increase in his total payments is brought about by disregarding a portion of his OASDI benefit or otherwise (e.g., by raising the State’s standard of assistance for all recipients under the program involved). This requirement is made applicable only to months before July 1970 in order to allow the Congress time to consider the matter in connection with its work on major welfare proposals early next year.

The 15-percent OASDI benefit increase will mean an average $9.50 increase to those beneficiaries also eligible for public assistance under the programs of aid or assistance to the aged, blind, and disabled. This increase is more than sufficient to meet the requirement (discussed above) that all such persons have their total incomes raised by $4 a month. Moreover, for practically all States, the savings from the remaining $5.50 will be sufficient to raise the incomes of those not receiving OASDI benefits by $4 a month; and the conferees hope that the States will do so.

Senate provision omitted—social security retirement age

The Senate amendment contained a provision making qualified individuals eligible for actuarially reduced OASDI benefits at age 60, instead of at age 62 as under present law, to be effective upon a determination by the President that it is desirable to expand consumer purchasing power by making additional persons eligible for such benefits. The conference substitute omits this provision.

MISCELLANEOUS SENATE PROVISIONS OMITTED

1. **Submital of Federal funds budget information to the Congress**

   The House bill did not contain this provision.

   The Senate amendment requires the President to send a report to Congress to accompany the budget and each supplemental appropriation request in which he describes the extent to which the request will result directly or indirectly in a surplus or deficit in the Federal funds portion of the budget or an increase or decrease in the national debt of the United States. The supporting factors and circumstances which form the basis for the effects on the debt and Federal funds budget also are to be presented in the report. The report is to be sent to the Committees on Appropriations and Ways and Means of the House of Representatives and the Committees on Appropriations and Finance of the Senate.

   The conference substitute omits this provision.

2. **Presidential Commission on Philanthropic Activities**

   The House bill did not contain this provision.

   The Senate amendment creates a Presidential Commission on Philanthropic Activities to study whether the national interest requires philanthropic and similar tax-exempt activity and the effect of the internal revenue laws on such activity.

   The conference substitute omits this provision.
3. Securities and Exchange registration of tax-exempt securities

The House bill did not contain this provision.

The Senate amendment exempts States and municipalities from the requirement that they register with the Securities and Exchange Commission any industrial development bonds which they propose to issue if the issue qualifies for tax exemption under the tax laws including both the $1 and $5 billion exemptions.

The conference substitute omits this provision. Nevertheless, the conferees are concerned at the time required and costs involved in these small issues of industrial revenue bonds. It recommends to the Securities and Exchange Commission that it give serious consideration to expediting its consideration of these issues and reducing the the registration requirements and costs of these small industrial revenue bond issues.

(4) Capitol Guide Service

The House bill did not contain this provision.

The Senate amendment establishes within the Congress of the United States an organization to be known as the Capitol Guide Service. This organization is to provide, without charge, guided tours of the interior of the U.S. Capitol Building for the education and enlightenment of the general public.

The conference substitute omits this provision.

W. D. Mills,
Hale Boggs,
John C. Watts,
Al Ullman,
John W. Byrnes,
James B. Utt,
Jackson E. Betts,
Managers on the part of the House.
CONFERENCE REPORT ON H.R. 13270,
TAX REFORM ACT OF 1969

Mr. MILLS. Mr. Speaker, I call up the conference report on the bill (H.R. 13270) to reform the income tax laws, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the statement, as follows:

* * * * *
Mr. MILLS (during the reading). Mr. Speaker, the statement of the managers on the part of the House is rather lengthy, and since we do have some 2 hours to discuss the conference report, I ask unanimous consent that the statement of the managers be considered as read and printed in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The SPEAKER. The gentleman from Arkansas is recognized for 2 hours.

Mr. MILLS. Mr. Speaker, I yield myself 15 minutes.

Mr. Speaker, the conference report before us concerns the tax reform bill on which the Committee on Ways and Means began hearings last February 18, a little over 10 months ago. Fundamentally it is a bill conceived and written by the House of Representatives. However, I would like to acknowledge the major support and the help received from the Treasury. Without the Treasury's cooperation, I am sure this legislation would
tax reform. The very fact that it deals with each and every provision contained within the bill deals, I doubt that anyone agrees that Members of Congress in all probability have preferred or what many other substantial tax reform measures in a wide sense. For a long time was that we could hand over. Here it has been accomplished in a formally consumed two sessions of Congress. When it passed the House. This is the Senate bill. 

To give you some idea of the magnitude and the proportion of the matter, the conference report, including the statement of the managers on the part of the House is some 340 pages in length. I want also to pay tribute to the work of the staffs of the Ways and Means Committee and the Joint Committee on Taxation. A legislative miracle in many respects. I have in my hand a volume which consists of nothing but Senate amendments. Members will recall the size of the bill when it passed the House. This is the Senate bill.

I think of the bill as a whole. It is not in all respects what I would have preferred or what many other Members of Congress in all probability would have readily accepted it and sign if he wanted it before Christmas.

Mr. Speaker, the bill contains substantial tax reform measures in a wide range of areas that we have seldom if ever tackled before in such proportion. It is not in all respects what I would have preferred or what many other Members of Congress in all probability would have readily accepted it and sign if he wanted it before Christmas.

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You will recall I asked the House for permission to have until midnight Sunday night to file this conference report.

As I think of the bill as a whole. It is not in all respects what I would have preferred or what many other Members of Congress in all probability would have readily accepted it and sign if he wanted it before Christmas.
sion of the surcharge and excise taxes, follows the same general pattern—and I want you to get this—as those that would have been under the Treasury recommendations made in September before the Finance Committee. This is particularly true in the next few years when it will be most important for purposes of keeping the economy under control to minimize the pension fiscal stance. For example, in calendar 1970 the bill now before us on this basis will produce a surplus of about $6.4 billion, including the revenue effects of the change and excise items which would have resulted under the Treasury recommendation. In 1971 the pending bill will result in a surplus of close to $300 million as compared with a surplus of approximately $400 million for the Treasury proposals. In 1972 the pending bill will result in a net revenue loss of $1.8 billion; however, this is substantially less than the net revenue loss of $4.0 billion for that year which would have resulted under the Treasury recommendation. In the long run—based on current income levels—the pending bill is expected to result in an estimated net revenue loss of about $2.5 billion a year as compared with a net loss of $1.4 billion which would have resulted under the Treasury recommendation made before the Finance Committee.

The tax relief provided by the pending bill is substantial. On the average, after taking into consideration both tax relief measures and tax reform measures, those with incomes up to $3,000 will get a tax reduction amounting to close to 70 percent of their present law tax, while those with incomes between $5,000 and $7,000 will get a tax reduction of approximately 20 percent. The percentage tax reductions under the bill amount to almost 16 percent for those with incomes between $10,000 and $15,000, about 8.5 percent for those with incomes between $20,000 and $25,000 and about 1 percent for those with incomes between $20,000 and $50,000 and 1.5 percent for those with incomes between $50,000 and $100,000. For those over $100,000 there is generally an increase in taxes be paid.

In addition to providing an increase in personal exemptions, the pending legislation provides for a new low-income allowance which is specifically designed to concentrate tax relief on low income individuals living at poverty or near-poverty levels. The House and Senate bills both provide for such a low-income allowance, with relatively minor difference between the two bills. The provision agreed to by the conferees grants a minimum standard deduction to all taxpayers amounting to $1,000 when first effective in calendar 1970, $1,050 in 1971 and $1,000 in 1972 and thereafter. This low new low-income allowance is in addition to the personal exemptions. The modest decrease in the low-income allowance in 1971 and 1972 is timed to coincide with the increases in the personal exemptions in the scheduled tax cuts in effect those years. The net result is to produce a stable and adequate level of combined exemption and low-income allowance. Because of budgetary rea-

...
So much for the tax relief provisions. I would like to turn now to the tax reform features of the bill. As I have already indicated, though the tax relief provisions of the bill have attracted great attention, I think that we should run the tax reform aspects will be the more significant. I know that everyone is not going to agree with each and every tax reform provision in the bill. Certainly, we cannot expect that man who preferences are eliminated to be enthusiastic about the tax reform bill. On the other hand, some would go even further than we have gone in the present bill in reducing tax preferences. I, myself, did not get everything that I wanted in this bill in the way of tax reform. Nonetheless, I think we should all be able to agree that this bill represents a substantial and constructive step forward towards a fairer tax system—and a step which is particularly needed to dispel the widespread and pervasive feeling that our tax system is now not as fair as it should be.

The House conferees have generally been successful in getting conference agreement on restoration of a number of tax reforms which were in the initial House bill but which were made somewhat less effective in the bill that passed the Senate. Let me give you a few examples of this. Under the initial House bill, private foundations subject to a 30 percent limit on investment income. The Senate bill reduced this tax to one-tenth of one percent of the value of assets, which roughly is equivalent to a two percent tax on income. The conference report restored the tax to four percent of investment income. Similarly, the conference report strengthens the rules relating to the diversion of stock by foundations which were not as strict in the Senate bill as in the initial House bill.

Another indication of the desire of the conferees to provide adequate guidelines for charitable deductions is the adoption of the House provisions for a limit on tax preferences. The Senate retained the House provision limiting deductions for charitable purposes, and that is the provision which the conferees accepted.

Similarly, the conference report basically accepts the House provisions limiting deductions for charitable gifts of appreciated property. Under these provisions, charitable deductions for gifts of appreciated property were limited to 30 percent of income even though deductions for charitable contributions generally were allowed to reach 50 percent of income. Moreover, for purposes of the 30 percent limit, the entire value of the appreciated property, including basis, was taken into consideration. The Senate bill relaxed this rule by subjecting to the 30 percent limit only that part of a gift which the appreciation in the portion of the gift represented basis could be deducted under the 50 percent limit. Under the conference report, the House version was accepted. As a result, under the conference report in the present bill, the donor who acquires appreciated property can be deducted under the 50 percent limit only if the donor elects to account for the appreciation for tax purposes.

Still another instance in which the House conferees were able to restore the initial House provision concerns the limitation on the deduction of interest. This involves a most important limitation on the deduction of interest. Since the 1942 tax act, taxpayers by constiutuents one of the primary reason why 154 individuals with adjusted gross incomes in excess of $200,000 were able to avoid payment of all income taxes altogether. In general, this tax reduction device consists of deducting interest paid on loans for the purpose of acquiring appreciating investments held for capital gains purposes. The Senate bill contained no provision to limit interest deductions in such cases. However, the House conferees were able to reach agreement in conference to restore the House provision to limit deductions for investment interest to the amount of the taxpayer's net investment income minus the amount of his long-term capital gains and $25,000.

The House conferees have not blindly insisted on every provision which it was clear that the Senate provision was preferable. This is illustrated in the case of the House provisions for a limit on tax preferences and allocation of deductions, which were intended to impose a minimum tax liability on those with preference income as a sort of second line of defense against escape of tax on preference income after the particular preferences were limited by specific provisions. After these provisions were adopted, it became apparent that though their purpose was commendable, they were not effective as a second line of defense against escape of tax on preference income. In particular, the Senate retained the House provision for a minimum tax on large corporations. The Senate provision for a minimum tax achieves through the introduction of the House provision in a much simpler and more effective manner.

Basically, the Senate approach imposes a 10 percent tax on selected tax preference income by a specific exemption of $30,000 and the income tax paid by the taxpayer. Unlike the House provision which applied only to individuals, the Senate provision has the advantage of applying to both individuals and corporations. In addition, it raises more revenue than the House provision. Accordingly, the House conferees accepted most of the Senate provisions which is incorporated in the pending bill.

In the area of corporate mergers the House provision disallow interest deductions where the ratio of debt to equity of an acquiring corporation is 2 to 1 instead of 4 to 1 as under the Senate bill. Similarly, we were able to secure agreement to disallow such interest unless the annual interest expense of the acquiring corporation is 50 percent or less of the income of the acquiring corporation. For this purpose the pertinent percentage will also apply to any increase in eligible loans during the taxable year. Additionally, the interest charged against the debt reserve during the year can, of course, be restored.

In addition, savings and loan institutions and mutual savings banks will generally be permitted to deduct as additions to bad debt reserves 40 percent of taxable income—half-way between the 50 percent of taxable income figure permitted under the Senate bill and the 30 percent on the taxation of stock dividends. Transitional rules are available under limited conditions but a corporation will not lose the benefit of these rules if it issues any type of stock under a conversion provision in the stock which it was permitted to issue under these rules.

The Senate deleted the House provisions designed to eliminate abuses in the foreign tax credit. The House conferees were able to reach agreement in restoring one of these provisions. As a result, the pending bill provides a separate foreign tax credit limitation for foreign mineral income so that excess deductions, which are otherwise used to reduce U.S. tax on other foreign income. However, we were not able to secure agreement to restore the House provision specifying that a taxpayer who uses the per country limitation also reduces his U.S. tax on U.S. income by reason of the loss from a foreign country is to have the resulting tax benefit reduced in the same proportion with the excess of foreign income derived from the foreign country involved. I regret the fact that this recapture provision is not included in the pending bill. I think that this is a worthwhile tax reform which should be considered in any future tax reform legislation.

The House bill reduced substantially the permissible deductions for the additions to bad debt reserves of financial institutions which were unnecessarily excessive and resulted in unduly reducing the tax liabilities of these institutions. While the Senate bill also reduced such deductions, this bill could not be used to reduce U.S. tax on other foreign income. However, we were not able to secure agreement to restore the House provision specifying that a taxpayer who uses the per country limitation also reduces his U.S. tax on U.S. income by reason of the loss from a foreign country is to have the resulting tax benefit reduced in the same proportion with the excess of foreign income derived from the foreign country involved. I regret the fact that this recapture provision is not included in the pending bill. I think that this is a worthwhile tax reform which should be considered in any future tax reform legislation.

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of taxable income figure under the House bill.

In the natural resource area, the overriding issue is the percentage depletion rate for oil and gas which now is 27 1/2 percent of gross income. The House provision reduces percentage depletion rate to 25 percent while the Senate provision reduces the percentage depletion rate to 23 percent. The conference agreed to a percentage depletion rate of 22 percent for oil and gas.

The conference agreed to a Senate provision permitting percentage depletion deductions for coal, salt, minerals extracted from saline perennial lakes—but, of course, do not intend that any inference as to present law be drawn from this action.

I would like to stress, however, that under the pending bill the income from oil and gas wells will be subjected to increased taxes not only as a result of the reduction in the percentage depletion rate, but also as a result of the minimum tax. I would also like to point out that in addition to reducing the percentage depletion rate on oil and gas, the pending bill provides for at least some reductions in the percentage depletion rate on a number of other minerals. The Senate bill did not provide for such reductions.

The conference bill retains the present 6-month holding period for long-term capital gains. It is hard for me to see the logic of such a holding period which accrues to the advantage for assets held for less than a year. However, the Senate bill deleted the House provision to extend the holding period to 1 year and the Senate conference insisted on the same treatment. However, the House conference was able to secure agreement on eliminating the 25 percent alternative rate for all gains in excess of the first $50,000 of gain. This goes a long way toward the original House provision.

The pending bill achieves very real tax reform by eliminating the widely perceived 6-month capital gains avoidance by reducing depreciation allowances. In general, under both the House and Senate bills, depreciation allowances are reduced substantially for all property except new residential housing which, because of the need for additional dwellings, continues to be eligible for the double declining depreciation method at 200 percent of the straight line method. The conference report reduced this allowance for used residential housing to 125 percent of the straight line method where such property has a useful life of more than 20 years.

In addition, the conference report imposes stricter recapture rules than would be required by the Senate bill. These recapture rules are in addition to reducing the gains on the sale of property which are attributable to accelerated depreciation allowances taken previously and are taxed as ordinary income rather than as capital gain.

A House provision granting State and local governments a subsidy if they voluntarily agree to issue taxable bonds was deleted by the Senate, and the Senate conference insisted on this deletion. I regret that the pending bill does not include this provision. In my opinion, it is a useful device which would provide considerable opportunity for a State and local government to expand the markets for their securities without involving themselves in these matters. However, in view of the present chaotic state of the market for State and local bonds and the present psychology of investors, apparently any change in the area of State and local bonds was frowned upon even where the change tries to help State and local governments as was the case of the subsidy provision. Accordingly, we had no choice but to agree to the deletion of this provision.

Finally, under both the House and Senate bills, the investment credit is generally repealed for property constructed on or after April 19, 1969, unless the cost of such construction was entered into before this date. The Senate added a number of amendments providing for continuing the investment credit in certain specified situations. However, for the most part these were eliminated in conference unless it was clear that they had substantial merit. For example, the conference eliminated Senate amendments to continue the investment credit for the first $20,000 of investment in eligible property, and for investment in depressed areas. The House conference insisted on elimination of these amendments because they would have been contrary to the fundamental purpose of repeal of the credit and would have involved an annual loss of $720 million which would clearly be inappropriate in the present budgetary situation.

So much for the details of the bill. In closing I would like to emphasize again that I appreciate the work of the gentleman from Ohio for his usual workmanlike job in explaining the bill. However, I regret that the pending bill does not include a provision to extend the holding period to 1 year and the Senate conference insisted on the same treatment. However, the House conference was able to secure agreement on eliminating the 25 percent alternative rate for all gains in excess of the first $50,000 of gain. This goes a long way toward the original House provision. The pending bill achieves very real tax reform by eliminating the widely perceived 6-month capital gains avoidance by reducing depreciation allowances. In general, under both the House and Senate bills, depreciation allowances are reduced substantially for all property except new residential housing which, because of the need for additional dwellings, continues to be eligible for the double declining depreciation method at 200 percent of the straight line method. The conference report reduced this allowance for used residential housing to 125 percent of the straight line method where such property has a useful life of more than 20 years.

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The stock of corporation B would then be spun off to one group of corporation A stockholders, the stock in corporation B contemporaneously being spun off to the other group of corporation A stockholders. The end result would leave the stockholders of corporation A with stock in corporations B and/or C with substantially the same book value as the original holdings in corporation A possessed.

It is my understanding that amendment of the conference would leave such a transaction in the same position as it occupies under the present law. Is this correct?

Mr. MILLS. The gentleman is correct.

The SPEAKER pro tempore. The time yielded by the gentleman from Arkansas has expired.

Mr. MILLS. Mr. Speaker, I yield myself 1 additional minute.

Mr. ROUDEBUSH. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Indiana.

Mr. ROUDEBUSH. I know the gentleman from Arkansas shares my concern, because we have been over this many times in the past, as to the effect of the increase in social security on those veterans who have service, temporary injuries. I wonder if the gentleman will explain any understanding he has along the line, so that we who want to support this tax bill will know these former members of the armed services are protected.

Mr. MILLS. It is my understanding from talking with the chairman of the Veterans Affairs Committee—and I do not see him on the floor now—that it would be his intention to have his committee report legislation sometime in the coming year that would discount that portion of social security which would be required to be discounted in order to avoid the income level rising in the hands of the veteran to such an extent that his pension would be reduced. Just as we did in 1970. The gentleman will remember that his committee reported such legislation after we passed the social security bill.

It should be borne in mind, this is not a matter that has to be passed right now or in the immediate future, because we are talking about income that the veteran may have in the year 1970 for the purpose of determining whether or not he is eligible to a pension in the following year.

The SPEAKER pro tempore. The time yielded by the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 1 additional minute.

Mr. ROUDEBUSH. I thank the gentleman, and I agree that the report on that income would have to be made January 1, 1971.

Mr. MILLS. That is right. It is my understanding it would affect what the veteran would get in 1971 rather than 1970.

Mr. ROUDEBUSH. That is correct.

Mr. TEAGUE of California, Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from California.

Mr. TEAGUE of California. As the ranking Republican on the Committee on Veterans' Affairs I am glad to say it is my understanding that the gentleman from Arkansas, Mr. Mills, has correctly stated the intentions of the chairman of the Committee on Veterans' Affairs.

Mr. MILLS. I appreciate that affirmation.

Mr. DORN. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from South Carolina.

Mr. DORN. I fully like to commend the distinguished chairman, of course, for his outstanding work on this bill. I should like to ask about section 433. I believe it is, where in the House version in the well, the gentleman from Arkansas (Mr. Mills), has correctly stated the intentions of the chairman of the Committee on Veterans' Affairs.

Mr. MILLS. I appreciate that affirmation.

Mr. DORN. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from South Carolina.

Mr. DORN. Capital gains on municipal bonds, and the change of the rules in the middle of the ball game. Mr. Speaker, the House bill was too harsh in that respect.

The SPEAKER pro tempore. The time yielded by the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 2 additional minutes.

In one sense we were levying a tax increase on the holders of these assets, retroactively. A bank might have bought a municipal bond, let us say, in 1961, which might have had a 20-year maturity. We made this change effective in July of 1969. Certainly there were 8 or 9 years of appreciation in value in the past to which we were denying the 25 percent rate, and saying, "You have to be now taxed at the ordinary income rate."

What we have done is to pick the day July 11 as the point of departure. Any assets that were owned by one of these institutions on that date would have the appreciation attributable to the period prior to this date to be treated as ordinary income. The portions of the gains attributable to these two periods will be determined on a pro rata basis—the portions of the period the bond is held which is before and after July 11.

The reason why we made this change, I think the gentleman realizes, is we presently allow banks—and only banks—on individual and corporation—this privilege of deducting against their ordinary income the losses they incur with respect to bonds they hold, whether they are State, local, Federal, or corporate bonds. So if they have the privilege of writing off losses as ordinary losses, is it not fair that any gain they have to be treated as ordinary income? But certainly it would not be fair to treat that way with respect to gains on holdings attributable to the past.

Mr. FRELINGHUYSEN. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from New Jersey.

Mr. FRELINGHUYSEN. Mr. Speaker, I would like to commend the chairman of the committee for a very comprehensive statement. I have a brief question about charitable contributions of tangible personal property, because I understand the language on page 294 to be that tangible personal property may be given—for example, an art object may be given to a museum—without the imposition of a capital gains tax.

Mr. MILLS. That is true.

Mr. FRELINGHUYSEN. But I am not sure whether or not the property is related to the tax-exempt property of the donee. Supposing an art object were given to a university. Would that require a tax on the appreciation?

Mr. MILLS. Not if the university used it in accordance with some educational program of the university, in an art appreciation course or something of that type.

Mr. FRELINGHUYSEN. Suppose it were to be sold by the university or an object of art were given to a hospital, for example, in order that we have that object sold for the use of the hospital or the money to be used for that purpose.

Mr. MILLS. It is the use of the property that is the determining factor. If it was contemplated that the property would be sold, rather than used for the organization's exempt purposes, then the appreciation must be taken into account for tax purposes by the donor.

The SPEAKER pro tempore. The time of the gentleman has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 2 additional minutes.

What we are trying to say is that we will allow you to give this appreciated property and take today's market value as a charitable deduction without any tax consequences to you whatsoever if you give it to a charitable organization that normally would use the property for its exempt purpose. Now, a clear case is a gift of a picture or work of sculpture, or anything of that sort, to a museum. The determination could be made for a college or university as to whether or not they are using this for their exempt purpose, whether it is used in their teaching or research. Of course, the college could have a course in art, and if that were to be used for that purpose it would probably qualify as such a gift.

Mr. FRELINGHUYSEN. If, for instance, an object were given to a hospital and the intention on the part of the donor and hospital was to sell the object, would that require a tax on the appreciation of the object?

Mr. MILLS. The appreciation would be taken into account for tax purposes in that case, because of the requirement that the property be given where it is really used for the exempt purpose of the organization.

Mr. BYRNES of Wisconsin. Will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. I do not think it would be done on the appreciation of the property. You are allowed to deduct it so it would relate to its value.

Mr. MILLS. The modifications made by the Senate, which was agreed to by the
conference, provides that the appreciation is taken into account by reducing the charitable contribution by one-half the appreciation, if the property involved is a capital asset.

Mr. BYRNEs of Wisconsin. That is true.

Mr. HARSHA. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman.

Mr. HARSHA. This is in reference to losses. Capital gains or capital losses on stock transactions. As I understand it, under the present bill, one can deduct total losses from ordinary income at the rate of $2,000 per year.

Mr. MILLS. An individual can deduct $1,000 a year against ordinary income and carry over the remainder to subsequent years to offset losses in those years or to the extent of $1,000 a year to offset ordinary income.

The SPEAKER pro tempore. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 2 additional minutes.

Mr. HARSHA. This means that one would have to incur a $2,000 loss in order to get credit for the $1,000?

Mr. MILLS. That is the case. Since nearly half of capital gains are taken into income it was thought that when losses are offset against ordinary income only half the loss should be allowed.

Mr. HARSHA. Mr. Speaker, if the gentleman will yield further, he could do that if this goes into effect? It is my understanding that it goes into effect next year. Am I right about that?

Mr. MILLS. Yes.

Mr. HARSHA. Assuming he would have a $5,000 loss this year and he carried over part of that over into next year, how does that affect that loss which has incurred previously?

Mr. MILLS. Let me yield to the gentleman from Oregon (Mr. ULLMAN) to respond to that question.

Mr. ULLMAN. The new provision would not reduce a carryover from 1969 by any amount.

Mr. MILLS. The reduction by one half applies to the years beginning after this year.

Mr. HARSHA. In other words, in case of a carryover, it does not apply?

Mr. MILLS. That is correct. I wanted that in the Recoro because I thought that was right.

Mr. MILLS. I yield to the gentleman from California.

Mr. BURTON of California. First, I would like to commend the distinguished gentleman from Arkansas (Mr. MILLS), the gentleman from Wisconsin (Mr. BYRNEs) and the conference for reflecting great credit upon themselves and upon the Congress with respect to this tax reform measure.

With respect to social security provisions I would like to inquire of the gentleman from Arkansas with reference to two specific aspects of the conference agreement.

Mr. MILLS. The gentleman is correct.

Mr. BURTON of California. Certainly. As I understand the social security provisions, there is provided a 15-percent increase and that the States are required for the social security increase under the terms of this bill, it is expected and required of the States either to disregard that income or provide an equivalent increase in grants for all those on public assistance, of a $4 a month?

Mr. MILLS. The State must, for payments made in April, May, and June of next year, disregard, insolvent as a result of this change in the $50 increase in benefits to which the $1,000 a year against ordinary income.
that there is a great deal in the report on this subject and to try to answer here would take considerable time. But this is the very first thing that we talked about in the statement of the managers on the part of the House, beginning on page 278 of the conference report, and if the gentleman will notice, he will see we were dealing with this and with several pages before we get to another subject matter. In fact, we go over to page 290 before we get onto a new subject matter. If the gentleman will read this and the next page, it explains the situation in considerable detail. Basically we prohibit self dealing between foundations and their substantial contributors, require the current pay out of income on endowments and other reserves above certain levels, prohibit investments in ways which jeopardize the foundations assets, and prohibit the foundations from getting into certain types of activities, such as trying to influence legislation.

The SPEAKER. The time of the gentleman has again expired.

Mr. MILLS. I yield myself 1 additional minute.

Mr. OTTINGER. Mr. Speaker, will the gentleman yield further?

Mr. MILLS. Yes, I will yield further to the gentleman from New York.

Mr. OTTINGER. Mr. Speaker, in the Senate, Senator Eben KENNECY pointed out that there were a large number of special interest provisions put in the Senate bill for particular companies.

Mr. MILLS. Well, we took out virtually all of those provisions including the one that he referred to as for the constituent in Massachusetts. Often, however, provisions may have quite wide application even though they are called to our attention by one person. Sometimes these are mistaken as special purpose provisions.

Mr. ZABLOCKI. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Wisconsin.

Mr. ZABLOCKI. Mr. Speaker, I thank the chairman for yielding. I want to join my colleagues in thanking the gentleman from Arkansas who has called attention to this important issue. As the chairman, Mr. MILLS, and the ranking minority member, Mr. Bynum and the entire committee for the excellent job they have done on the tax bill. Undoubtedly the gentleman from Arkansas recalls that when the bill was considered in the House in August we had a colloquy on the closing of certain tax loopholes?

Mr. MILLS. Yes; I do recall that.

Mr. ZABLOCKI. And on the revenue from advertising, I wondered if there were any indications that the tax provisions for accounting purposes, but the editorial costs of any publications such as throwaways may be deducted only from advertising revenue, be the publication, and not on a consolidated basis?

Mr. MILLS. The Senate amendment would have provided that the provision should apply only in the case of advertising, in the case of a sale by a hospital of drugs to persons other than hospital patients, and in the operation of a race track by an exempt organization. The conference took our House version but added one sentence. The conference substitute has the Senate bill except that it provides that where an activity carried on for profit constitutes an unrelated trade or business no part of it is to be excluded from such classification merely because it does not result in profit.

Mr. ZABLOCKI. For purposes of clarification, in other words, the publication may consolidate the profit or loss for accounting purposes.

Mr. MILLS. It may consolidate where it is the policy to make a profit out of the publication of a journal involved.

Mr. ZABLOCKI. In other words, that is the House version in this instance is retained?

Mr. MILLS. That is right. The provision is the same as passed by the House except for the one addition which does not go to the problem with which you are concerned.

Mr. ZABLOCKI. I thank the gentleman.

Mr. MIYOSUNAGA. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Hawaii.

Mr. MATHINGA. Will the gentleman from Arkansas explain what was done with reference to profit sharing?

Mr. MILLS. Yes. The provision treating as ordinary income amounts employers contribute to profit sharing arrangements. The payments made are made stricken by the amendment on the floor of the Senate. We felt very strongly that the amount of the payment by the employer the employee's benefit is an ordinary income and not as a capital gain in the case of a lump-sum payment. So what we have done is provide for an averaging device. Looking only at what the employer has put into the fund, you disregard all of his other earned income, but you combine with any investment income he may have on one-seventh of the amount he receives representing the employer's contribution. The tax on this amount is determined and also the extent to which this tax is attributable to employer contribution. Then you multiply this latter tax by seven. In that way you have in effect spread this income out over a 7-year period and treat it as if it were ordinary income received over this period. One might say that the tax is less than that paid under present law. Of course where the amounts get quite large there would be a bigger tax. In other words the smaller amounts are not adversely affected, but the bigger amounts would be subjected to a heavier tax.

Mr. PUCINSKI. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Illinois.

Mr. PUCINSKI. I certainly share my colleagues' congratulations of the gentleman for the work that he and his committee have done.

I understand that they increased the deduction—that the increase in deduction would not become operative until after January 1, 1971.

Mr. MILLS. Not if the gentleman is talking about the personal exemption.

Mr. PUCINSKI. I am asking him about talking about the personal exemption.

Mr. MILLS. The first $50 increase in the personal exemption goes into effect on next July 1.

Mr. PUCINSKI. Actually, though, there are millions of Americans who are under tax withholding and they will feel some immediate relief from this bill in their first pay check after January 1, 1971. Mr. MILLS. Oh, yes, there is a big difference—there is a very small difference between the 5 percent and a 10 percent surcharge as well as the difference in the minimum standard deduction. Then the with- holding will reflect another decrease next July when they get the benefit of an increased personal exemption, also at that time for withholding purposes the 5 percent surcharge goes away; therefore, the reduction of the tax will be felt a little bit less.

Mr. TAYLOR. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman.

Mr. TAYLOR. Mr. Speaker, if I may ask the gentleman from Arkansas a question concerning donations, let us say an individual owns stock that cost $30,000 and a college is putting on a special money for building purposes. The individual gives that stock to the college, and the college immediately converts it into cash at an appreciated price of, let us say, $50,000. What effect will the bill have on the tax situation in such a case?

Mr. MILLS. That depends on the taxpayer's level of income. If the taxpayer is a $100,000-a-year man, he can give up to $30,000 in appreciated property under the provisions of the bill and get a deduction for it. You cannot get the full 50 percent credit for a contribution if you are giving property that has appreciated
in value unless you are in effect willing to convert the property into cash. We said, "If you want to come under the 50%-proportion provision, you can make the gift in cash, or for tax purposes treat it as if you had." Of course you can get credit for $30,000 if you want to give the gift in the form of property, and credit for $30,000 if you want to give as if you had." Of course you can make the gift in cash, or for tax purposes treat it as 50-percent provision, you can make the gift in cash, or for tax purposes treat it as if you had."

Mr. TAYLOR. The amendment relates to the individual tax credit.

Mr. MILLS. Yes. There is a lower limit on what corporations can give—5 percent.

Mr. REID of New York. Mr. Speaker, will the gentlemand yield?

Mr. MILLS. I yield to the gentleman from New York.

Mr. REID of New York. I thank the distinguished gentleman for yielding.

Am I correct in stating that there is no change in the law relative either to appreciated property or crystal gifts to educational institutions?

Mr. MILLS. I regret to say the gentleman is correct. If ever there is a loophole in the law, it is in this business of being able to give property that has appreciated tremendously in value. It is possible to get a tax deduction and save money under the tax law, doing it all under the guise of charity. This is a part of the bill with which I do not agree completely. But I backed off of it, I guess because the people running the museums said, "If you do not let them donate property and receive a tax deduction, they will sell the property for the benefit of Europeans and we will be deprived of the opportunity to see it."

Mr. REID of New York. Second, Mr. Speaker, may I ask this question: It is my understanding that personal property, such as a painting, given to a charity or foundation is not taxable, but you have changed the statute as you have indicated a minute ago relative to appreciated property given to a charity or foundation?

Mr. MILLS. We limit the taxpayer in the deduction he may take. He can give this kind of property and get a charitable contribution deduction for up to 30 percent of his adjusted gross income.

Mr. Speaker, I include in my remarks a table which has been prepared by the staff of the Joint Committee on Internal Revenue Taxation which has a number of charts, tables, and other statistical information showing the financial effect, the dollar effect of any of these provisions:

### Table 1: Balancing of Tax Reform and Tax Relief under H.R. 13270—Calendar Year Tax Liability (in millions of dollars)

#### A. As Passed by the House of Representatives (Aug. 7, 1969)

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<tbody>
<tr>
<td>Income tax relief under House bill</td>
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<td>+2,080</td>
<td>+2,215</td>
<td>+2,650</td>
<td>+3,605</td>
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<tr>
<td>Repeal of investment credit</td>
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<td>+3,000</td>
<td>+3,500</td>
<td>+3,100</td>
<td>+3,300</td>
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<td>+5,715</td>
<td>+6,150</td>
<td>+6,905</td>
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#### B. As Passed by the Senate (Dec. 11, 1969)

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<td>Income tax relief under Senate bill</td>
<td>—3,963</td>
<td>—8,883</td>
<td>—8,883</td>
<td>—8,883</td>
<td>—8,883</td>
<td>—8,883</td>
</tr>
<tr>
<td>Balance between reform (+) and relief (—) under House bill</td>
<td>+2,753</td>
<td>—1,488</td>
<td>—4,058</td>
<td>—3,523</td>
<td>—2,368</td>
<td></td>
</tr>
<tr>
<td>Balance between reform (+) and relief (—) under conference bill</td>
<td>+4,270</td>
<td>+400</td>
<td>+400</td>
<td>+400</td>
<td>+400</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+6,523</td>
<td>—688</td>
<td>—3,258</td>
<td>—3,523</td>
<td>—2,368</td>
<td></td>
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</table>

#### C. As Approved by the Conference (Dec. 19, 1969)

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Income tax relief under conference bill</td>
<td>—3,932</td>
<td>—6,479</td>
<td>—8,883</td>
<td>—8,883</td>
<td>—8,883</td>
<td>—8,883</td>
</tr>
<tr>
<td>Balance between reform (+) and relief (—) under conference bill</td>
<td>+2,209</td>
<td>—507</td>
<td>—2,619</td>
<td>—3,849</td>
<td>—2,514</td>
<td></td>
</tr>
<tr>
<td>Balance between reform (+) and relief (—) under Senate bill</td>
<td>+4,720</td>
<td>+400</td>
<td>+400</td>
<td>+400</td>
<td>+400</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+6,479</td>
<td>+293</td>
<td>—1,819</td>
<td>—3,849</td>
<td>—2,514</td>
<td></td>
</tr>
</tbody>
</table>

1 Revised.

### Table 2: Balancing of Tax Reform and Tax Relief under H.R. 13270—Calendar Year Tax Liability (in millions of dollars)

#### A. As Passed by the House of Representatives (Aug. 7, 1969)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Income tax relief:</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low-income allowance</td>
<td>—625</td>
<td>—625</td>
<td>—625</td>
<td>—625</td>
<td>—625</td>
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<tr>
<td>Increase in standard deduction</td>
<td>+1,087</td>
<td>—373</td>
<td>—1,373</td>
<td>—1,373</td>
<td>—1,373</td>
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<tr>
<td>Rate reduction</td>
<td>—2,249</td>
<td>—4,498</td>
<td>—4,498</td>
<td>—4,498</td>
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<tr>
<td>Total tax relief under House bill</td>
<td>—1,912</td>
<td>—6,568</td>
<td>—9,273</td>
<td>—9,273</td>
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<tr>
<td>Balance between reform (+) and relief (—) under conference bill</td>
<td>+2,753</td>
<td>—1,488</td>
<td>—4,058</td>
<td>—3,523</td>
<td>—2,368</td>
<td></td>
</tr>
<tr>
<td>Balance between reform (+) and relief (—) under conference bill</td>
<td>+4,270</td>
<td>+400</td>
<td>+400</td>
<td>+400</td>
<td>+400</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+6,523</td>
<td>—688</td>
<td>—3,258</td>
<td>—3,523</td>
<td>—2,368</td>
<td></td>
</tr>
</tbody>
</table>
TABLE 2. BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY—Continued

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B. AS PASSED BY THE SENATE (DEC. 11, 1969)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax reform program under Senate bill</td>
<td>+975</td>
<td>+1,030</td>
<td>-545</td>
<td>+65</td>
</tr>
<tr>
<td>Amendment of investment credit</td>
<td>+1,140</td>
<td>+2,300</td>
<td>-405</td>
<td>+2,300</td>
</tr>
<tr>
<td><strong>Tax reform and amendment of investment credit</strong></td>
<td>+4,265</td>
<td>+3,335</td>
<td>+3,745</td>
<td>+2,365</td>
</tr>
<tr>
<td>Change in phaseout on low-income allowance</td>
<td>-114</td>
<td>-1,507</td>
<td>-1,507</td>
<td>-1,507</td>
</tr>
<tr>
<td>Increase in exemption</td>
<td>-1,287</td>
<td>-6,406</td>
<td>-6,466</td>
<td>-6,466</td>
</tr>
<tr>
<td>Tax treatment of single persons</td>
<td>-420</td>
<td>-420</td>
<td>-420</td>
<td>-420</td>
</tr>
<tr>
<td><strong>Total tax relief under Senate bill</strong></td>
<td>-3,963</td>
<td>-8,883</td>
<td>-8,883</td>
<td>-8,883</td>
</tr>
<tr>
<td>Balance between reform (+) and relief (-) under Senate bill</td>
<td>-1,138</td>
<td>-5,548</td>
<td>-7,138</td>
<td>-6,518</td>
</tr>
<tr>
<td>Extent of surcharge and excises</td>
<td>-4,270</td>
<td>-8,000</td>
<td>+8,000</td>
<td>+8,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-2,393</td>
<td>-7,748</td>
<td>-6,338</td>
<td>-6,518</td>
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</table>

TABLE 3.—INDIVIDUAL INCOME TAX LIABILITY—TAX UNDER PRESENT LAW AND AMOUNT AND PERCENTAGE OF CHANGE UNDER REFORM AND RELIEF PROVISIONS UNDER H.R. 13270 WHEN FULLY EFFECTIVE

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Tax under present law (millions)</th>
<th>Increase (+) decrease (−) from reform and relief provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 to $3,000</td>
<td>$1,169</td>
<td>-877</td>
</tr>
<tr>
<td>$3,000 to $5,000</td>
<td>$5,333</td>
<td>-1,049</td>
</tr>
<tr>
<td>$5,000 to $7,000</td>
<td>$5,391</td>
<td>-996</td>
</tr>
<tr>
<td>$7,000 to $10,000</td>
<td>$11,792</td>
<td>-4,349</td>
</tr>
<tr>
<td>$10,000 to $15,000</td>
<td>$18,494</td>
<td>-2,322</td>
</tr>
<tr>
<td>$15,000 to $20,000</td>
<td>$19,184</td>
<td>-775</td>
</tr>
<tr>
<td>$20,000 to $30,000</td>
<td>$13,988</td>
<td>-976</td>
</tr>
<tr>
<td>$30,000 to $50,000</td>
<td>$9,619</td>
<td>-356</td>
</tr>
<tr>
<td>$50,000 to $100,000</td>
<td>$6,686</td>
<td>-255</td>
</tr>
<tr>
<td>$100,000 and over</td>
<td>$7,884</td>
<td>-7,993</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$77,884</td>
<td>-10,128</td>
</tr>
</tbody>
</table>

TABLE 4.—TAX RELIEF PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS WHEN FULLY EFFECTIVE, BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Reform provisions</th>
<th>Low income allowance</th>
<th>Elimination of phased-in deduction</th>
<th>15-percent $2,000 standard deduction</th>
<th>General rate reduction</th>
<th>Maximum tax on earned income</th>
<th>Intermediate tax rate</th>
<th>Total relief provisions</th>
<th>Total, all individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to $3,000</td>
<td>+16</td>
<td>-592</td>
<td>-202</td>
<td>-27</td>
<td>-10</td>
<td>-70</td>
<td>-91</td>
<td>-10</td>
<td>-795</td>
</tr>
<tr>
<td>$3,000 to $5,000</td>
<td>+3</td>
<td>-72</td>
<td>-188</td>
<td>-24</td>
<td>-45</td>
<td>-1,046</td>
<td>-1,069</td>
<td>-50</td>
<td>-775</td>
</tr>
<tr>
<td>$5,000 to $7,000</td>
<td>+3</td>
<td>-72</td>
<td>-188</td>
<td>-24</td>
<td>-45</td>
<td>-1,046</td>
<td>-1,069</td>
<td>-50</td>
<td>-775</td>
</tr>
<tr>
<td>$7,000 to $10,000</td>
<td>+3</td>
<td>-72</td>
<td>-188</td>
<td>-24</td>
<td>-45</td>
<td>-1,046</td>
<td>-1,069</td>
<td>-50</td>
<td>-775</td>
</tr>
<tr>
<td>$10,000 to $15,000</td>
<td>+3</td>
<td>-72</td>
<td>-188</td>
<td>-24</td>
<td>-45</td>
<td>-1,046</td>
<td>-1,069</td>
<td>-50</td>
<td>-775</td>
</tr>
<tr>
<td>$15,000 to $20,000</td>
<td>+3</td>
<td>-72</td>
<td>-188</td>
<td>-24</td>
<td>-45</td>
<td>-1,046</td>
<td>-1,069</td>
<td>-50</td>
<td>-775</td>
</tr>
<tr>
<td>$20,000 to $30,000</td>
<td>+3</td>
<td>-72</td>
<td>-188</td>
<td>-24</td>
<td>-45</td>
<td>-1,046</td>
<td>-1,069</td>
<td>-50</td>
<td>-775</td>
</tr>
<tr>
<td>$30,000 to $50,000</td>
<td>+3</td>
<td>-72</td>
<td>-188</td>
<td>-24</td>
<td>-45</td>
<td>-1,046</td>
<td>-1,069</td>
<td>-50</td>
<td>-775</td>
</tr>
<tr>
<td>$50,000 to $100,000</td>
<td>+3</td>
<td>-72</td>
<td>-188</td>
<td>-24</td>
<td>-45</td>
<td>-1,046</td>
<td>-1,069</td>
<td>-50</td>
<td>-775</td>
</tr>
<tr>
<td>$100,000 and over</td>
<td>+3</td>
<td>-72</td>
<td>-188</td>
<td>-24</td>
<td>-45</td>
<td>-1,046</td>
<td>-1,069</td>
<td>-50</td>
<td>-775</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+1,800</td>
<td>-2,027</td>
<td>-1,373</td>
<td>-4,498</td>
<td>-100</td>
<td>-650</td>
<td>-9,733</td>
<td>-7,893</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1 Exclusive of tax surcharge.
2 Revised
3 1970: 13 percent, $1,400 ceiling; 1971: 14 percent, $1,700 ceiling; 1972: 15 percent, $2,000 ceiling.
### Table 4: Tax Relief Provisions Under H.R. 13270 Affecting Individuals and Total for All Reform and Relief Provisions Affecting Individuals, When Fully Effective by Adjusted Gross Income Class, 1969 Levels

#### B. As Passed by the Senate (Dec. 11, 1969)

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Reform Provisions</th>
<th>Low Income Allowance</th>
<th>$750 Exemption</th>
<th>Tax Treatment of Single Persons</th>
<th>Total Relief</th>
<th>Total All Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to $3,000</td>
<td>+6</td>
<td>-69</td>
<td>-140</td>
<td>-50</td>
<td>-822</td>
<td>-816</td>
</tr>
<tr>
<td>$3,000 to $5,000</td>
<td>-6</td>
<td>-719</td>
<td>-140</td>
<td>-50</td>
<td>-1,095</td>
<td>-1,101</td>
</tr>
<tr>
<td>$5,000 to $7,000</td>
<td>-6</td>
<td>-719</td>
<td>-140</td>
<td>-50</td>
<td>-1,095</td>
<td>-1,101</td>
</tr>
<tr>
<td>$7,000 to $10,000</td>
<td>-4</td>
<td>-664</td>
<td>-140</td>
<td>-50</td>
<td>-1,146</td>
<td>-1,151</td>
</tr>
<tr>
<td>$10,000 to $15,000</td>
<td>-4</td>
<td>-664</td>
<td>-140</td>
<td>-50</td>
<td>-1,146</td>
<td>-1,151</td>
</tr>
<tr>
<td>$15,000 to $20,000</td>
<td>-7</td>
<td>-820</td>
<td>-140</td>
<td>-50</td>
<td>-1,802</td>
<td>-1,812</td>
</tr>
<tr>
<td>$20,000 to $30,000</td>
<td>-7</td>
<td>-820</td>
<td>-140</td>
<td>-50</td>
<td>-1,802</td>
<td>-1,812</td>
</tr>
<tr>
<td>$30,000 to $50,000</td>
<td>-3</td>
<td>-675</td>
<td>-140</td>
<td>-50</td>
<td>-3,557</td>
<td>-3,572</td>
</tr>
<tr>
<td>$50,000 and over</td>
<td>-7</td>
<td>-940</td>
<td>-140</td>
<td>-50</td>
<td>-5,057</td>
<td>-5,072</td>
</tr>
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</table>

Total: +6,840  -2,057  -2,057  -4,954  -420  -8,883  -10,128

#### C. As Approved by the Conference (Dec. 16, 1969)

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Reform Provisions</th>
<th>Low Income Allowance</th>
<th>$750 Exemption</th>
<th>Tax Treatment of Single Persons</th>
<th>Total Relief</th>
<th>Total All Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to $3,000</td>
<td>+6</td>
<td>-69</td>
<td>-140</td>
<td>-50</td>
<td>-822</td>
<td>-816</td>
</tr>
<tr>
<td>$3,000 to $5,000</td>
<td>-6</td>
<td>-719</td>
<td>-140</td>
<td>-50</td>
<td>-1,095</td>
<td>-1,101</td>
</tr>
<tr>
<td>$5,000 to $7,000</td>
<td>-6</td>
<td>-719</td>
<td>-140</td>
<td>-50</td>
<td>-1,095</td>
<td>-1,101</td>
</tr>
<tr>
<td>$7,000 to $10,000</td>
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<td>-664</td>
<td>-140</td>
<td>-50</td>
<td>-1,146</td>
<td>-1,151</td>
</tr>
<tr>
<td>$10,000 to $15,000</td>
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<td>-664</td>
<td>-140</td>
<td>-50</td>
<td>-1,146</td>
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<td>$15,000 to $20,000</td>
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<td>-820</td>
<td>-140</td>
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<td>-1,802</td>
<td>-1,812</td>
</tr>
<tr>
<td>$20,000 to $30,000</td>
<td>-7</td>
<td>-820</td>
<td>-140</td>
<td>-50</td>
<td>-1,802</td>
<td>-1,812</td>
</tr>
<tr>
<td>$30,000 to $50,000</td>
<td>-3</td>
<td>-675</td>
<td>-140</td>
<td>-50</td>
<td>-3,557</td>
<td>-3,572</td>
</tr>
<tr>
<td>$50,000 and over</td>
<td>-7</td>
<td>-940</td>
<td>-140</td>
<td>-50</td>
<td>-5,057</td>
<td>-5,072</td>
</tr>
</tbody>
</table>

Total: +6,840  -2,057  -2,057  -4,954  -420  -8,883  -10,128

Note: Details do not necessarily add to totals because of rounding.

### Table 4A: Individual Income Tax Relief Provisions in H.R. 13270, Calendar Years 1970-73

#### A. As Passed by the House of Representatives

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum standard deduction</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$1,100</td>
</tr>
<tr>
<td>Percentage tax rate</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
</tr>
<tr>
<td>Maximum tax rate on earned income</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
</tr>
<tr>
<td>Intermediate tax treatment for certain single persons, etc.</td>
<td>$1,050</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

#### B. As Passed by the Senate

<table>
<thead>
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<th></th>
<th></th>
<th></th>
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<th></th>
</tr>
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<tbody>
<tr>
<td>Minimum standard deduction</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$1,100</td>
</tr>
<tr>
<td>Percentage tax rate</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
</tr>
<tr>
<td>Maximum tax rate on earned income</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
</tr>
<tr>
<td>Intermediate tax treatment for certain single persons, etc.</td>
<td>$1,050</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

#### C. As Approved by the Conference

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum standard deduction</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$1,100</td>
</tr>
<tr>
<td>Percentage tax rate</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
</tr>
<tr>
<td>Maximum tax rate on earned income</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
<td>10 percent</td>
</tr>
<tr>
<td>Intermediate tax treatment for certain single persons, etc.</td>
<td>$1,050</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

1 This low-income allowance, or minimum standard deduction, is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,100) by $1 for every $2 of adjusted gross income in excess of the 1970 nonrefundable level.
2 A reduction of at least 1 percent point in each bracket with a 5 percent or more reduction in tax in all brackets, taking place in 2 equal stages in 1971 and 1972.
3 Under the House bill the specified maximum marginal rate is applicable to earned income; under the Senate bill the specified maximum marginal rate is applicable to earned income. New, larger preference income over $30,000 in the current year or the average tax preferences in excess of $30,000 for the current year and the prior 4 years, whichever is greater.
4 Widows and widowers, regardless of age, and single persons age 35 and over who use the head of household rate schedule, i.e., tax liability halfway between that of the regular rate schedule used by single persons and the joint return schedule; surviving spouses with dependent children under age 19 or attending school would have the joint return privilege.
5 This minimum standard deduction is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,100) by $1 for every $4 of adjusted gross income above the nonrefundable level.
### TABLE 5—TAX REFORM PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS

[In millions]

#### A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Eliminate alternative tax on long-term gains</th>
<th>Capital loss limitation</th>
<th>Pension plan provision</th>
<th>Life estate provision</th>
<th>Deferred compensation</th>
<th>Charitable deductions</th>
<th>Interest deductions</th>
<th>Charitable deductions</th>
<th>Interest deductions</th>
<th>Reduced percentage depletion</th>
<th>Accumulation trusts</th>
<th>Moving expenses</th>
<th>Farm losses</th>
<th>Real estate</th>
<th>Tax-free dividends</th>
<th>Limit on prefer- ences</th>
<th>Allocation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to $3,000.00</td>
<td>+$1</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>–</td>
<td>–</td>
<td>–855</td>
</tr>
<tr>
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<td>+16</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>–630</td>
</tr>
<tr>
<td>$5,000 to $10,000.00</td>
<td>+30</td>
<td>–</td>
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<td>–390</td>
</tr>
<tr>
<td>$7,000 to $10,000.00</td>
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<td>–160</td>
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<td>–60</td>
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<td>–76</td>
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</tr>
<tr>
<td>$100,000 and over.</td>
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<td>–2,414</td>
</tr>
</tbody>
</table>

#### Total: +250 +45 +10 +110 +20 +30 +130 +110 +25 +25 +235 +80 +285 +225 –90 –1,800 +10 +75 +1,245

#### B. AS PASSED BY THE SENATE (DEC. 11, 1969)

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Change alternative tax on long-term gains</th>
<th>Capital loss limitation</th>
<th>Pension plan provision</th>
<th>Life estate provision</th>
<th>Deferred compensation</th>
<th>Charitable deductions</th>
<th>Interest deductions</th>
<th>Charitable deductions</th>
<th>Interest deductions</th>
<th>Reduced percentage depletion</th>
<th>Accumulation trusts</th>
<th>Moving expenses</th>
<th>Farm losses</th>
<th>Real estate</th>
<th>Tax-free dividends</th>
<th>Limit on prefer- ences</th>
<th>Allocation</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>0 to $3,000.00</td>
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<td>–855</td>
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</tr>
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</tr>
<tr>
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</tr>
<tr>
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<td>–25</td>
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<tr>
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<td>–76</td>
</tr>
<tr>
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<td>–50</td>
</tr>
<tr>
<td>$100,000 and over.</td>
<td>+242</td>
<td>–</td>
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<td>–</td>
<td>–2,414</td>
</tr>
</tbody>
</table>

#### Total: +250 +45 +10 +110 +20 +30 +130 +110 +25 +25 +235 +80 +285 +225 –90 –1,800 +10 +75 +1,245

#### C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Change alternative tax on long-term gains</th>
<th>Capital loss limitation</th>
<th>Pension plan provision</th>
<th>Life estate provision</th>
<th>Deferred compensation</th>
<th>Charitable deductions</th>
<th>Interest deductions</th>
<th>Charitable deductions</th>
<th>Interest deductions</th>
<th>Reduced percentage depletion</th>
<th>Accumulation trusts</th>
<th>Moving expenses</th>
<th>Farm losses</th>
<th>Real estate</th>
<th>Tax-free dividends</th>
<th>Limit on prefer- ences</th>
<th>Allocation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to $3,000.00</td>
<td>+$1</td>
<td>–</td>
<td>–</td>
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<td>–</td>
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<td>–855</td>
</tr>
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<td>$3,000 to $5,000.00</td>
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<td>–630</td>
</tr>
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</tr>
<tr>
<td>$7,000 to $10,000.00</td>
<td>+38</td>
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<td>–160</td>
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<tr>
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<tr>
<td>$15,000 to $20,000.00</td>
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<td>–25</td>
</tr>
<tr>
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<td>–</td>
<td>–76</td>
</tr>
<tr>
<td>$50,000 to $100,000.00</td>
<td>+11</td>
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<td>–</td>
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<td>–50</td>
</tr>
<tr>
<td>$100,000 and over.</td>
<td>+242</td>
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<td>–</td>
<td>–2,414</td>
</tr>
</tbody>
</table>

#### Total: +250 +45 +10 +110 +20 +30 +130 +110 +25 +25 +235 +80 +285 +225 –90 –1,800 +10 +75 +1,245

* Assumes 5% of effect as compared with no change in realization.  
* Less than $500,000.
TABLE 6.—REVENUE ESTIMATES, TAX REFORM UNDER H.R. 13270, CALENDAR YEAR LIABILITY—Continued

<table>
<thead>
<tr>
<th>Provision</th>
<th>As passed by the House of Representatives</th>
<th>As passed by the Senate</th>
<th>As approved by the conference</th>
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<tr>
<td>Stock dividends</td>
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<td>Subchapter 8</td>
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<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Tax-free dividends</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>Commercial banks</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Real estate:</td>
<td>Cooperatives</td>
<td>25</td>
<td>25</td>
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<tr>
<td>Tax-exempt interest</td>
<td>Individual capital gains</td>
<td>50</td>
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<td>Individual marginal gains</td>
<td>Capital loss provisions</td>
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<td>( )</td>
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<td>6-months' year holding period</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Capital gain, recapture</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Medical expenses for aged</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Production payment</td>
<td>25</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Foreign income:</td>
<td>Capital gain, recapture</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>Capital gain, recapture</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Medical expenses for aged</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Production payment</td>
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<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Real estate:</td>
<td>Capital gain, recapture</td>
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<td>10</td>
</tr>
<tr>
<td>Capital gain, recapture</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Medical expenses for aged</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Production payment</td>
<td>25</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Foreign income:</td>
<td>Capital gain, recapture</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>Capital gain, recapture</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Medical expenses for aged</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
</tbody>
</table>

Note: Calendar year 1969 estimates, not shown above, are as follows: Under the House bill and the Conference bill repeal of the investment credit $200,000,000, and under the Senate bill amendment of the investment credit $370,000,000; under the House bill corporate capital gains $75,000,000, multiple corporations $20,000,000, accumulation trusts $20,000,000, and individual capital gains $175,000,000.

TABLE 7.—TAXABLE RETURNS UNDER PRESENT LAW AND NUMBER MADE NONTAXABLE BY RELIEF PROVISIONS OF H.R. 13270—Continued

<table>
<thead>
<tr>
<th>[Number of returns in thousands]</th>
<th>Returns taxable under present law</th>
<th>Returns taxable under present law and 15 percent</th>
<th>Returns remaining taxable but benefiting from the relief provisions</th>
</tr>
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<tr>
<td>Adjusted gross income class</td>
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<td>6,111</td>
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<td>9,542</td>
<td>4,465</td>
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<tr>
<td></td>
<td>$5,000 to $7,000</td>
<td>7,297</td>
<td>570</td>
</tr>
<tr>
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<td>$7,000 to $10,000</td>
<td>7,199</td>
<td>590</td>
</tr>
<tr>
<td></td>
<td>$10,000 to $15,000</td>
<td>13,161</td>
<td>14,141</td>
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<td>23,266</td>
</tr>
<tr>
<td></td>
<td>$20,000 to $30,000</td>
<td>13,266</td>
<td>23,266</td>
</tr>
<tr>
<td></td>
<td>$30,000 to $50,000</td>
<td>13,266</td>
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</tr>
<tr>
<td></td>
<td>$50,000 to $100,000</td>
<td>13,266</td>
<td>23,266</td>
</tr>
<tr>
<td></td>
<td>$100,000 and over</td>
<td>13,266</td>
<td>23,266</td>
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<tr>
<td>Total:</td>
<td>63,152</td>
<td>8,373</td>
<td>54,779</td>
</tr>
</tbody>
</table>

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Returns taxable under present law</th>
<th>Returns taxable under present law and 15 percent</th>
<th>Returns remaining taxable but benefiting from the relief provisons</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3,000 to $5,000</td>
<td>9,062</td>
<td>5,926</td>
</tr>
<tr>
<td></td>
<td>$5,000 to $7,000</td>
<td>8,375</td>
<td>7,199</td>
</tr>
<tr>
<td></td>
<td>$7,000 to $10,000</td>
<td>8,050</td>
<td>8,780</td>
</tr>
<tr>
<td></td>
<td>$10,000 to $15,000</td>
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<td>8,780</td>
</tr>
<tr>
<td></td>
<td>$15,000 to $20,000</td>
<td>8,050</td>
<td>8,780</td>
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<tr>
<td></td>
<td>$20,000 to $30,000</td>
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<td>8,780</td>
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<td>$30,000 to $50,000</td>
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</tr>
<tr>
<td></td>
<td>$100,000 and over</td>
<td>8,050</td>
<td>8,780</td>
</tr>
<tr>
<td>Total:</td>
<td>63,152</td>
<td>7,903</td>
<td>55,249</td>
</tr>
</tbody>
</table>

1 Except as indicated these estimates are all at current levels, the time difference being solely to show the phase-in.
2 Less than $2,500,000.
3 The figures in the "long run" columns are for 1979.
4 Revised.
5 Assumes growth.

Note: Provisions effective for tax year 1972 and thereafter.

Revised.

Provisions effective for tax year 1971 and thereafter.

Provisions effective for tax year 1973 and thereafter.
TABLE 8.—TAX BURDEN ON THE SINGLE PERSON UNDER PRESENT LAW* AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,4 AS PASSED BY THE SENATE,5 AND AS APPROVED BY THE CONFERENCE—Continued

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INC., ME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Tax under present law</th>
<th>Amount</th>
<th>Percentage</th>
<th>Tax under H.R. 13270</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$90,000</td>
<td>$1,700</td>
<td>0</td>
<td>0</td>
<td>$1,700</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>$1,750</td>
<td>125</td>
<td>7</td>
<td>41.1</td>
<td>125</td>
<td>7</td>
<td>41.1</td>
</tr>
<tr>
<td>$3,500</td>
<td>250</td>
<td>14</td>
<td>46.0</td>
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</tr>
<tr>
<td>$5,000</td>
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</tr>
<tr>
<td>$7,500</td>
<td>539</td>
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<td>18.1</td>
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<tr>
<td>$10,000</td>
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<tr>
<td>$12,500</td>
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<td>9</td>
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<td>825</td>
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<td>7.2</td>
</tr>
<tr>
<td>$15,000</td>
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<td>8</td>
<td>5.3</td>
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<td>5.3</td>
</tr>
<tr>
<td>$20,000</td>
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<td>5</td>
<td>3.1</td>
<td>1,594</td>
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<td>3.1</td>
</tr>
<tr>
<td>$25,000</td>
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<td>4</td>
<td>1.6</td>
<td>2,222</td>
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</tr>
</tbody>
</table>

2. AS PASSED BY THE SENATE

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Tax under present law</th>
<th>Amount</th>
<th>Percentage</th>
<th>Tax under H.R. 13270</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$90,000</td>
<td>$1,700</td>
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<td>0</td>
<td>$1,700</td>
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<td>0</td>
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<tr>
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<td>41.1</td>
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<tr>
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<td>250</td>
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<tr>
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<td>$15,000</td>
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</tr>
<tr>
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<td>$25,000</td>
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<td>1.6</td>
<td>2,222</td>
<td>4</td>
<td>1.6</td>
</tr>
</tbody>
</table>

3. AS APPROVED BY THE CONFERENCE

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Tax under present law</th>
<th>Amount</th>
<th>Percentage</th>
<th>Tax under H.R. 13270</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$90,000</td>
<td>$1,700</td>
<td>0</td>
<td>0</td>
<td>$1,700</td>
<td>0</td>
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</tr>
<tr>
<td>$1,750</td>
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<td>41.1</td>
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<td>825</td>
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<tr>
<td>$15,000</td>
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<td>8</td>
<td>5.3</td>
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</tr>
<tr>
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<td>5</td>
<td>3.1</td>
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<td>3.1</td>
</tr>
<tr>
<td>$25,000</td>
<td>2,222</td>
<td>4</td>
<td>1.6</td>
<td>2,222</td>
<td>4</td>
<td>1.6</td>
</tr>
</tbody>
</table>

*Exclusive of surcharge. 
†Provisions effective for tax year 1972 and thereafter.
‡Provisions effective for tax year 1971 and thereafter.
§Provisions effective for tax year 1973 and thereafter.

TABLE 8.—TAX BURDEN ON THE SINGLE PERSON UNDER PRESENT LAW* AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,4 AS PASSED BY THE SENATE,5 AND AS APPROVED BY THE CONFERENCE—Continued

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME—Continued

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Tax under present law</th>
<th>Amount</th>
<th>Percentage</th>
<th>Tax under H.R. 13270</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>$90,000</td>
<td>$1,700</td>
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<td>0</td>
<td>$1,700</td>
<td>0</td>
<td>0</td>
</tr>
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<td>41.1</td>
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<tr>
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<tr>
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<tr>
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<td>8</td>
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<td>5.3</td>
</tr>
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<td>$20,000</td>
<td>1,594</td>
<td>5</td>
<td>3.1</td>
<td>1,594</td>
<td>5</td>
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</tr>
<tr>
<td>$25,000</td>
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<td>4</td>
<td>1.6</td>
<td>2,222</td>
<td>4</td>
<td>1.6</td>
</tr>
</tbody>
</table>

2. AS PASSED BY THE SENATE

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Tax under present law</th>
<th>Amount</th>
<th>Percentage</th>
<th>Tax under H.R. 13270</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$90,000</td>
<td>$1,700</td>
<td>0</td>
<td>0</td>
<td>$1,700</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>$1,750</td>
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<td>7</td>
<td>41.1</td>
<td>125</td>
<td>7</td>
<td>41.1</td>
</tr>
<tr>
<td>$3,500</td>
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<td>$5,000</td>
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<td>539</td>
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<tr>
<td>$10,000</td>
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<td>683</td>
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</tr>
<tr>
<td>$12,500</td>
<td>825</td>
<td>9</td>
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<td>825</td>
<td>9</td>
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</tr>
<tr>
<td>$15,000</td>
<td>965</td>
<td>8</td>
<td>5.3</td>
<td>965</td>
<td>8</td>
<td>5.3</td>
</tr>
<tr>
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<td>5</td>
<td>3.1</td>
<td>1,594</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
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<td>4</td>
<td>1.6</td>
<td>2,222</td>
<td>4</td>
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</tr>
</tbody>
</table>
### TABLE 9.—TAX BURDEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER PRESENT LAW AND UNDER H.R. 12370 AS PASSED BY THE HOUSE OF REPRESENTATIVES

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

#### 3. AS APPROVED BY THE CONFERENCE

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Present law</th>
<th>H.R. 12370</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
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<tr>
<td>$10,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### TABLE 10.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW AND UNDER H.R. 12370 AS PASSED BY THE HOUSE OF REPRESENTATIVES

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME—Continued

#### 2. AS PASSED BY THE SENATE

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Present law</th>
<th>H.R. 12370</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
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<td>0</td>
</tr>
<tr>
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<tr>
<td>$25,000</td>
<td>0</td>
<td>0</td>
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</tr>
</tbody>
</table>

#### 3. AS APPROVED BY THE CONFERENCE

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Present law</th>
<th>H.R. 12370</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,000</td>
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</tr>
<tr>
<td>$25,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1. Exclusive of tax surcharge.
I am finishing my 24th year on The Ways and Means Committee, and in that time we have had some major undertakings in the field of trade, social security, and taxes, but I do not know of any legislation that has consumed more of our time than the consideration of the arduous task we undertook almost a year ago.

We have had a number of major reforms in the Tax Code since it was originally enacted in 1913. The general revision of 1939 was followed 15 years later by the basic revisions of 1954. I was involved in the basic revision of 1954, and it took a considerable period of time to produce the final product. Now, 15 years later, we have accomplished this basic revision during the current year.

I suppose we might ask the question, have the frustrations and the long hours and all that went into it been worthwhile? While I must confess that I am not elated at the results, since I had hoped for more than has been accomplished, I must conclude that it has been a worthwhile undertaking. It may be that my hopes were exaggerated. There were those who told us last year and again earlier this year, that Congress would not undertake meaningful reform of the Internal Revenue Code, that it was an impossibility, that it was something that would always be deferred. We have accomplished something that many said was not within the capability of the Congress, so maybe I should be elated when it is put in that context.

I am disappointed, however, because we cannot, Mr. Speaker, say that no one with substantial income will escape taxes.

Mr. LANDRUM. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Georgia.

Mr. LANDRUM. Mr. Speaker, we have heard the gentleman from Wisconsin talk about his hopes being abridged and his appreciation for what has been accomplished, and about not as much being accomplished as he had hoped for. I think I can speak for the majority, or at least what I am expressing the feelings of the majority of the Ways and Means Committee, that except for the diligent efforts of the distinguished chairman, the gentleman from Arkansas, and the distinguished ranking minority member, the gentleman from Wisconsin, in keeping all the members of the committee and the staff at work day and night over a longer period of time than I have known a committee to be kept at work since I have been a Member of this House, this would not have been accomplished, and the monumental task that has been accomplished is due in no small measure to the combined efforts of the distinguished gentleman from Arkansas, and the distinguished gentleman from Wisconsin.

Mr. Speaker, I am glad to have been a part of the group that these gentlemen led to this accomplishment.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Arkansas.

Mr. MILLS. Mr. Speaker, certainly I do not want the gentleman from Wisconsin to conclude his remarks and take his seat without my having an opportunity to thank the gentleman from Wisconsin from the bottom of a very grateful heart for the very splendid and wonderful cooperation that he gave, as well as the members of the committee on his side and the members on my own side of the aisle in developing this bill, first of all, in the Ways and Means Committee.

Then, Mr. Speaker, I want to thank the gentleman from Wisconsin again for standing as he did, along with the other members of the conference, to see to it that we developed in conference a conference report that could take on at least the characteristics of fiscal responsibility and the characteristics of tax reform.

I think the gentleman, because without him none of this would have been possible.

Mr. BYRNES of Wisconsin. I thank the chairman most deeply.

I suppose some of my disappointment...
results from the fact that we cannot say that no one with substantial income will be able to take the payment of his fair share of taxes, since there are areas where we did not come to grips with for one reason or another. One of them, mentioned by the chairman, is the use of municipal bonds. Also, we did not do as much as we had hoped to do or as the House did in the area of closing the use of intangible drilling costs to reduce taxes. Presently, we allow these costs to be expensed rather than capitalized.

Additionally, the continuation of the special 200 percent declining balance and sum of the years digit methods of real estate depreciation on residential houses avenues open to reduce or escape taxation.

There are justifications for the conference action in relaxing the House bill in this area, because of the great need for an increase in housing in this country. But the point still remains that some of these avenues have not been completely closed.

It is also regrettable that the reform represented by rate changes which were contained in the House bill and in the Senate Finance Committee bill would have been scuttled in the conference argument. It is rate reform, I would tell my colleagues, that is needed if we are to provide an equitable change in the tax burden on our people.

It is rate reform that will provide equity for the great mass of Americans in the middle income group. There was a complaint about the bill as it originally passed, that it did not recognize the problem of the individual in the middle income level who pays high state and local taxes, meets high interest payments on his home mortgage, and incurs high medical costs that prevent him from benefiting from the increase in the standard deduction. Similarly, the middle income group would not benefit from the low-income allowance.

After the bill was reported from the Ways and Means Committee, we recognized this gap, and the committee met and agreed to a bill to return to the rate changes benefiting the middle income groups as well as all other taxpayers. I must report to you that those rate changes, which were also included in the bill that passed the Senate Finance Committee, have been eliminated from the bill.

On the other hand, I would not want my disappointments to indicate that all of the work and effort underlying this bill have not been worthwhile, because they have been. The great majority of devices used to reduce or escape taxation have been materially limited.

While I disagree with some of the details of our final proposal—particularly the deletion of any reform in the area of tax exempt bonds—I do recommend the final bill to the House of Representatives.

By and large it combines most of the better elements in both the House and Senate bills.

In this connection, it is appropriate to emphasize the singularly unstringent efforts throughout the last year of the dedicated and able chief of staff of the Joint Committee on Internal Revenue Taxation, Dr. Woodworth, and his fine staff, and the Assistant Secretary and Deputy Assistant Secretary of Treasury for Tax Policy, Mr. Edwin Cohen and Mr. Paul Nolan.

I will not go into great detail, as this is provided in the conference report that is long. I raise the members and since our able chairman has provided his usual thorough and accurate explanation of the details of this bill. As one who has worked long and hard for the reform, I do want to point out that this bill does represent a real accomplishment in three fundamental areas.

First, it increases tax equity by substantially lowering the tax burden on the average taxpayer. The tax reform bill was the House in August, I pointed out that comprehensive reforms were recommended in nearby every major area of our Federal income tax laws. These reforms have enabled us to include a program of tax equity that will, with the conference committee to produce this monumental legislation.

Second, the final bill takes an important step in the direction of a goal that in equity was achieved. The tax reforms recommended will, in the current taxable year. The House increase in the personal exemption from its present level of $500 to a level of $700. This increase, which was last increased from $500 to $600 by a Republican Congress in 1948, has long been considered inadequate.

The conference agreement also included amendments that will provide fundamental improvements in the administration of the tax laws and will affect the American taxpayer. The Tax Court of the United States will be made an article one court with powers to enforce the law. Additionally, a procedure for adjudicating small claims is provided that will be informal, expeditious, and inexpensive. This procedure will be available in many other areas beyond the 50 cities in which the Tax Court now holds hearings. The new procedure will provide every American with the opportunity to have his "day in court" when he feels he is being treated unfairly by the Internal Revenue Service.

Another provision of the final bill provides for an advisory committee to assist the Internal Revenue Service with diff-
cult administrative problems in the area of farm losses. Relief is provided for stud-
ent individuals who only work part of the year, and from whom taxes are withheld that cannot be recov-
ered until they file their returns in the following year. Provision is made for waiving withholding agreements where it is convenient for employees not covered by existing law, and improvements are included to ensure that the graduated withholding that was enacted several years ago will not result in an increase in revenues of $6.4 billion, including the extension of the surcharge and excise taxes, which is slightly less than the $6.5 billion in additional revenues of the Senate bill which would have resulted in a 1.3 billion loss in fiscal 1971, in- creasing in 1972 and beyond until a long range loss of $5.5 billion annually was attained.

Mr. BYRNES of Wisconsin. I yield to the gentleman 5 additional minutes.

Mr. ZWACH. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Minnesota.

Mr. ZWACH. When this bill left the House it had a tax on cooperatives and changed the formula for co-op tax loss. Are they now under this conference report exactly the same position as they were previously?

Mr. BYRNES of Wisconsin. The present law provides a tax on cooperatives and the formula for co-op tax loss. They are now under this conference report exactly the same position as they were previously.

Mr. ZWACH. Mr. Speaker, with reference to the old age security benefits, the floor is still at $64 as it was in the House bill?

Mr. BYRNES of Wisconsin. Insofar as the social security provisions of this legislation are concerned—which I think is the essential difference from tax reform—we do not change that item. Including the Social Security provisions in the conference agreement was a means of expeditiously getting for the 15-per-
cent across-the-board increase in benefits which was passed by the House in a separate bill on December 15. It was accepted in this conference, not because it had a place in tax reform, but simply as a method of expediting action. We did accept that the House did without a minor exception. This minor exception involves a "pass through" provision for social security beneficiaries on welfare that was not part of the social security provisions of the bill that was prepared by the Inter-
est Committee on Ways and Means and the Joint Committee on Internal Revenue. The States will, in determining the needs of their old age assistance cases, be re-
quired to ignore the benefit increase attrib-
ted to the balance of January and February that will be payable by a separate check in April. Additionally, the States will be required to ignore the $4 of the monthly increase in benefits received in April, May, and June. While I have real reservations about requiring the States to treat social security differently from other income individuals on public assistance receive, this will give the Ways and Means Committee time to review the entire question when we consider Social Security amendments and welfare reform early next year.

Mr. BUSH. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Texas, a most valu-
able member of the Committee on Ways and Means.

Mr. BUSH. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Minnesota.

Mr. BUSH. Mr. Speaker, I thank the gentleman for yielding.

I would like to ask the gentleman to enlighten the House if he would on the overall impact of this legislation on inflation. Since the social security legisla-
tion is included, I think many Members are confused as to exactly what the effects are. As I understand the situation, the bill produces a surplus in the first year, is that correct?

Mr. BYRNES of Wisconsin. Yes. But let me make this clear. I think social security should be considered entirely apart from tax reform, as an item that stands on its own feet. The funds for social security are raised through separate taxes.

In my opinion the tax reform and tax relief provisions contained in this legislation should also be considered apart from the extension of the surtax and the excise taxes. We acted on these items, which were included in the budget submitted by President Johnson in January and the revised budget submitted in April by the President in a separate bill in the House earlier this year.

This bill is fundamentally a tax reform bill and on that basis reform and relief provisions of the bill do leave us in fiscal 1970 $1.2 billion more than we would have had if we had simply extended the surtax and the excise taxes.

The SPEAKER pro tempore. The time of the gentleman from Wisconsin has expired.

Mr. MILLS. Mr. Speaker, I yield 5 additional minutes to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Mr. Speaker, I thank the gentleman for the additional time.

Mr. Speaker, I think our problem concerns the situation that will develop as a result of the long-range impact of some of the provisions of this legislation that will take effect in 1972, in 1973, and 1974. In the long run there is the potential of inflationary problems because taxes taken by itself, does produce deficits in those years which would not exist if this bill was not passed.

I would call attention to the fact that the balance of the increase in revenues in this bill will produce $1.2 billion of additional revenue in fiscal 1970, and if we include the extension of the excise taxes and the extension of the surcharge on a non-filing basis, we will produce $3.8 billion in fiscal 1970, and $3.8 bil-

Mr. ZWACH. Mr. Speaker, will the gentleman yield at that point——

Mr. BYRNES of Wisconsin. I yield to the distinguished chairman.

Mr. MILLS. Mr. Speaker, I have a table here that I referred to earlier that was prepared by the staff, and the Joint Committee on Internal Revenue, which showed that when the House, in fiscal 1970, we would pick up, as a result of all of the provisions, $3.82 billion for fiscal 1970, and $3.8 bil-

Mr. ZWACH. Mr. Speaker, will the gentleman yield for an additional question?

Mr. BYRNES of Wisconsin. I will in just one moment.

However, I have to express a different opinion as it relates to 1973 and 1974, because in these years the bill before us does result in a loan of revenue.

Now I will yield to the gentleman from Texas.

Mr. BUSH. Mr. Speaker, I thank the gentleman for yielding. I understand the point made by the gentleman about separating social security from a tax standpoint it is a valid ob-

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However, I have to express a different opinion as it relates to 1973 and 1974, because in these years the bill before us does result in a loan of revenue.
Mr. BYRNES of Wisconsin. No Congress can bind another Congress. Certain-ly whoever is here the year after next can do what they feel the circum-stances at that time require, either changing provisions of this act or amending it. The first of the tax law. We should not make our judgment about this conference report on the basis that no changes can or will be made.

I anticipate that we will consider various other changes in our tax law. We deferred action in some areas because of their complexities, the desire to have further studies, and the time limitations we were working under. I refer par-ticularly to the area of estate and gift taxation. We have asked that the Treasury Department study the entire area of deferred compensation, and studies are going forward relative to the taxation of foreign income. The Conference on Ways and Means and the Congress is going to continue its work on taxes.

It is also my hope that from here on the Internal Revenue Service and the Treasury will be more alert than In the past pointing out to us areas of tax evasion as they develop and are used by taxpayers so that we can act promptly in eliminating them accumulate over a 15-year period.

I certainly feel that further changes need to be made and I would hope they would be recommended by the Conference on Ways and Means.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. JONAS. The gentleman from Texas raises what I think is a very good question. But for the life of me I do not see how any of us, and you are better informed in this field than I am, could look on this issue one-half of the time picture and decide that something is, or is not, inflationary.

This bill itself is not inflationary. It is the combination of all things that one has to consider. If we must assume, and admit, and continue to allow expenditures to be made faster than you get an increase in the revenues—and if you know that that is going to happen down the road—then of course we would be making a mistake in reducing taxes ahead of time.

I would like to ask the chairman of the Joint Committee on Internal Revenue to assist the committee if we have a fairly responsible estimate. I would like to propound this question to the gentleman from Florida.

Mr. JONAS. How is that changed from the estimate in the budget submitted last January?

Mr. MILLS. You would add to this figure which the President included in his budget, and I believe you did, 5 percent—and the repeal of the 7-percent investment credit.

Mr. JONAS. If I might interrupt, he included a lot of other things that Congress has not enacted.

Mr. MILLS. That is $198.8 billion—almost $200 billion.

Mr. JONAS. I. hope he will yield further.

Mr. JONAS. We ought to be able to get the final Treasury estimates and the gentleman from California. I yield to the gentleman from Wisconsin.

Mr. MILLS. If the gentleman from California has gone up, we have gone up.

Mr. JONAS. If I might interrupt, he included a lot of other things.

Mr. MILLS. I refer to my previous comments and the joint committee.

Mr. JONAS. The gentleman from Wisconsin. No, the chief actuary for the social security program has advised us that the taxes assessed under current law for the Old-Age Survivors and Disability Insurance System will finance a 15-percent across-the-board benefit increase.

Additional liberalizations will, since we are using the present surplus for this 15-percent across-the-board benefit increase, require a combination of the tax base or the tax rates, or a combination of both.

Mr. HALEY. Mr. Speaker, if the gentleman from Illinois.

Mr. JONAS. The gentleman from Arkansas. Mr. Speaker, I would like to propound this question to the gentleman from Florida. I think the raise of 15 per-cent in the social security fund is passed by the House, in the opinion of the gentleman from Arkansas, would that in any way jeopardize the actual soundness of this fund?

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Mr. HALEY. Mr. Speaker, if the gentleman from Arkansas would that in any way jeopardize the actual soundness of this fund?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Florida.

Mr. HALEY. Mr. Speaker, I yield to the gentleman from Arkansas.

Mr. JONAS. I wish I could say as much about the actuarial soundness of the hospital trust fund.

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Mr. BYRNES of Wisconsin. I yield to the gentleman from Arkansas.

Mr. MILLS. This estimate is higher than the prior estimates prepared by the staff of the joint committee. These estimates vary somewhat from the Treasury estimates. I do not anticipate that the present Treasury estimate of revenue is, but there has always been some relation.

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to compliment the gentleman now in the
welI for his splendid statement and his con-
tribution to this act. I was particu-
larly interested in that portion of your
discussion where you related the fact
that when the bill passed the House,
there had been no change in the individ-
ual income tax this year. As I understand
the floor of the other body there were
two proposals, one offered by the senior
Senator from Illinois and also the junior
Senator from Kansas, and one by the
senator from Illlinois. Each of these sen-
ators had offered different views on the
subject of increasing the personal exemp-
tion.

I would be interested in hearing the
opinion of the gentleman from Wiscon-
sin as to which of those positions was
adopted by the conference committee.

Mr. BYRNES of Wisconsin. Frankly,
if I were to make a judgment I would
have said the more appropriate way to
provide reform at this time was to give
all of our people tax equity through rate
revision rather than the personal ex-
emption. If the gentleman wants my
opinion, I would take the lesser of the
two proposals, although I did not agree
with either one of them.

Mr. ANDERSON of Illinois. But my
question really was, the conference com-
mittee in its final position came closer
to which position?

Mr. BYRNES of Wisconsin. I am no
student of all the actions the Senate
considered. I cannot comment on all
the various amendments and actions of
the Senate in the last month or so, but
let me allow the gentleman to make his
own conclusion by saying the increase in
the personal exemption to $750 is phased
in over a period of time to avoid having
an adverse impact on fiscal years 1970 and
1971.

Mr. ANDERSON of Illinois. Mr. Speaker,
let me ask just one more brief question.
Looking over the floor amendments
which Senator Watson has tabled, I
would like to know his personal position
on the matter of income tax exemp-
tions. I personally feel this is an increa-
sively important matter.

Mr. BYRNES of Wisconsin. As I under-
stand it, Senator Watson introduced one
amendment in the Senate, which was
reported out by the Finance Committee
in its final position.

Mr. ANDERSON of Illinois. Well, let me
ask a few more questions. It has been
stated that this increase in the personal
exemption would help only the middle-
income taxpayers. Would you agree with
this?

Mr. BYRNES of Wisconsin. I think the
increase in the personal exemption is
great for a man like myself with seven
dependents, but it does not provide the
necessary relief to the person with one
dependent who is trying to pay for the
tuition of a child. I am equally disappointed
that the conference committee did not retain
the educational tax credit feature of the bill.
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Mr. WATSON. Mr. Speaker, the 15 per-
cent increase in social security bene-
fits to our retired citizens is long overdue,
and that accomplishment alone makes
this extraordinary Christmas week ses-
sion worthwhile.

For several years, I have advocated an
increase in these benefits for our elderly
and retired people, who have to bear the
most serious impact of the alarming in-
crease in the cost of living. Too long have
we had to watch our savings erode away
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I still am very much concerned about many of the disincentives in the bill. I favor tax credits and tax incentives for the development of our non-fossil fuel resources as opposed to direct Government subsidy or starting some new bureau on the Potomac to try to solve all the Nation's problems.

In this regard the conference improved on the House-passed bill as far as natural resource taxation goes—but the bill is still imperfect in this regard. I do not want to whip a dead horse, but I do want to remind the House that we are in the face of declining gas reserves. Our reserve to consumption ratios are plummeting. The new FPC chairman recently reiterated his concern about growing shortages of natural gas. He warned that the consumers will be facing major shortages, but the Congress plows ahead terming depletion on oil and gas a giant loophole. The House cut depletion from 27 1/2 percent to 20 percent. The conference bill set it at 23 percent. The conference has recommended 22 percent. I do not know what the magic figure should be. Many countries directly or indirectly subsidize gas to cover the extra risks involved and due to the importance to national security that oil and gas carry. All I can say is that we are unwise to cut incentives at all in the face of declining reserve to consumption ratios. I do not support the cut to 23 percent just as I did not support the cut to 22 percent. I am bitterly disappointed that the conference kicked out the provisions that would have raised the 50 percent of net limitation on depletion to 65 percent for certain operators. The independent is usually the real wildcatter. This little recognized provision would have given him additional incentive in order to look for more reserves.

I commend the conference for not altering the tax treatment of intangible drilling costs—the conference apparently recognized that this provision is more fundamental to the acquisition of future reserves than any other provision of the tax.

I must again speak up against the taxation of foundations. The answer to the foundation problem is already wisely in the bill; namely, the provision that the foundations pay out their funds for charitable purposes and to see them butt out of politics and remain in the area of helping out in charitable, educational, and scientific pursuits. The bill properly eliminates "self-dealing." It cracks down on asset hoarding and it does not permit foundations to be a device by which families perpetuate control of businesses.

Yes, the bill corrects abuses, and this is as it should be. These are excellent reforms. I see no reason why there should be a foundation tax. A fee for policing "yes," but a tax "no." The tax moves us again away from pluralism, away from individual decision-making. The diversity we need so badly in trying to find new ways to solve the lingering old problems. To the degree we levy a tax—to that degree, the legislative biases and the distortions that foundations will now either go unperformed or will there be some new bill, some new plea to Washington, D.C., to solve the problem. It has become fashionable to assaul foundations, but for the most part, they have done an instant a fine job and have made fantastic contributions to the general welfare.

To summarize, a 4-percent tax is less onerous than a 7-percent tax, but it will still be a great loss to the legitimate charities. Clean up the ball game, blow the whistle on those who cheat, or get involved in non-tax-exempt pursuits, but don't sideline the players. Under the conference report, foundations will be able to continue in operation, but they will be slightly hobbled, at a time when the country is crying more than ever for innovation and new ideas to help the replete the cities and the poor and underprivileged.

One thing that causes me grave concern is the tendency on the part of some Members of Congress to charge off its loss against the same income. I will not dwell on this, but I would like to remind the House that it is the private sector that provides the jobs. It is the private sector that does far more for the Government toward the prevention of human suffering. It is indeed that very fact—that there is a difference between capital and income—that makes our system strong and progressive. I do not support the cut to 23 percent just as I did not support the cut to 22 percent. There were many items not in conference as well-intentioned Members wanting to redistribute the capital, as it were, through moving toward taxing capital on the same basis as income. This is wrong for the country. The provisions are admitted not sweeping in this regard, but it is the trend, the direction that bothers me—the direction away from capital accumulation and investment.

I reiterate my opposition to the tendency to restrict the horizontal flow of capital through such devices as cranking down on the ability of a man in the farming businesses to charge off his loss against other income. The conference bill is far better than the Senate bill in this regard, but again I warn against the direction that this legislation will take us. It is indeed true that the conference committee, over the joint conference throughout its long days and nights, was many items not in conference which therefore could not be considered for solution with the expressed understanding that I reserved my options to vote against the bill and to point out certain deficiencies in the legislation, which will have a terific collateral impact on the American system of free enterprise.

I do not intend to urge anyone to vote against the bill, as there is much present in it that would not feel wed to the tax relief provisions of the bill. I am impressed this bill should enable us to stay out of the red. Should the inflationary pressures still be as great in 1971 and 1972, it seems to me that the Congress can take a new look at the capital structure. I for one would not feel wed to the tax relief provisions of the bill should these provisions throw us into tremendous deficits in the years ahead.

It seems to me we are now in a position of delicate balance. People are crying for tax relief—the bill provides this. We repeal the investment tax credit which will give us more income and which after all was placed on "get the economy moving again." We extend the surtax for a very short run period. We must be very careful that we do not move too far away from the incentive to invest. We must, to put it another way, guard against recession at the same time we try to come to grips with the pressure of inflation—no easy task, this. Should we need investment incentives in the future I would prefer to see these through changes in depreciation schedules rather than through trying to put on that investment tax credit.

For this bill to work out in the long run just as it is now written, there must continue to be a growing gross national product and there must continue to be strong business in this country. Without these the bill could prove to be disastrous—certainly we would have to come back in and change some things. I think we will continue to enjoy considerable growth in this country. Though I deplore certain of the disincentives in the bill, basically the way the tax picture has handled the income versus the outgo, I can now support the legislation. I do it with some little enthusiasm because I feel so strongly in opposition to some of the specific objectives and provisions I discussed above. I have not dwelled as long on the parts of the legislation I approve—much has been said on them here today.

My congratulations to Chairman Mills and to Representative Byrnes and the others who worked so long and so hard on this legislation.
sophy enunciated in "Das Kapital," to wit, the theory that earned income should receive a high privilege over "unearned" income in the form of rents, and the theory that capital is the means, and profit, together with the belief that the capital gains dollar should not receive any preferred consideration.

Most of the earned income, which now stands at the highest per capita level of any country in the world, as well as having reached the highest point in our own history, could not occur, if it were not that some people have been able to accumulate sufficient reserve funds to expect, from $20,000 to $30,000 to create one single job. In 1970 there will be more than 1,400,000 additional men and women coming into the work force. To provide gainful employment it will take $28 billion in plant expansion, machinery, and tools of the trade, to provide gainful employment for these 1,400,000. If there are no reserves, from whence will this money come?

The source of these funds, while coming from an aggregate of small savings, also comes in a large part from those people who have had the incentive and the motivation to put capital to work.

In 1970, the economy will demand another $18 billion to provide new jobs for our expanding population. The young marrieds have the right to expect financing to be available for this purpose. That money also comes from reserve savings.

If a billion dollars is required for the repair and upgrading of existing housing, this money also comes from reserve savings.

These last three figures total up to $82.5 billion. This figure does not include repair and replacement of obsolescent machinery in order to maintain production at a high and efficient level.

These are just the needs in the private economic sector. The past few years the Federal Government has been sopping up these reserves as the first and biggest hog at the trough, followed closely by the cities, the States, the counties, the cities, the school districts, and water districts, to name but a few. These public demands will reach $30 billion in 1970. Add to that the previous total and you have in excess of $32 billion needed in 1970.

In the last 2 years, total accumulations available for the above needs have been falling, and they are currently running at the rate of just under $61 billion. This will deteriorate further next year, with a deficit in excess of $20 billion.

We are disturbed about the scarcity of money and the high interest rates. We act as if we did not know what caused this scarcity and these high interest rates, and that it is much like the woman who, after having ten children, finally discovered what was causing it. Apparently, we cannot comprehend what causes the shutdown of money. The simple answer is Government. When there is a Government for $4 and a supply of $3, the one who bids the highest will get the money. That Government.

The current trend toward the abolition of capital has been long in the making, but like the time lag between the lighting of a fuse and the explosion of the dynamite, there is also a time lag between the shortage of funds and the skyrocketing of interest rates.

The theory behind the destruction of private capital by the public government is that the government should own all productive capacity, and then the fruits of that production would be spread among the 200,000,000 people in America. That sounds good, but it does not work that way.

Let me give you just one example of a privately owned domestic water company whose service rates are lower than the municipally owned water system in the city of Los Angeles, the city of Santa Ana, and in fact lower than any city rate in Orange County, Calif., none of which pays any tax, local, State, or Federal, and yet this privately owned water company pays 20 percent of its gross revenues to the county. Statutory and Federal Governments. If this system were sold to the city, that city would pay no tax, and even though it would save 20 percent of the revenues, the history is that inefficient, non-profit, and so forth, would eat up that tax saving, and the consumer would not be benefited.

The Federal Government owns, controls and operates 17 percent of the total productive capacity in the United States. It is being operated on a tax-free basis, and the consumer is not benefited, because of inefficient operation. That inefficiency occurs because there is no profit motive in its operation and, if this 17 percent could be returned to the private sector, it would yield more than $10 billion a year.

There is one area that this administration should examine and implement as rapidly as possible. That is the value added tax. We are outmaneuvered and outrun by people in the world, from the Common Market to Japan, simply because we do not modernize our tax structure to provide fair and equal competition with the other countries of the world. And this is to say, if the loopholes in the law, if they were plugged, would not equal this one item alone. Not only would such a tax put us on an equal basis, but it would soon correct the imbalance of payments under which we have suffered for years.

Mr. MILLS. Mr. Speaker, I yield such time as he may consume to the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Speaker, as one of the conferees I want to say just a word about the chairman of our conference, who, in my judgment, is the most able man to have served in this Congress. He has prepared the words of the greatest American poet, who, when he scattered the nest of a mouse with his plow, said not only —

"The best-laid schemes o' mice an' men, Gang aft agley."

But also ended his poem with the words:—

"And oo' the backward cast mine e'e On prospects drear."

And forward, though I cannot see. I guess and fear.

These lines have some relevance to the situation in which we find ourselves. There are many people, aware of the chances for plans to go awry, who expected after all this rumbling only a modest bill to come forth by the Ways and Means Committee and from the conference committee. We may not have a tiger, but we certainly do not have a mouse.

I believe it is a great tribute to the distinguished chairman of our committee and to the ranking minority member of our committee that, leading the conferees, they preserved the spirit of the House measure and brought us back a bill which has fiscal sanity and still preserves its reform aspects.

Also we have to admit as we look back to the beginning of this statement that the prospects were not very good. We can see it took a great deal of statesmanship and determination to arrive at this point. Looking ahead, I say that we need not "guess and fear" because, having accomplished this very difficult task, it seems to me quite clear it is within the capacity of Congress to reform not only this central institution between the Government and the people, but many other aspects of Government which have fallen under the shadow of what we call a "credibility gap."

There are two points I believe must be made about tax reform at this stage. One of them is quite obvious, the other controversial.

I believe the gentleman from California (Mr. Urr) made this point very
clearly in his additional remarks in the original House report on tax reform; that is, the ultimate tax reform must be simplicity. We have not struck any blows for simplicity in this bill. Complexity reigns. We have not, I think, if it is going to be difficult for people to comply with the very complicated tax code we have generated over the years and have added to in the complexity of this measure, how, I am not by any means stating that the 15 percent increase is adequate. As members of the House know, I have introduced a bill, H.R. 55, which, among other things, would increase benefits across the board by 50 percent. In view of the time element, it is obvious that if we are going to the President's point, of this Nation avoid an increase before Congress adjourn and during this blessed Christmas season, it must be done now in this legislation. I am advised that social security and welfare revision will be a subject high on the committee's priorities for consideration early in the next session of Congress. At that time, we can make other determinations and judgments respecting needed changes in these programs.

Mr. Speaker, I again wish to reiterate that this measure does not represent the end of tax reform. This will be a continuing process. I urge the House to see that every person shares in the burden of the costs of running the Federal Government proportionate to his ability. We have closed many of the unconscionable loopholes of present law; we have granted very considerable tax relief benefits, especially to those in the low-income brackets; and we have provided a much-needed increase in social security benefits as an interim measure looking toward more extensive revision in social security and welfare next year. These elements make this a well-balanced measure deserving of the support of every member of the House. I urge prompt approval of the conference report.

Mr. ULLMAN. Mr. Speaker, I yield 5 minutes to the gentleman from Ohio (Mr. Vanik).

Mr. VANIK. Mr. Speaker, the chairman of the Ways and Means Committee, the distinguished gentleman from Massachusetts (Mr. MILLS) has led the Ways and Means Committee, the House, and the House-Senate conferees in accomplishing a great public service in developing this tax bill. For this monumental task, he has the gratitude of every member of this body and every taxpayer of America. Every Member of Congress must share some pride in the fact that this proposal originated in the Congress. There was no other clarion call to action—but the indigation of the taxpayer.

A bill of this magnitude cannot satisfy every citizen. But it does take a step toward tax justice—and in so far as it does, it is a step in the right direction and should be enacted.

The provisions in this bill to reduce the depletion allowance to 22 percent are perhaps the most glaring concessions to privileged interests.

A bill of this magnitude cannot satisfy every citizen. But it does take a step toward tax justice—and in so far as it does, it is a step in the right direction and should be enacted.

The provisions in this bill to reduce the depletion allowance to 22 percent are perhaps the most glaring concessions to privileged interests.

A bill of this magnitude cannot satisfy every citizen. But it does take a step toward tax justice—and in so far as it does, it is a step in the right direction and should be enacted.
have involved our Government in foreign policies and actions which would never occur if it were not for the economic pressure of the oil and mineral development interests.

This bill will still permit certain American taxpayers of high income to escape taxation or pay much less than their fair share. As long as there is taxation, there will be avoidance. In the final analysis, the taxpayer retains considerable discretion as to whether he pays his fair share.

The pride with which some citizens escape taxation borders on tax treason. It would serve tax justice if the Ways and Means Committee and the Congress were to consider a more frequent perusal of the tax structure. High density utilization of tax avoidance should be publicized and exposed. Loopholes must be closed as rapidly as they are discovered.

Although this bill provides the first extensive review of the tax laws in 15 years, I hope that tax laws can be reviewed in every Congress—so that the burden of extensive tax review may be lessened—so that action in revising our tax laws can be calm, deliberate, and less subject to a hasty timetable.

This bill is not the end of tax reform—it is only a good beginning.

This bill settles the controversy on the capability of the social security fund to provide a 15-percent increase across-the-board in social security benefits. The administration and the President sought to hold the increase to only 7 percent, placing the full burden of rising inflation on the elderly. The senior citizens of America who need increased benefits to survive are the victors by this action for a 15-percent across-the-board increase which originated in the Congress.

The President and the administration resisted every effort to increase dependency exemptions. No citizen can be expected to support his dependents on a dependency exemption of $600 per person. The gradual increase to $750 is not realistic, but it does begin to recognize the problem of family support.

Following are tables prepared by the Joint Committee on Internal Revenue and Taxation which outlines the effect of the new law on the taxpayer:

### Table 1—Balancing of Tax Reform and Tax Relief Under the Tax Reform Bill of 1969—Calendar Year Tax Liability

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax reform program under conference bill</td>
<td>+1,150</td>
<td>+1,430</td>
<td>+1,660</td>
<td>+2,195</td>
<td>+3,320</td>
</tr>
<tr>
<td>Repeal of investment credit</td>
<td>+2,150</td>
<td>+2,990</td>
<td>+3,080</td>
<td>+3,380</td>
<td>+3,000</td>
</tr>
<tr>
<td>Tax reform tax relief under conference bill</td>
<td>+3,650</td>
<td>+4,240</td>
<td>+4,650</td>
<td>+5,285</td>
<td>+6,620</td>
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<tr>
<td>Income tax relief under conference bill</td>
<td>+1,441</td>
<td>+1,967</td>
<td>+2,620</td>
<td>+3,134</td>
<td>+3,134</td>
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</table>

### Table 2—Balancing of Tax Reform and Tax Relief Under the Tax Reform Bill of 1969—Calendar Year Tax Liability

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax reform under conference bill</td>
<td>+1,150</td>
<td>+1,430</td>
<td>+1,660</td>
<td>+2,195</td>
<td>+3,320</td>
</tr>
<tr>
<td>Repeal of investment credit</td>
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<td>+2,990</td>
<td>+3,080</td>
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<td>+3,000</td>
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<tr>
<td>Tax reform and repeal of investment credit</td>
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<td>+4,240</td>
<td>+4,650</td>
<td>+5,285</td>
<td>+6,620</td>
</tr>
<tr>
<td>Income tax relief</td>
<td>+1,441</td>
<td>+1,967</td>
<td>+2,620</td>
<td>+3,134</td>
<td>+3,134</td>
</tr>
</tbody>
</table>

### Table 3—Individual Income Tax Liability—Tax Under Present Law and Amount and Percentage of Change Under Reform and Relief Provisions Under the Tax Reform Bill of 1969 When Fully Effective

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Tax under present law (millions)</th>
<th>Increase (+) or decrease (—) from reform and relief provisions</th>
<th>Tax under present law (millions)</th>
<th>Increase (+) or decrease (—) from reform and relief provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to $3,000</td>
<td>$1,169</td>
<td>—866</td>
<td>0.00%</td>
<td>—6.8%</td>
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<tr>
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<td>$5,000</td>
<td>—1,430</td>
<td>0.00%</td>
<td>—25.0%</td>
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<tr>
<td>$5,000 to $7,000</td>
<td>$7,591</td>
<td>—1,011</td>
<td>0.00%</td>
<td>—33.2%</td>
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<tr>
<td>$7,000 to $10,000</td>
<td>$10,039</td>
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<tr>
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<td>—50.0%</td>
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<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Amount (millions)</th>
<th>Percentage</th>
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<td>—25.0%</td>
</tr>
<tr>
<td>$5,000 to $7,000</td>
<td>—1,011</td>
<td>—33.2%</td>
</tr>
<tr>
<td>$7,000 to $10,000</td>
<td>—2,428</td>
<td>—36.8%</td>
</tr>
<tr>
<td>$10,000 to $15,000</td>
<td>—3,597</td>
<td>—29.0%</td>
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<tr>
<td>$15,000 to $20,000</td>
<td>—3,597</td>
<td>—22.0%</td>
</tr>
<tr>
<td>$20,000 to $50,000</td>
<td>—15,997</td>
<td>—59.4%</td>
</tr>
<tr>
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</tr>
<tr>
<td>$100,000 and over</td>
<td>—50,000</td>
<td>—50.0%</td>
</tr>
</tbody>
</table>

1 1971: 13 percent, $1,500 ceiling; 1972: 14 percent, $2,000 ceiling; 1973: 15 percent, $2,500 ceiling.
### TABLE 4—TAX RELIEF PROVISIONS UNDER TAX REFORM BILL OF 1969 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE, BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Reform provisions (millions)</th>
<th>Low income allowance</th>
<th>$750 exemption</th>
<th>15-percent tax on long-term capital gains</th>
<th>$2,000 standard deduction</th>
<th>Maximum tax on earned income</th>
<th>Tax treatment of single persons</th>
<th>Total relief provisions</th>
<th>Total all provisions</th>
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<tr>
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<td>-366</td>
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<td>-366</td>
<td>-1,440</td>
<td>53</td>
<td>-610</td>
<td>-610</td>
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<td>$3,000 to $5,000</td>
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<td>-1,309</td>
<td>-139</td>
<td>-139</td>
<td>-1,309</td>
<td>53</td>
<td>-1,309</td>
<td>-1,309</td>
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<td>$5,000 to $7,000</td>
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<td>-112</td>
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<td>-112</td>
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<td>-96</td>
<td>-96</td>
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<tr>
<td>$100,000 and over</td>
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<td>498</td>
<td>-1,469</td>
<td>53</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>-7,057</strong></td>
<td><strong>-4,145</strong></td>
<td><strong>-1,442</strong></td>
<td><strong>-1,700</strong></td>
<td><strong>-4,270</strong></td>
<td><strong>53</strong></td>
<td><strong>-6,970</strong></td>
<td><strong>-8,294</strong></td>
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### TABLE 5.—TAX REFORM PROVISIONS UNDER THE TAX REFORM BILL OF 1969 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS

<table>
<thead>
<tr>
<th>Adjusted gross income class (wages and salaries)</th>
<th>Change alternative tax on long-term capital gains</th>
<th>Capital loss limitation</th>
<th>Pension provision</th>
<th>Life estate provision</th>
<th>Averaging including capital gains and 120 percent charitable deductions</th>
<th>Interest deduction</th>
<th>Reduced percentage depletion</th>
<th>Accumulation trusts (millions)</th>
<th>Moving expenses</th>
<th>Farm losses</th>
<th>Real estate</th>
<th>Tax free dividends</th>
<th>Tax on preferential income</th>
<th>Citrus grove costs</th>
<th>Total</th>
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<td>(f)</td>
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<td>(f)</td>
<td>(f)</td>
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<td>(-)</td>
<td>(-)</td>
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<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>+65</td>
</tr>
<tr>
<td>$5,000 to $7,000</td>
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<td>(+)</td>
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<td>(+)</td>
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<td>(+)</td>
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<td>$50,000 to $100,000</td>
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<td>(+)</td>
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<td>$100,000 and over</td>
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<td><strong>Total</strong></td>
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<td><strong>+65</strong></td>
<td><strong>+60</strong></td>
<td><strong>+10</strong></td>
<td><strong>+30</strong></td>
<td><strong>+40</strong></td>
<td><strong>+50</strong></td>
<td><strong>+50</strong></td>
<td><strong>+50</strong></td>
<td><strong>+50</strong></td>
<td><strong>+50</strong></td>
<td><strong>+50</strong></td>
<td><strong>+50</strong></td>
<td><strong>+50</strong></td>
<td><strong>840</strong></td>
</tr>
</tbody>
</table>

1 Assumes 1/5 of estate as compared with bequeath in realization.  
2 Less than $500,000.

### TABLE 6.—TAX BURDEN ON THE SINGLE PERSON UNDER TAX REFORM BILL OF 1969

#### A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Tax under present law</th>
<th>Amount</th>
<th>Percentage</th>
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#### B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

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<thead>
<tr>
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1 Exclusive of tax surcharge.
Mr. BURLESON of Texas. Mr. Speaker, will the gentleman yield?

Mr. VANIE. I yield to the gentleman from Texas.

Mr. BURLESON of Texas asked and assumed nonbusiness deductions of 18 percent of income.

Mr. Speaker, I notice the gentleman from Texas. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, if the gentleman will yield further, let me further point out that the provisions of the conference report, as I understand it, further reduce the 22-percent figure for oil and gas by imposing a 10-percent surcharge under a formula relating to tax preferences. Theoretically, this could mean another 10-percent reduction on the 22 percent, or result in an allowance depreciable rate of 18.8 percent.

Now, Mr. Speaker, for the first time in the history of our country natural gas is in short supply. The explorer does not go out and look for gas or oil, but drills for either. The incentive for risk capital in these ventures is already greatly reduced because of prices, foreign oil imports and inflation. Reducing it further will inevitably result, finally, in shorter supplies, which will mean higher prices to the consumer. This is the direction in which we are headed and I fear on down the line we will see the mistake of this action.

One thing further, if the gentleman will yield further. I doubt if there is any such thing as fairness in the tax structure or that we can ever equalize the tax burden on everyone and every industry. We must, however, work toward fairness, equality, and justice in the taxing process. Equally important is to exercise a more careful judgment in the expenditure of these revenues.

This conference report is going to pass this House overwhelmingly. No changes can be made in the provisions of this bill at this stage of its consideration. As all of us know, it is a matter of taking it or leaving it, since we have reached the point of no return. Certainly, this measure is not going to please a great many people affected by it and...
I fear it holds out some false hopes in tax relief, but it is the best that can be done at this time and I must join with others in expressing appreciation for the diligence and arduous hours of work devoted to producing this legislation by the leaders of the Ways and Means Committee, and particularly the conferees.

The SPEAKER pro tempore (Mr. HOLIFIELD). The time of the gentleman from Ohio has expired.

Mr. ULLMAN. Mr. Speaker, I yield the time to the gentleman from Ohio.

Mr. BURLESON of Texas. I appreciate the gentlelman yielding and I shall take just one other second.

It is a dramatic thing that for the first time in the history of our Nation we are short of natural gas. You do not go out and look for gas alone. You go out and look for oil and you may get gas. You cannot separate the two. When the oil comes, the gas is brought ahead. But the country that is now producing is not going to inevitably increase, this country can be placed in a dangerous position because today with oil and gas furnishing more than 87 percent of all energy, what will our Nation do if we find ourselves in a deficit position?

So I know when the gentleman from Ohio is talking about oil and gas that he wants to look at this from an overall picture of what is occurring throughout the industry. But I do not complain about the depletion allowance because I think it is justified by its great historical background.

The SPEAKER pro tempore. The time of the gentleman from Ohio has expired.

Mr. ULLMAN. I yield 1 additional minute to the gentleman from Ohio.

Mr. VANYIK. Mr. Speaker, I thank the gentleman for yielding me the additional time.

Mr. Speaker, I would like to respond to the gentleman from Texas by saying that I understand the economic force that oil and gas have upon the country. But I must agree with the gentleman from Wisconsin that we did not touch drilling costs, we did not touch bookkeeping practices, and we did not touch a great many privileges enjoyed by the extraction industry.

I would like to say this: that in recent years there has been a tremendous effort on the part of mineral and oil producing industries to suppress information on their reserves so that they do not have to pay taxes on known reserves. However, I think that this is just a mistake that we can better carry on next year when time will permit a more extensive discussion as to the effect of the depletion allowance, and the availability of oil and gas reserves.

Mr. ULLMAN. Mr. Speaker, I yield such time as he may consume to the gentleman from Tennessee (Mr. FULTON).

(Mr. FULTON of Tennessee asked and was given permission to revise and extend his remarks.)

Mr. FULTON. Mr. Speaker, passage of the conference report today on the Tax Reform Act of 1969 will mark a significant step forward in our efforts to provide for more equity in our tax laws.

Today's vote will climax days and hours of strenuous effort which began almost 11 months ago when the Ways and Means Committee of the House opened public hearings on tax reform.

In the intervening months we have seen tax reform move from a concept long overdue and frequently denied to a concrete and meaningful piece of legislation.

This bill has its weaknesses and imperfections, to be sure. For my part, I was particularly disappointed that the House approved a reduction in the oil depletion allowance to only 20 percent. This disapproval was heightened by the conference committee's decision to cut back this reduction to 22 percent.

Also, it was a disappointment to me and to an overwhelming majority of the near 5 million small businesses in the country that the conference committee eliminated the Senate amendment to exclude the interest on capital investment per firm from the elimination of the investment tax credit. This would have been a great assistance to the small businessman who, in today's money market, finds investment funds hard to secure and very costly to borrow.

It is heartening to see the 15 percent across-the-board social security benefit increase. However, this does not finish the work of the 91st Congress on social security. When the second session of the Congress reconvenes in January, we must consider further needed changes in the social security law such as reduction of age requirements for benefit eligibility and liberalization of the outside earnings limitation which, at $1,680 a year, is far too low. I also feel that by next July Congress should increase social security benefits by at least another 10 percent.

On balance, the positive aspects of the tax reform bill far outweigh the negative ones.

The House conferences accepted, with important modification, the Senate's action to increase the personal exemption. Unfortunately, the ultimate $750.00 figure did not match the $900 which was passed by the Senate, but the conferences, by this slight reduction and by phasing out the ultimate impact of the exemption increase, eliminated from the bill a very strong inflationary impact.

In addition, the bill provides meaningful relief for the poor and near poor. About 5 to 5 1/2 million persons in these categories will be benefited by the Federal tax cuts by this bill while the impact of taxation on millions of other middle income taxpayers will be reduced.

Also, because of the minimum income tax provision of the Senate bill, the average taxpayer can be assured that all taxpayers except the poor, will pay some tax on income.

Mr. Speaker, time does not permit an item-by-item discussion of the provisions of this bill. I have attempted here to touch on some of the highlights. However, I feel the bill is a genuine accomplishment and step forward. It was a major and pleased passage by the Ways and Means Committee during the hearings and writing of the House version. I recommend favorable consideration of the conference report of the Tax Reform Act of 1969.

Mr. ULLMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Montana (Mr. MELCHER).

Mr. MELCHER asked and was given permission to revise and extend his remarks.)

Mr. MELCHER. Mr. Speaker, the tax reform bill, which has been reported by the conference committees, does a serious injustice, which can have serious consequences to the whole Nation, to two categories of citizens who most need tax relief instead of a tax increase—farmers and ranchers and small business.

The bill will increase taxes for 1969—for the present year—for these two groups of people, and it will continue to assess higher tax bills against them, in spite of some relief in the rate schedules, in the credits.

The bill repeals the 7 percent investment tax credit as of April 18, 1969, and the Senate amendment to allow a $20,000 per firm personal exemption has been discarded.

This is both inequitable and inadvisable.

The big corporations and the biggest operators with continuous investment requirements all undoubtedly used up $20,000,000,000, or a far greater investment credit in the first 3/5 months of the year or have salted it down with valid contracts by the April 18 cut-off date. They will get their tax cut.

But a small business would not have started making their investments in new equipment, building improvements, modernization of their business operations in the winter months. They generally wait until later in the calendar year to determine whether they will have the money in their business, or the chance of a crop, before investing in new machinery and equipment which might be delayed by the bill.

Sales of farm machinery are much higher in the final quarters of the year than in the first quarter. Sales of farm machinery are insignificant in the first 2 months compared to the last 9 of the year.

The investment tax credit for the farmer-rancher and small businessmen in 1969 will be almost nil. They will find themselves confronted with unexpectedly high tax liabilities when they make out their income tax returns on the 1969 income next month, while their larger competitors have gotten considerable advantage out of the credit as a consequence of their continuing programs of expansion, improvement and modernization and, also, have the advantage of consultation with able tax counselors who foresee, because of earlier public discussion, the probable termination of this tax advantage.

The repeal as of April 18 is clearly discriminatory, and the discrimination can only be eliminated by the inclusion of an exemption which will extend the credit, as reasonable and feasible, to a large amount of investment. I think the Senate chose a good level—$20,000—but even if that were reduced to $15,000 to reach the most hard-pressed farmers and small businessmen, it would promote equity.
The surtax has not controlled inflation. High interest has not curtailed inflation—It is fueling the fire in most instances.

Repeal of every cent of the Investment tax credit—the omission of the Senate’s $20,000 exemption—is not going to make or break inflation.

But it is going to trigger trouble for our whole economy and society, in my opinion, and is a mighty sorry sort of Christmas package to present to the Nation—and especially farmers and small businessmen—on Christmas eve.

I can understand why this tax reform bill is welcomed in some quarters: there is relief in some instances. There is a little but probably wholly inadequate shift back to progressive taxation in some instances.

But I cannot accept a measure which will increase the tax burden of a major segment of my people and will, in my judgment, do an unjustified overall economic injury to my district and my State.

In spite of the rush to adjournment, we have the time to send this bill back to conference with instructions to accept the exemption for the small operators, the farm, the ranch, the businessman struggling to keep them in business or in agriculture.

THE TAX SCHEDULES UNDER THE TAX BILL FOR FARMERS, RANCHERS, AND SMALL BUSINESS (EFFECT ON A FAMILY OF FOUR)

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Note: Data on 1970 tax and savings from Joint Committee on Internal Revenue Taxation.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri. (Mr. RANDALL).

Mr. RANDALL. Mr. Speaker, it was not until this morning that there was delivered to each of our offices the 346-page conference report that accompanies H.R. 13270 being the bill which started out in the House several months ago as the Tax Reform Act of 1969. Until the receipt of this copy of the conference report we have had to rely on hearsay or press accounts of the actual agreement reached by our conferences. The actual content of what we are going to be called upon to vote for or against was not in our hands until a few hours ago. For that reason I ask at this time to propound some questions either to the chairman of the committee or to some member who was a conferee.

In recent weeks while the Senate was considering this measure, and during the time of the conference our mail was heaviest on such subjects as taxation of municipal bonds; the taxation of professional service corporations; the treatment of lump sum distributions under pension plans; the tax treatment of dividend distributions of cooperatives, and the amount of the reduction of taxable income that can be kept as a reserve for bad debts by savings and loan associations. Accordingly, I hope I can make a record on exactly what is contained in the conference report with respect to these separate provisions.

I ask the gentleman from Oregon (Mr. ULLMAN) whatever the only change as to taxation of the income from municipal or State bonds is in the requirement that there be an arbitrage clause and that section 151 of the House to tax the income from municipal bonds is not a part of this conference report?

Mr. ULLMAN. The only provision as to municipal bonds is on arbitrage. All the other provision of taxation of municipal bonds under the House version have been deleted.

Mr. RANDALL. Now, if I may ask the gentlemen from Oregon a question concerning the professional service corporations that have been set up by dentists and doctors which were organized to relieve them from being subject to the limitations of the Keough Act. As I understand it there was nothing in our bill...
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as it went to the Senate to effect the tax treatment of these professional corporations. As I understand it the Senate Finance Committee has limited these corporations to the same limitations as the Keogh Act and this change by the Senate Finance Committee was knocked out on the Senate floor. I want to be sure that there is nothing in this conference report that would change the present tax treatment of these professional corporations?

Mr. ULLMAN. That is correct—these corporations are as now dealt with in any way in the conference report.

Mr. RANDALL. Now if I may ask the gentleman from Oregon a question with reference to any changes in the tax treatment of lump sum distributions under company pension plans. I refer to the situation where a pensioner elects to take a lump sum settlement of his pension plan when he may need these funds for a particular purpose. I received a lot of mail complaining against the change which made these distributions taxable at ordinary tax rates instead of capital gains rate. As I read the report by the conferees I do not understand that the payment of taxes on this lump sum distribution could be averaged out over a 5-year period. That is, the tax on such distribution could be paid over a period of 5 years. Nor do I understand that the agreement of the conferees contained in this conference report provides taxes may be paid over a period of 7 years. In other words, the amount of the distribution which could be paid over a 5-year period may be divided by seven and pay one-seventh of the tax each year? I am asking you for the record if that is what is contained in the conference report?

Mr. ULLMAN. That is correct.

Mr. RANDALL. There is another question which has generated some mail from our constituents and that is the provision concerning taxation of the portion of dividends retained and not paid by cooperatives. If my memory serves me correctly the chairman, the gentleman from Arkansas (Mr. MILLS), and the ranking Republican, the gentleman from Wisconsin (Mr. BYRNE), I remain concerned about the treatment of dividends retained and not paid by cooperatives. Is that the case?

Mr. ULLMAN. That is correct.

Mr. RANDALL. I am particularly pleased, Mr. Speaker, with the adoption of an income in the personal exemption from $600 to $750 over a period of time. This significant improvement in distributing the burden of taxation coupled with changes in the taxation of single persons, in the standard deduction and in the adoption of a low-income allowance are valuable. While I still believe a further increase in the personal exemption desirable a start on this road has been made.

Mr. Speaker, I remain concerned about the treatment of foundations contained in this report which parallels the House version. The conference report represents both reform and relief. It also contains an increase in social security benefits which is desperately needed as well as a continuation of the surtax at 5 percent for the first 6 months of 1970, which is also needed.

Thus, Mr. Speaker, the overall concept of tax equity has been maintained by this bill and since its inflationary impact has been seriously lessened in fiscal years 1971 and 1972 I believe the conference report should be passed.

Mr. TUNNEY. Mr. Speaker, passage of the budget resolution act with its direction to restore the faith and confidence of millions of Americans in the fairness of our system of taxation. I hope that we give this bill our overwhelming support.

Our belief in the principle that taxes should be assessed on the basis of ability to pay has been strained to the limit by reports of wealthy taxpayers who pay no tax at all. It is acutely clear that the progressive tax rate has been a myth for owners of private taxpayer. Now, because of the marathon efforts of Members in both bodies, those less privileged will no longer be forced to bear the major share of Federal taxes, while the wealthy shield their incomes from any significant tax bite.

Some have called this bill a tax giveaway program, citing the generous relief afforded low- and middle-income citizens. I raise strong objection when charges that tax relief and tax reductions undermine the purposes of tax reform.

They often speak of tax reform and tax relief as if they were two separate things. I believe that tax relief is at the heart of comprehensive tax reform. Tax justice demands not only that we tighten restrictions on the availability of tax loopholes, but also that we lighten the burdens which low- and middle-income citizens have borne for so long.

There is merit to the complaint that revenues lost as a result of tax relief will be made up by imposing taxes on new forms of activity. However, it is a mistake to treat tax reform and tax relief as if they were two separate entities. The tax-exempt bonds that are owned by individuals are concentrated in the hands of the wealthiest 2 percent of the population. The reason is easy to understand. A 50-cent return from a tax-free bond, for a person in the 70-cent bracket, puts as much money in his pocket as a taxable investment bearing 20 percent interest. There are more wealthy citizens in the conference bill, however, who will no longer be forced to bear the tax burden on the select few who receive sheltered income. Municipal bond interest is still tax free. Taxpayers can still arrange to protect substantial portions through oil depletion allowances.

The failure of the tax reform bill to incorporate the House proposals to place some tax on income from tax-exempt bonds is a glaring omission. Tax-exempt bonds that are owned by individuals are concentrated in the hands of the wealthiest 2 percent of the population. The reason is easy to understand. A 50-cent return from a tax-free bond, for a person in the 70-cent bracket, puts as much money in his pocket as a taxable investment bearing 20 percent interest. There are more wealthy citizens in the conference bill, however, who will no longer be forced to bear the tax burden on the select few who receive sheltered income. Municipal bond interest is still tax free. Taxpayers can still arrange to protect substantial portions through oil depletion allowances.

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another 50 years before the cry for reform is heard again.

I strongly urge support for this bill as a dramatic, albeit a first step toward a better tax reform.

Mr. KLEPPE. Mr. Speaker, farmers and small businessmen will be especially disappointed that the conference report on the Tax Reform Act of 1969 does not include the Senate amendment exempting investments up to $20,000 in eligible property from the investment credit repeal.

This might have been fully justified had the concessions been made to some other group in the treatment of investment credit. I do not object to the provisions affecting amortization of certain highway rolling stock, pollution control facilities, and coal mine safety equipment; but I believe that an equally strong case could be made for at least a limited tax credit on equipment purchases by farmers and small businessmen.

With farm machinery prices continuing to rise, the higher and higher cost of farm equipment is a matter of concern. With the price paid at current depressed prices, American agriculture is in a tighter cost-price squeeze than any other segment of the economy. The typical farmer has far more bills to pay than $20,000 invested in machinery and equipment which must be replaced periodically if he is to maintain an efficient operation. This hard economic fact during the past several years is emerging from the New York Times contains an excellent summary by Eileen Shanahan.

It is the new "minimum tax" contained in the tax reform act of 1969 that will do the most toward eliminating complete tax avoidance by wealthy individuals (and by economically profitable corporations, as well, it should be noted.) The minimum tax stands as the most striking feature of the new legislation, the equity to which we have called, the effectiveness for the 1969 act a place in the record books as the most significant tax reform bill since the inauguration of the income tax in 1913.

Effect isn't certain

This is true, even though no one is precisely sure how the minimum tax will work out in practice. The concept and mechanics of the tax are complicated, and experienced tax lawyers tend to feel that it will probably produce some inequitable results, as between different individuals and different companies, and will need some amending in the future.

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cision of a maximum tax on earned income but
School, advocated a somewhat different ver-
of the amount of energy and intelligence that
fects of the legislation will be a lessening
for tax policy, Edwin S. Cohen, hopes and
believes that one of the most beneficial ef-
be subject just to the 10 percent minimum
It be worthwhile to pursue Income that would
is It really going to be worthwhile to pursue,
it is now, or the 91 percent it was until 1963),
pressing elect on investment.
of those who spend all their money, rather
real estate.
other areas of past tax avoidance, such as
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November 23, 1969

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My colleagues will note that in Cali-
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$7.50 per month increase.
The Congress in 1967 urged the States
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The only group in California who re-
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I hope, but am not optimistic, that the
States are more compassionate in deal-
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The 1965—67 AMENDMENTS
(Effective October 1, 1966; January 2, 1968)
OAA, AB, APTD and AABD: Disregarding
some amount of income received from
income from any source prior to disregard of other amounts,
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they were with the 1967 Social Security
Amendments.

I also want to stress the repeal of
the 7 percent investment tax credit. The small businessman and the farmer
should be the beneficiaries, not the vic-
tims of anti-inflationary policy.

This tax provision is a key factor in
stimulating growth and economic de-
velopment in our rural and smalltown
areas. Certainly any successful effort
to stimulate new jobs in rural America will
serve the national interest. It has be-
come apparent that the crisis in urban America is related to and in many cases
due to economic problems in rural migration.

I also want to stress this repeal will be
a crushing blow to many farmers and
small businessmen who have just man-
gaged to keep their heads above the waters of
bankruptcy. While those of us vitally interested in rural America fully un-
derstand the obvious need for inflationary control, we were hopeful that at least this
tax credit could be retained up to $100-
00. Just this morning I received a call
from a dryland farmer who was forced
to sink new wells this summer or simply
give up his investment and call it quits.
He and his banker informed me the re-
peal of the 7 percent investment tax
credit made his operation extremely
dependent on government money. Upon how much more money he could borrow to
avoid financial ruin.

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Amendments.
Mr. Speaker, I intend to vote in favor of the tax reform bill which is before us for a final vote today. With the enactment of this legislation, I think the Congress will take a long step in making our tax laws more equitable for all our people.

I am particularly happy that the bill contains increases in social security benefits for our senior citizens, without increasing their earnings base on which social security taxes are paid. Although I would have been happier if the bill did more for those receiving minimum payments, there is no doubt that further social security reforms are needed.

Surely it is incredibly difficult for anyone, let alone an elderly person with large medical expenses, to live on $64 a month, and the minimum benefits contained in the bill. Nor does the bill contain automatic cost-of-living increases or provisions assuring pensioners that increases in social security will not result in a disproportionate decrease in veterans or other types of retirement benefits. So, in this area, while we have made a start, much remains to be done.

I am also disappointed because this bill does not contain some of the provisions regarding the 7-percent investment credit which had been adopted by the Senate. While I generally support the repeal of the 7-percent investment credit, I doubt the economy would have been injured if the credit had remained available to small businessmen and farmers up to $10,000 or $15,000 per year.

The provisions regarding tax loss farming could also be improved upon. The provisions adopted in this bill would only pertain to tax-loss farmers with nonfarm income of $50,000 per year, and then only if their losses exceeded $25,000. As Secretary of the Treasury David Kennedy said when he testified before the Senate Finance Committee, "In practice this exclusion renders the bill ineffective."

Mr. Speaker, tax-loss and hobby farmers do injury to the principle of tax equity, and pose a great threat to the family farming, the agriculture industry and the tax reform bill is deficient in dealing with them.

On the plus side, the bill does delete the provisions inserted by the House regarding cooperatives. The House bill—which would have required cooperatives to revolve out patronage dividends within 15 years—would have proved a significant hardship on agricultural cooperatives.

The conference committee bill calls for a study of the taxation of cooperatives sometime before January 1, 1972, and I am pleased to see that no action has been taken before this matter is studied thoroughly.

Mr. Speaker, some of the provisions inserted by the Senate to benefit specific industries have wisely been deleted. We will have a minimum tax which will make it more difficult for any high-income person to avoid the tax as they have in the past, although the interest earned on individual investment in municipal bonds will still be exempt from taxation.

Although I think it is still too high, the oil depletion allowance has been decreased from 27.5% to 22 percent. There will be a minimum tax on all earned income. The standard deduction has been increased, and will reach 15 percent at $2,000 in 1973. Income tax exemptions will be increased $150 over a 3-year period, from $600 to $750 on January 1st, to $700 in 1972, and to $750 in 1973.

Overall, as the chairman of the Ways and Means Committee has pointed out, our low-income wage earners who need tax relief the most, will be able to get it. Under the bill, it is estimated that those with an income less than $3,000 will have a 70-percent reduction in taxes. Those with incomes between $5,000 and $7,000 will have their taxes reduced 20 percent. Those who make $10,000 to $15,000 will have a 25 percent reduction; those making $15,000 to $20,000 will have an 8% percent decrease. Those making $20,000 to $50,000 will have a 5 percent reduction. Those who make $50,000 to $100,000 will have a 1½ percent reduction, and those who make over $100,000 will probably be paying more in taxes than they do today.

Mr. Speaker, I am sure all of us here would change parts of this bill if we were given the opportunity to do so. There are other faults which I have not mentioned. Nonetheless, I believe this legislation is still deficient. It is a step toward building more tax equity for future years and I intend to vote for it.

I am very hopeful too that President Nixon will not decide to veto this legislation this year. In the view of the revenue coming into the Treasury by $6.4 billion and in 1971 there will be a $315 million surplus. If the inflationary impact of this legislation was the President's major concern when he threatened to veto it several weeks ago, it seems to me that this has been taken care of. The Members of the House and Senate Committees, especially the House Ways and Means and the Senate Finance Committees, are to be congratulated for the reforms we have achieved in this legislation. A veto of this measure by the President would only be a step backwards in efforts to get as just a tax system as we can for the people in this country.

Mr. MILLER of Ohio. Mr. Speaker, the House has overwhelmingly approved the conference report on the tax reform and social security legislation with only two in a long vote. It is commendable in that it will grant long overdue tax relief to most low- and middle-income taxpayers and will increase social security benefits by 15 percent across the board effective January 1.

The legislation as finally approved will tighten up a number of special tax advantages available to specified industries and individuals with certain sources of income. The end result is that these groups will be paying more taxes under the reformed laws. In some cases it is fair and proper that loopholes be closed, but at the same time I was not satisfied consumer consideration was given to such features as abolishing the investment tax credit for small farmers and changing the tax treatment on income derived from employee pension plans.

I am very hopeful that the Congress will make additional improvements in the procedural language, and that original consideration of the House tax reform measure precluded floor amendments and therefore prevented individual members from amending the bill to correct the unfairness of the provisions. After the Senate passed legislation with major variations from the House measure, the conference hastily compromised differences and we were then forced to approve the conference report less than a day later after only 2 hours of debate.

The tax reform legislation has its good points, but the entire measure could have been much better if additional time had been available to study its impact on various sectors of the economy. The opportunity for comprehensive review of the tax system comes along very rarely; we should insure that truly wise and equitable legislation is enacted so that our hard-working, taxpaying businesses and individuals will benefit from the reformed laws. In some cases it is still too high, but at the same time I was not satisfied consumer consideration was given to such features as abolishing the investment tax credit for small farmers and changing the tax treatment on income derived from employee pension plans.

Mr. DONOHUE. Mr. Speaker, I most earnestly urge and hope that the House will promptly and overwhelmingly accept this compromise conference tax reduction and reform report now before us.

Even though it does not eliminate every loophole, correct every discrimination, and project the full reductions that so many of us sponsored and desired, it still represents the first substantial effort in over 4 years to fundamentally and project the full reductions. It is a step toward building more tax equity for future years and I intend to vote for it.

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January 23, 1969

CONGRESSIONAL RECORD—HOUSE

H 13065

foundation principle of "ability to pay." It moves closer to this principle, though its provisions to remove the impoverished from the tax rolls, raise personal exemptions and deductions, exact heavier taxes from the very wealthy, restrict special privileges, lessen the disproportionate burden of taxes on the handicapped, provide relief to the impoverished, and head-of-household taxpayers, and in general more equitably distribute the overall tax load.

It is obvious that, under the existing conditions, the least progressive compromise of all the varied viewpoints that can be accomplished. Let us, then, accept it in that spirit and realization, while we pledge to persevere in our common efforts toward early, further accomplishment of urgently needed tax relief to parents for college tuition and expenses, to persons over 65 for full medical expenses, to the handicapped, to expenses for the first voted earlier this year you will recognize, as I do, the dangers of yet greater inflation. Yet it is extremely difficult to foresee the effect of this bill in our present inflationary period, characterized by some recessionary trends. We can agree, with the measure disagree as to whether there will be a net revenue gain to the Government in 1970 of $6.5 billion or a net loss of $6 billion. Similarly, for 1971, some estimate a return of $11 billion, while others predict a loss of $13.5 billion. It is simply impossible to predict with any degree of accuracy what will happen to the GNP and the net revenue of the administration and the Congress have a special responsibility to make any degree of accuracy what will happen to the GNP and the net revenue of the administration and the Congress have a special responsibility to make

I would hope, however, that such actions will not include further reductions in urgently needed social and urban programs which are already grossly underfinanced. The administration and the Congress must be prepared to take appropriate fiscal and monetary actions to offset this effect.

There are, however, certain limited steps toward tax equity in this bill and a number of flagrant loopholes have been closed. It was unconscionable that some 155 very wealthy persons paid no tax at all in prior years; the minimum tax and list of tax preferences should foreclose this opportunity. Equally, the decrease in the oil depletion allowance from 27½ percent to 22 percent is a step in the right direction. The Senate’s move to preserve the low-income allowance is a long-needed action to remove the poor from the tax rolls but there is some question whether this benefit will be offset by inflation. In particular, there are benefits in the tax bill for some middle-income families. Principally, their tax obligations will be reduced by the indexing of the personal exemption to $650 this year and ultimately to $750, and from the increase in the standard deduction. The provisions affecting deductions for moving expenses are also broadened to include certain other kinds of costs associated with relocating a family, including pre-move house hunting, but the move must now be at least 50 miles from the present location to qualify, instead of 20 miles as in existing law. Self-employed persons would be eligible for moving expenses deductions for the first time.

Single persons have won a major victory in this bill; starting in 1971, certain single persons over 35 will qualify as heads of households and their tax rates will accordingly be adjusted so that they will be no more than 20 percent above the tax for married couples with the same income.

The 15-percent social security increase is, I believe, also a necessary expenditure. Perhaps the cost of living has only risen 9 percent since the last social security increase, but far too many older citizens live bleak lives, surrounded by malnutrition, ill health and fear, because they lack adequate incomes.

There are, however, a number of special interest provisions in the tax bill which are cause for some concern. First, while much can be said from the point of view of controlling inflation for repealing the investment tax credit, I think we should bear in mind its importance to new plant and equipment in a competitive

Second, I am gratified that the law was left unchanged with regard to gifts of appreciated stock or personal property to educational institutions. To impose on such gifts a capital gains tax on this nature would have been to jeopardize the future of higher education which is already in a precarious financial position and largely dependent on individual private bequests. I am concerned, however, that while the law affecting gifts of personal property to charities was left unchanged, a full charitable deduction can no longer be claimed on gifts of appreciated property without any evident means of replacement.

Finally, I am deeply concerned about the limitations in this bill on founda-

Mr. RANDALL. Mr. Speaker, when the bill first faced the House, we were only given 2 or 3 days to investigate a highly technical document that had taken the committee months to prepare. The Senate, by contrast, spent almost a month on a measure that we passed in just days. I repeat: this is a major legislation and we were faced with the alternative of accepting or rejecting major legislation almost completely on blind faith and newspaper accounts.

I am pleased that the bill we passed today is more palatable, in many respects, than either the House or Senate versions. There are some provisions in the bill that will be troublesome, I suspect, will not surface until we have the opportunity to really dig into this bill. Too, this bill within a year or two may increase government deficits.

There are certain areas that I think a better solution could have been found and I anticipate that I—and others—will be offering amendatory legislation at the first of the next session.

But basically, the bill we passed today is a sound compromise. The most telling arguments for supporting the bill comes from the provisions giving preference to the middle- and low-income taxpayers.

Additionally, we instituted substantial reform. Probably we did not go far enough in some reform measures and too far in others, but I believe that we did achieve greater tax equity will be achieved by the passage of this bill than by its defeat, although it is not without some poten-

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a record about the changes in tax treatment of income from municipal bonds; whether they were provided for the taxation of professional service corporations; the tax treatment of the lump sum distribution of proceeds under employment pension plans; the requirement for minimum distributions of undistributed dividends of cooperatives, and the reduction in the percentage of taxable income for savings and loans to be exempt as a result of their bond purchases.

I am grateful for his answers and his cooperation in attempting to make clear the provisions of the conference report on these matters. I recognize that this bill does have some meritorious provisions. There is some long needed tax reform. Some tax loopholes have been closed. There has been a reduction of the disparity or gap between those that are taxed on earned income, and those who seek the enjoyment of tax shelters from capital gains treatment. I recognize there has been some important reforms. Certain areas of tax fairness are mandatory in a voluntary system such as ours.

Last summer I was delighted to be able to call the attention of my people to the question of tax measure I sent to the other body. In that bill there were actually some reductions on rates. Now it comes back to us and about all we have is an increase in the per capita exemption. I doubt if many of us are happy with the slight increase in these exemptions but, I know we all recognize that we can ill afford to operate our government on a large deficit caused by the loss of revenues at a time of inflation. The House bill, is not inflationary. Through the combination of the reform and the reduction provisions our bill will not contribute to inflation. As much as I would prefer a larger reduction there is still some tax relief for the middle-income groups. Of course one must recognize that we cannot both increase personal exemptions and at the very same time lower the tax rates. Either procedure is costly in terms of revenue forgone, or else some other parliamentary procedure which will give us a chance to express ourselves. We deserve more than to have to swallow this whole package without an expression of our disapproval of provision Y. True, it is a complex and complicated bill. Yet, we should have a chance to show our constituents how we stand on the more important provisions when the roll is called. As it is we are denied that prerogative.

To say what we have just said is not to lessen our confidence in the Great Ways and Means Committee. But neither is it to say that 410 Members of the House who are not members of that committee are incapable of making reasonable recommendations to be incorporated in tax legislation. Over on the other end of the Capitol the other body enjoyed virtual carte blanche on the legislation we now debate. One of the Eastern papers said they had "fun" with the bill and they went "wild" with their changes. But at least they had the right to make the changes. We the Members of the House of representatives or the body closest to the people and most answerable to them have only the right of giving this conference report either the rubber stamp approval or vote it down. If we routinely adopt this conference report then we are surrendering rights and to a degree abdicating our responsibilities to the country. On the other hand if we vote the conference report down then the benefits in the form of tax reform, tax breaks for the disadvantaged, and increases in payments to social security beneficiaries may be indefinitely postponed or denied.

It is interesting to note in the limited time that we have had to examine the conference report, that the agreement of the conferees followed the Senate amendments 111 times. That means in 111 instances the bill was written over in the other body. In Article I section VII of the Constitution which clearly states bills to raise revenue shall originate in the House. If we approve this conference report then we are put in a position of legislating after the fact in an area of responsibility specifically reserved to this body by the Constitution.

Mr. Speaker, I have said before and let me repeat at this point the way we are proceeding today is no way to legislate upon such an important subject as taxes. The House actually provided a small tax reduction in the tax table in the bill which we have been considering and the fact that the surtax was substituted for that a woefully inadequate increase in personal exemption. It makes you wonder what effort was made to relieve the burden of middle income America. Today under the present rules of the House governing consideration of tax bills and conference reports we might not accept this slight relief or get nothing at all.

If there was one reason I would vote against this bill it is because it makes the burden heavier which our small family farmer must bear. For that matter, it makes the burden for the small businessman heavier because of the elimination of the 7-percent investment credit. This percentage of investment credit was the only provision left for our farm family. Now that has been taken away. It is even possible that to offset the small savings due to the elimination of the 7 percent investment credit, the loss of the investment credit repeal, there could be no tax relief at all for our farmers, ranchers and small businessmen. Certainly this will be true in 1970 although there could be reductions in the years to follow.

In the bill which we must approve or disapprove after 2 hours of debate with no specific recommendations, we find those who had the special privilege to write our tax legislation have ordained that the surtax will be continued at 5 percent through next June 30. I have already voted against the surtax upon at least four or perhaps five occasions. I wish it were possible to vote against it again without sacrificing the benefits contained in this bill.

Finally, we come to social security. The bill does provide for a 15-percent increase in benefits paid to social security recipients. I voted for that increase. If there was a reason I would vote against this bill it is because it makes the burden heavier for those who had the special privilege to write our tax legislation have ordained that the surtax will be continued at 5 percent through next June 30. I have already voted against the surtax upon at least four or perhaps five occasions. I wish it were possible to vote against it again without sacrificing the benefits contained in this bill.

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It makes you wonder what effort was made to relieve the burden of middle income America. Today under the present rules of the House governing consideration of tax bills and conference reports we might not accept this slight relief or get nothing at all.

If there was one reason I would vote against this bill it is because it makes the burden heavier which our small family farmer must bear. For that matter, it makes the burden for the small businessman heavier because of the elimination of the 7-percent investment credit. This percentage of investment credit was the only provision left for our farm family. Now that has been taken away. It is even possible that to offset the small savings due to the elimination of the 7 percent investment credit, the loss of the investment credit repeal, there could be no tax relief at all for our farmers, ranchers and small businessmen. Certainly this will be true in 1970 although there could be reductions in the years to follow.

In the bill which we must approve or disapprove after 2 hours of debate with no specific recommendations, we find those who had the special privilege to write our tax legislation have ordained that the surtax will be continued at 5 percent through next June 30. I have already voted against the surtax upon at least four or perhaps five occasions. I wish it were possible to vote against it again without sacrificing the benefits contained in this bill.

Finally, we come to social security. The bill does provide for a 15-percent increase in benefits paid to social security recipients. I voted for that increase. If there was a reason I would vote against this bill it is because it makes the burden heavier for those who had the special privilege to write our tax legislation have ordained that the surtax will be continued at 5 percent through next June 30. I have already voted against the surtax upon at least four or perhaps five occasions. I wish it were possible to vote against it again without sacrificing the benefits contained in this bill.
version of this bill last August. I appeared before the Rules Committee urging at least a modified clone. I believe this is the Ways and Means Committee have their specialists and staff technicians but the time should never come when the general membership of the House has to accept a new work of this committee or their staff on faith alone.

As we come to vote on this conference report we are faced once again with the hard fact of having to swallow the surtax. On the other hand, this conference report provides increased benefits for about 25,000,000 of our older and most deserving citizens. If we oppose this increase because of our abhorrence to the surtax or if we vote against the conference report because of its shabby treatment of our family farmers or the new and hard fact of having to swallow the surtax. Committee or their staff on faith alone.

As we come to vote on this massive measure that a quorum is not present.

The SPEAKER pro tempore. The question was taken; and there appeared to have it.

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.
GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may have 5 legislative days in which to revise and extend their remarks in the Record just prior to the vote on the conference report, and to include extraneous material.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

PERSONAL EXPLANATION

Mr. BROWNE of Ohio. Mr. Speaker, I take this time to indicate that I just missed the vote on the tax reform measure, because I was in the television gallery making a tape on how I voted on the tax reform measure. I would like to state that had I been present and not making that tape, I would have voted in favor of the tax reform measure.

PERSONAL EXPLANATION

Mr. TALCOTT. Mr. Speaker, on the vote on the tax reform bill H.R. 13270, which was just concluded, I was unavoidably detained, so I did not vote, but if I had been here I would have voted "yea."
THE TAX BILL

Mr. LONG. Mr. President, I am informed that the House has agreed to the conference report on the tax-reform bill and that the papers will come to the Senate very shortly. That being the case, I think I shall present a statement on the conference report at this time and call up the conference report when it arrives.

Shortly after this session of the Congress began, the hue and cry for tax reform reached its peak. The Congress responded in full. It has taken this entire session for both Houses of the Congress to complete action on this bill. Although a year may seem like a long period of time, it is incredible that a bill so comprehensive has been completed in the space of 1 year.

The usual course on a measure of this sort is for the House to pass it one year and for the Senate to pass it the following year. Considering the fact that this is virtually a redrafting of the Internal Revenue Code as far as income taxes are concerned, as well as a major social security bill, as well as extension of major excise taxes, one may say that Congress has acted in about one-half the time it normally would take for a revenue bill of this breadth and significance.

In discussing the conference report, I want to direct your attention initially to the tax-relief provisions and the fiscal implications of the bill.

As all Senators know, the bill which the Senate passed increased personal exemptions from $600 to $800. I fought hard for the Senate provision, as that was my responsibility as a Senate conferee, even though I voted against the proposal in the Finance Committee and on the Senate floor.

The Senate conferees prevailed at the end, and the conference agreed to raise the personal exemption to $750. I am proud to say that we were able to retain three-quarters of the Senate-approved $200 increase. In achieving this result, the conference significantly shifted the major share of tax relief to the low- and middle-income taxpayers. The conference bill distributes 87 percent of the net tax reduction to the income levels below $15,000. Actually, because of other features, this gives a slightly larger share of the net tax reduction to those taxpayers than the 85.9 percent provided in the Senate bill.

The major share of the credit for our success in retaining this provision belongs to the senior Senator of Tennessee, my good friend, ALBERT GORE. He introduced the provision for an $800 exemption during the Finance Committee's executive session, where he lost by a tie vote. Then he brought it to the Senate floor where his powers of persuasion convinced a majority of Senators to put the provision in the bill. In the conference, he directed his persuasive powers to the
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House conferees, and he won them over to his side.

The Senate conferees did agree to a slower rate of increase in the exemption. This concession, however, was made in the face of the obvious fiscal needs of the Federal Government. The Senate conferees saw no choice other than spreading the increase of the personal exemption gradually over a 4-year period.

The theme of fiscal responsibility dominated the discussion. It was vitally important that the conference produce a bill that showed surpluses in the fiscal years as large a deficit as possible in the third year. Those years are critical in the fight against the inflationary pressures that still persist in the economy.

The fiscal responsibility in the conference agreement is evident if the Senators examine the figures. In the conference bill, there is a net surplus of $6.5 billion in 1970. This is the result of the tax reform provisions, the extension of the income tax surcharge and excise taxes, and moderation in the amount of tax relief provided in 1970. Even in 1971, there is a surplus of $309 million. While this may be a small surplus, it is a significant revision from the $4.8 billion deficit in 1971 in the bill passed by the Senate. Although the bill still shows a deficit in 1972 of $1.8 billion, this too is a substantial reduction from the $6.3 billion deficit in the Senate bill.

Another measure of the substantial degree of fiscal restraint represented in the conference bill can be seen by comparing it with the administration's program presented by the Secretary of the Treasury to the Finance Committee this fall. The administration's proposals showed a net surplus of $7.1 billion for 1970; the $6.5 billion in the conference report comes close to this, representing a difference of less than $600 million. In 1971, the Senate's program showed a net surplus of $615 million, while the conference bill has a net surplus of $293 million—a difference of only $322 million.

The most significant fact, however, is the comparison of the figures for 1972. The conference report actually shows a deficit of $1.8 billion in 1972, which is $480 million below the 2.3 billion deficit in the administration's proposals. This means for the 3-year period the difference in the fiscal impact of the conference report and the administration's proposal is less than $500 million.

Let me turn now to a brief examination of the major relief provisions in the conference agreement. The Senate bill provided a minimum standard deduction that would become a flat $1,000 per tax return in 1971. That is also the final level reached in the conference report.

The Senate bill also assured that single persons would pay an income tax no more than 20 percent above the tax paid by a married couple with the same taxable income. Just, too, the Senators will find in the conference report.

One feature of the House bill carried over to the conference agreement was an increase in the standard deduction that reaches its maximum level in the third year. This was removed by the Senate when it adopted the Gore amendment without much specific consideration. The discussion at that time was largely on the question of the relative merits of the personal exemption increases and the rate cuts.

Actually, this provision complements the $750 personal exemption and $1,000 minimum standard deduction in simplifying the filing of an income tax return by taxpayers with relatively low incomes. Presently, many of these taxpayers find it necessary to go through the laborious process of keeping records to itemize their deductions. A standard deduction of 15 percent, with a ceiling of $2,000, coupled with the minimum standard deduction, means that many taxpayers will be able to shift to the simpler standard deduction—some 11 million taxpayers.

For the relatively small additional revenue cost of $1.6 billion, it will be possible under these provisions for us to increase from 55 percent to 73 percent the portion of our taxpayers using the simple standard deduction.

The final feature of the conference agreement in the area of tax relief may be viewed by some with mixed feelings. However, the House conferees were insistent on the adoption of the maximum tax rate on earned income that was in the House bill and which had been deleted by the Finance Committee. They viewed it as essential, in view of the absence of all other rate reductions. Senators should note, however, that this is substantially different from the House version, since the income subject to this preference is reduced by all of a taxpayer's tax preferences over $30,000.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

(Preliminary discussion, see House proceedings of today.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. LONG. Moreover, the tax characteristics of the maximum tax that even the most robust tax reformer should admire. By limiting the maximum tax rate applied to earned income to 50 percent—beginning in 1972—the high-income taxpayer who is willing to forgo the benefits of tax preferences, is encouraged, as his income rises, to continue devoting his energies to productive pursuits—rather than search for tax shelters. The opportunity to retain half of his earned income. The Senate conferees were persuaded that this provision would substantially decrease the inducement for these taxpayers to waste their energies in seeking tax shelters.

Let me turn now to the tax reform measures which after all took most of the time in conference. The conference spent about 45 hours in conference last week—including one session which began at 9:30 in the morning and lasted until 3 a.m. the next morning. About 40 of those hours were devoted to the tax reform provisions. I want to discuss now with the Senators the major features of the compromises we ironed out in these areas.

In the private foundation area, most of the Senate measures were preserved. First, the conference preserved the Senate provision requiring foundations to pay out annually an amount equal to at least 6 percent of the value of their assets.

Second, the House bill contained strict stock divestiture rules that applied to existing foundations as well as those established in the future. The Senate amendment, however, reduced the severity of the rules that applied to existing foundations, and the conference retained much of the Senate rules in this respect.

Both the Senate and the House bills levied taxes on foundations, the Senate primarily to defray the costs of annual audits of foundations and their activities. The purpose of the audit is to assure that all foundations, without exception, act in conformance with their ex-
empt purposes. The audit-fee tax of the Senate bill after the first year would have equaled about 1 percent of investment income. The House, on the other hand, would have imposed a 1 1/2-percent tax on foundation income. Obviously, they were interested in something more than an audit-fee tax. The conference agreed upon a 4-percent excise tax measured on income which is much closer in this respect to the Senate version than to the House version.

In the area of charitable contributions, the Senators will be glad to learn that the Senate conferees succeeded in preserving the Senate provisions relating to gifts of tangible personal property to such exempt organizations as museums. The House bill would have taxed the appreciated value of such gifts as paintings, art objects, and collections of books, and as a result would have substantially discouraged them. The House receded with respect to this provision with an amendment limiting the gifts qualifying in this manner to those related to the exempt function of the donee institutions.

In the area of charitable contributions of estates and trusts, the Senate conferees also prevailed with respect to virtually all the Senate amendments. These amendments restored the deduction for income of trusts and estates set aside for charity. They also restored the deduction for investment pool arrangements under which the public charity pays the donor the income attributed to the value of the contribution for his life so long as the pool accumulates capital gains for the benefit of charity.

In the area of farm losses, the Senate conferees prevailed with respect to all but one of the amendments on this subject. Under farm resistance from the House conferees, the Senate conferees agreed to the House provision that requires an excess deductions account for farm losses in excess of $25,000 for taxpayers who receive more than $100,000 of nonfarm income. The House resisted this provision because it makes the full deduction available currently and only later converts capital gains into income. I am glad to say we did not prevail on this because I think we had the simpler and more logical provision, but we can consider revising this in the future.

The Senate deleted from the House bill a provision that would have limited the deduction for interest expenses to an amount equal to the sum of the taxpayer's net investment income, the farm capital gains and an additional $25,000. The House conferees were quite insistent on this provision, so we had to compromise on our differences. Instead of being denied the interest expense deduction when it exceeds the limit placed in the House bill, the taxpayer will continue to be able to deduct 50 percent of this excess. Moreover, it will go into effect after 1971. The conferees also agreed to other ameliorating amendments in this area.

The Senate minimum tax provision was preserved largely intact. Only minor modifications were made. I am glad to say the House receded from its compi-
shift to straight-line depreciation, or possibly normalization from the flow-through method of depreciation for all its facilities without permission of the utility. All such changes win 180 days after enactment.

The conference report accepts that principle but applies it only to new facilities that increase the capacity of the utility to serve its customers. All but one of the remaining Senate amendments were preserved.

In the area of percentage depletion, as Senators might suspect, there were problems in resolving our differences. At the end of the conference, the House proceeded in preserving the major characteristics of the natural resource provisions of the Senate bill. Apart from oil and gas, which were reduced from 27½ percent to 22 percent, the conference reduced percentage depletion rates in two categories by only 1 percentage point. All the others remained unchanged. Natural resources which presently receive a 23 percent depletion allowance will receive a 22 percent depletion allowance in the future. Oil and gas wells now are also included in this category. The conference also restored the 22 percent depletion allowance for foreign deposits of oil and gas. Minerals presently receiving a 15 percent depletion allowance will be reduced to 14 percent, except for five minerals whose depletion rates were not changed. The conference restores the 22 percent depletion allowance because the House had earlier decided that these possessed certain critical characteristics. These are gold, silver, oil shale, copper, and iron ore from domestic deposits.

The House conference also agreed to the Senate provision permitting percentage depletion on minerals taken from salt ponds, lakes—but of course do not intend that any inference as to present law be drawn from this action.

The Senate conference did, however, yield on the two Senate amendments which would have reduced the 50 percent income limitation for gold, silver, and copper to 70 percent and to 65 percent for relatively small-scale producers of oil and gas. The Senate conference rejected these and with them went the House amendments, but the House members were unwilling to raise the net income limitation above 50 percent.

The conference report insists on taxing distributions from qualified pension plans as ordinary income to the extent they represent compensation paid directly by the employer. An averaging provision was deleted to the bill, however, that permits averaging over a 7-year period of the portion of the distribution subject to taxation. Actually, the pensioner with modest distributions will find his taxes reduced below present law treatment.

The floor amendments by Senators Sparkman and Tower with respect to real estate depreciation were the major issues in conference in the area of depreciation. While the Senate conference found it necessary to accept modifications of the floor amendments, the conference preserved the significant provisions that it is hoped will encourage increased investment in housing. The conference report allows 125 percent declining balance depreciation on used residential housing with a remaining useful life of 20 years or more. Where the House bill provides for full recapture of the excess of accelerated depreciation above depreciable property, the Senate conference limited the recapture on residential property that has been held more than 100 months.

The Senate's recognition of the present critical state of the municipal bond market prevailed in the conference. The House with considerable reluctance receded from its provision for a subsidy on the purchase of municipal bonds by State and local governments. In order to avoid further upsets in the municipal bond market, the conference also agreed to delete the provision that requires persons who receive interest on tax-exempt bonds to file an information return. The conference also preserved the Senate version of the provision relating to arbitrage bonds, with only a minor amendment. The conference restored the House conference refused to consider any exceptions to repeal of the investment credit. They insisted that the repeal be absolute and further objected on the grounds that the Senate bill would allow larger credits. Harkness and Stevens would lose too much revenue at a time when revenue is critical for the anti-inflationary policy.

The Senate conference preserved all but one of its transition amendments, however. Instead of the House provision which decreases the investment tax credit on a month-by-month basis for equipment placed in service before October 1, 1971, the conference provides that the credit will be available for eligible property placed in service before January 1976 without this phaseout. All of the four provisions providing for rapid amortization were preserved. The Senate versions of the amortization of pollution control facilities was accepted by the conference without amendment. The 5-year amortization for the roads also was changed significantly by the Senate but was accepted with only one amendment; namely, that limiting 50-year amortization to expenses for pollution control by September 1976 and our provision in general was piecemeal recognized of the President's recommendation.

We were able to get the House conference to agree to important provisions, which will insure that those social security beneficiaries who also receive public assistance will get some benefit from the social security increase. About 1.4 million welfare recipients also receive social security benefits.

First, the conference agreed to require States, in determining need for welfare, to disregard the retroactive social security increase that made no beneficiaries in April.

Second, the States will be required, in determining need for welfare payments, to disregard §4 of the social security increase under April, May, and June 1970. This will allow time for the Congress to consider broader and more comprehensive changes in the welfare programs.

The conference report provides that the increase will be effective January 1970, but because of the time required to process the increase, the first check with the higher amount will be sent early in April. Another check mailed in April will include the increases not included in the earlier checks.
increase to raise payments to assistance recipients who do not get social security by $4 a month. The conferences would hope that all States would do so.

Mr. President, this completes the summary of the conference report. It has been the invariable practice of the Senate in conference to consider the most important tax bill in the decade. In my opinion, this is a fine bill and it represents comprehensive tax reform. Hardly a major tax problem has gone unmet. Interest income from tax-exempt municipal bonds is the only exception, but in the case of this provision other serious considerations are involved.

The Senate's intent upon tax reform. That objective has been realized. I urge the Senate to adopt this conference report.

I want to pay my highest respect to the Senators who served as conferees on this important tax reform bill. They defended the position of the Senate vigorously, and on those occasions when we had to recede, it was generally done reluctantly.

The major amendment in conference, as well as a number of others are properly referred to as the Gore amendments. So much so that it would be false to recite to the House the version of the bill as the Gore bill. His approach of cutting taxes by increasing the personal exemption rather than by reducing rates was accepted by the House conferees. Most of the Gore amendment remains in the conference report. Knowing as I do how jealously the House conferees look after House amendments in our conferences with them, I can appreciate more than most people how significant it was that no serious thought was given to revising the House approach of tax reductions through rate changes.

The junior Senator from Georgia (Mr. Talmadge) was particularly helpful and persuasive in resolving most of the more difficult problems in the bill. His contribution is always significant, whether it comes on the Senate floor or in committee sessions. He is an invaluable asset to the committee.

I regret that Senator Anderson, who was the lead on the conference on this bill, was ill and unable to attend the conference. However, he was consulted with respect to a number of compromises being worked out, and he advised me that he approved of the conference agreement that was worked out.

Senator Anderson has always been a stalwart in our conferences, and I may say that I very much missed him very much this year. I am pleased that he has endorsed the conference agreement that we have before us today.

I want to also applaud the tremendous effort by the Senator from Nebraska (Mr. Curtis), and the Senator from Iowa (Mr. Miller). They approached their work on this conference with a dedication unmatched by any of the major conferees. The Senate version of the bill at anytime in my recollection. Time and again they added materially to the discussions on the various provisions of this most intricate bill, and I might say that the bill we have before us today is a better bill because of their contributions. In addition, I must note the importance of the efforts of Senator Miller to make the minimum tax more equitable. That the bill presently contains a minimum tax. His suggestion was a substantial improvement of the minimum tax as originally reported.

It has been a long time since I have seen a fine bill and it represents comprehensive tax reform. Hardly a major tax problem has gone unmet. Interest income from tax-exempt municipal bonds is the only exception, but in the case of this provision other serious considerations are involved.

The chairman, the Senator from Louisiana (Mr. Lister), has given us an excellent conference report. Knowing as I do how jealously the House conferees look after House amendments in our conferences with them, I can appreciate more than most people how significant it was that no serious thought was given to revising the House approach of tax reductions through rate changes.

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setting proposals he can support. For me, the positive values overbalance those I would criticize, and I will vote for the bill, knowing that this is not the first tax bill the Congress has considered nor will it be the last.

The things in the bill which we do not like and which some of us feel may turn out to be serious and dangerous policies will probably be the reason for the next tax-reform bill somewhere down the road.

I hope that my colleagues will take the same position so that the report can be adopted quickly.
TAX REFORM ACT OF 1969—CONFERENCE REPORT

The Senate continued with the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. FULBRIGHT. Mr. President, I compliment the Senator from Louisiana, the chairman of the Committee on Finance, of which I have the honor to be a junior member, upon bringing back to the Senate a bill which I believe is excellent. In view of the great difficulties which have been encountered in this matter, not only recently but also earlier this year, on controversial matters, I think the Senator from Louisiana has done a first-rate job. I compliment him on his patience and ingenuity and whatever else it takes to get a bill through this body and a conference with the House.

While I am on this subject, I want to say that when I think about the difficulties we had earlier this year, in July and August, with regard to the extension of the surtax and tying it in with this bill, I believe the judgment of the majority leader in holding it up until we got the tax reform bill contributed greatly to the satisfactory result we now have before us; and I do not anticipate that there will be any serious question about it.

I am sure there never has been a tax bill with which everyone has been happy. Everyone is touched by it. There is a natural tendency for everyone to feel that someone else should pay his taxes, or more than he pays. I did not support a number of measures in this bill for various reasons, some a matter of judgment, some a matter of interest to one's constituents—all these matters go into making up the various judgments we
make; but, on the whole, while it has many compromises in it, I believe it is a first-rate bill.

I should like to ask the Senator from Louisiana about one minor matter. I sent it to the committee. It so happens that many compromises in it, I believe it is a make; but, on the whole, while it has

This amendment by the Senate affecting my wife happened to play a part in the local legislation. The Senator allow me to ask one or two questions?

Mr. LONG. Yes.

Mr. FULBRIGHT. I ask the Senator whether the conference report contains an amendment by the Senate affecting the taxation of organizations, such as thrift shops, which sell merchandise received as gifts or contributions. As the Senator knows, all profits from the Thrift Shop in the District of Columbia inure to the benefit of Children's Hospital, St. John's Child Development Center, Columbia Hospital, the Hospital for Sick Children, University Health Center—all of which are charitable institutions in the District of Columbia. This amendment is discussed on page 70 of the Finance Committee report on H.R. 12370. As reported from the conference, and as

This certainly was my intention in introducing this amendment at the request of the local charitable organization, I intended it to be effective not only for future years, but also to affect, I think, the last 4 years in which this liability was suspended. I believe they were subject to it at all.

The provision by its terms is not retroactive, but I think it is clear that Congress believes prior law should be interpreted as covering this situation. I would hope that the Treasury would apply our rule to the past as well as the future.

Mr. FULBRIGHT. I thank the Senator. That is certainly was my intention in introducing it. Since this Thrift Shop is run entirely by voluntary services and these gifts are made by anybody, it certainly would be a great disservice, I think, to all those institutions if it were not interpreted as the Senator believes it was intended it should be; and I hope that the Treasury will follow that advice. I corresponded, the Senator's assurance, and I know that those who volunteer their services and make gifts to the Thrift Shop, as well as those who benefit by these contributions, will be grateful.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. MAGNUSON. Mr. President, the conference committee that was appointed the Thrift Shop amendment in the so-called Gore amendment, which I opposed, and the needed reduction from the so-called Percy amendment, which I also opposed. The conference committee is especially interested in this important field. I am glad that we will have an increase in personal exemptions—first since 1948, which I strongly supported—but I am particularly glad that on these major issues, so large or so immediate as to bring disaster to our fiscal situation.

So far as the 15 percent increase in the social security payments is involved, the conference committee is to be commended for deleting from the Senate action on this subject the amendments which were voted on the Senate floor by which the total amount of social security payments would have been increased beyond 15 percent. I am glad that as a result of the action of the conference committee those many citizens and other organizations dependent on these increased social security payments would have received an added 15 percent to their current payments after January 1, 1970, which increase is in an amount that can be justified without doing damage to the pool from which social security payments are made.

May I also express my appreciation to the distinguished Senator from Louisiana, the distinguished Senator from Utah, and our other conferees because they retained the two modest amendments which I offered during debate, one of importance to our citrus industry, not only in the State of Florida but also in Texas, Arizona, and California, and the other that prohibits levying on that part of a taxpayer's earnings, required by judgment of a court of competent jurisdiction, entered prior to the levy by the Internal Revenue Service, to contribute to the support of his minor children.

It is a pleasure indeed to be able to vote for this important measure, because we have done a hard job splendidly performed by the conference committee in correcting most of the unsound actions that were taken on the floor of the Senate. The hard-working conferees are entitled to the grateful thanks of our entire Nation for a hard job splendidly performed.

I thank our conferees warmly.

Mr. MILLER. Mr. President, the Tax Reform Act of 1969 has been passed by the House of Representatives by a vote of 381 to 2.

As one of the conferees who signed the report, I believe that, on balance, this report should be agreed to by the Senate.

In a bill running some 550 pages in length, it is understandable that each of us could approve many items while, at the same time, be opposed to others. One has to balance the good with the bad and make a judgment on which weighs more for the Nation.

The two items on which I believe the Congress has fallen down the worst are:

1. The increase in the personal exemption from $500 to $750—paid in over several years, with an effective in-
crease for 1970 of $25. The increase is to $650 effective July 1, which means a $35 increase for the year as a whole; and secondly, increasing the amount of social security benefits without also providing an automatic increase in cost of living to protect our social security recipients from the hardship of future inflation, if it occurs.

As I pointed out on the Senate floor during debate on the bill, Increases in the personal exemption give unhealthy, high tax bracket taxpayers the major tax benefit, while those in the low tax bracket receive relatively small tax benefits. Thus, the $25 increase in the exemption for calendar year 1970 will give a person in the 15-percent tax bracket a tax benefit of $3.75 per exemption; whereas the person in a 70 percent tax bracket will receive a tax benefit of $17.50 per exemption. When the Increase from $600 to $750 becomes effective in 1972, the person in a 15-percent tax bracket would receive a tax benefit of $112.50 per exemption; whereas the person in a 70 percent tax bracket would receive a tax benefit of $525 per exemption.

This is regressive taxation, and at the time a majority of my colleagues voted for the so-called Gore amendment, I warned that they were, in effect, voting themselves a pay increase, because, on an average, Senators are in a 50-percent tax bracket. This means that under present law, with a $600 exemption, they receive a $900 benefit, $300 of which is for an exemption; and with a $750 exemption, they would receive a $375 tax benefit.

For this reason, Mr. President, I wish to serve notice that I shall keep trying to have the automatic cost of living increase provision put into the social security and railroad retirement acts.

Apart from these two serious defects in the Tax Reform Act of 1969, as presently before us in the conference report, there are many fiscal improvements in the tax law. This bill contains the greatest tax reform ever written into a bill since our income tax laws were placed on the books. Numerous tax loopholes and tax minimization or tax avoidance provisions in the law have either been eliminated or considerably reduced, thus providing a much more fair overall base against which to tax income of all individual and corporation. Some of these reform provisions may well have gone too far, and, if they have, the average taxpayr, who has not been able to find that consumer costs will increase. But overall, we now have the fairest base for the income tax in history.

This is a most important consideration, because if Congress has gone too far in revenue losing, tax relief action, bearing these observations in mind, I hope my colleagues will join me in voting for the conference report.

Mr. MOSS. Mr. President, I intend to vote for the conference report and I shall do so gladly just as I voted for the bill that the Finance Committee brought before the Senate when we passed it and sent it to the House.

I wish to commend the chairman of the Finance Committee and its members, especially the conferees who sat in the conference with the House in a most difficult situation and put a bill together, each about as thick as a small telephone book, the committee and its staff of tax experts, and the staff of tax experts from the Treasury Department. Anyone familiar with the deep complexity tax field knows that all of these people should be congratulated at least as much as those who voted for the Finance Committee.

I am gratified that the conference accepted by minimum income tax approach, which my colleagues in the Senate so strongly supported. It is relatively simple and will go a long way in making sure that high income individuals will pay their share of the tax. It will end the operations of their Federal Government. As we know, Interest from tax-exempt bonds issued by States, municipalities, and school districts is not included in the list of tax preferences for purposes of the minimum income tax. This resulted from the overwhelming opposition of the Governors of the 50 States, the mayors, and county commissioners, and other affected organizations.

It was pointed out that to tax these securities would force these governments to apply the tax against a far larger interest field which, in turn, would force an increase in the property taxes needed to pay holders of the securities. Moreover, by making some changes in the Federal estate tax later on, I believe we can probably make up for this deficiency in the income tax law. Aside from this, however, tax preferences will not enable people to escape paying tax. Bearing these observations in mind, I hope my colleagues will join me in voting for the conference report.

Mr. MOSS. Mr. President, I intend to vote for the conference report and I shall do so gladly just as I voted for the bill that the Finance Committee brought before the Senate when we passed it and sent it to the House.
Mr. President, I think that the bill which has been achieved is a great step forward. It has been said, and I repeat, that this is of course the greatest overhaul we have ever made of the Federal income tax law. As Senator Gore pointed out last night, it is a monumental overhaul. Those who have chosen to say that this is a do-nothing Congress are answered eloquently in just this bill alone. Had this Congress accomplished nothing but the enactment of this bill, the 91st Congress would have gained a reputation for being an effective Congress—certainly not a do-nothing Congress in that sense of the word.

I want to call the attention of the Senate to the wisdom of the leadership of the majority leader in insisting, earlier in the session, that we proceed with tax reform at the same time we proceed with the surtax extension. He asked, and many supported him, that we should proceed with the surtax, and put off until next year and the long election year the question of tax reform; but the majority leader said that we will proceed with tax reform at the same time we proceed with the surtax extension. That was done.

What we have done has been to extend the surtax. The second part of it is contained in the conference report. We have achieved a good measure of tax reform. I suppose every Senator would write the bill a little bit differently if he had the chance to do so. What we have had to do is operate in a legislative situation, with many sources of input, many objections, and many pressures; and of course we are a bicameral legislature, and thus we deal with the other body and with its points of view. But out of all this, a consensus bill on the surtax was relief to those who are most in need of it. We have plugged up some of the loopholes and done away with some of the inequities. The bill will bring in additional revenue to the Treasury Department, especially in the short term when it is so important, as we have been told, in trying to control inflation.

Finally, it seems to me that two of the great changes made by amendment on the floor of the Senate have remained in the bill and they are of the greatest importance.

One is the 15-percent increase in social security benefits effective the first day of January 1970. In view of the continued inflation we are having, this is certainly not what we did not have to wait until April 1. We did not have to scale it down to 10 percent. We gave the relief in this bill, and that was put in by amendment by the Senate.

The other thing is the amendment of the Senator from Tennessee (Mr. Gore). It has been modified somewhat by the conference report; but there is still a question of tax relief that people will understand and will feel directly and immediately.

I compliment the Senator from Tennessee most highly for having stayed with his amendment, the Senate for having stayed with it, and for keeping it in large part in the bill. It makes it a much better bill. I think that was a great overhaul of the tax structure.

I agree with the Senators that much still has to be done. Certainly we will have an opportunity in future sessions to look at particular parts of the bill, but this has been a great effort made to understand the interests of the over-all tax structure. I hope we can continue to improve it, to make it more equitable, to bring in the funds needed for this great government, and to accomplish with that a more balanced and equitable financial picture for all our citizens.

So I gladly support the conference report. I compliment those who have brought it up to this stage.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. MOSS. I yield.

Mr. PASTORE. I wish to associate myself with every single word that has just been uttered by our distinguished colleague from Utah, and to emphasize at this juncture that I think the efforts of the Policy Committee, under the able leadership of our distinguished majority leader, did in fact show his insistence at that time that we would not consider a further extension of the surtax unless that extension was coupled with and accompanied by tax reform, that if we allowed a further extension of the surtax, we might never reach the day when we would reform our tax structure.

I am very glad to join Senator Moss in the observations he made in congratulating the conferees for the splendid conference report, but here is a measure contained in the conference report, but here is a measure of the tax structure.

I commend the Senator for the statement he has just made.

Mr. MOSS. I thank the Senator.

Mr. President, I yield the floor.

Mr. BIBLE. Mr. President, Mr. President, first I endorse what the distinguished Senator from Utah and Rhode Island have said about the conference report that is before us this afternoon. I in particular want to compliment the chairman of the Finance Committee and the other members of the committee, on both sides of the aisle, for the work which they have done in bringing forward today the bill which is before us for our final action.

As chairman of the Parks and Recreation Subcommittee of the Committee on Interior and Insular Affairs, I have some familiarity with the establishment and creation of park and recreation areas, lakeshores, and seashores throughout the United States.

I have discussed this matter preliminarily with the distinguished chairman of the Finance Committee. In the final version of the tax bill as a result of the conference, which now, of course, has been adopted by the House and the House of Representatives and is now before us for action, there is section 4945(e), which deals with the taxation of foundations attempting to influence legislation.

The act establishing the National Park Foundation to provide the donation of land, money, or other assets to the Foundation to obtain park properties which are needed for park purposes and donating or selling them to the National Park Service prior to authorization by the Congress in order to prevent escalating land costs.

Concern has been expressed that acquisition of lands or facilities by any Federal agency for the establishment, enlarging, or improving of public parks or recreational facilities and acquiring, preserving, or restoring historic properties through an organization such as the National Park Foundation could constitute lobbying.

This, in my judgment, would be the wrong interpretation. If it were so, it would adversely affect our parks and recreation programs in many areas of the country. Just recently, I may say to my distinguished seat mate in the front row, the Senator from Florida (Mr. Holland), we used this act to acquire lands in the Everglades to round out some holdings. We have not acquired all of them yet. We have successfully used this foundation in other similar situations.

So the question I would like to ask the distinguished chairman of the Finance Committee is as follows: Is there anything in the National Park Foundation operation which would be frustrated by the bill coming out of conference, or have we today, which would adversely affect our parks and our recreation programs?

Mr. LONG. Mr. President, this matter was discussed by the conferees and they felt the bill would not affect the present practice. The bill restricts activity relating to legislation, and it has no effect on executive departments engaged in the purchasing of park lands. The fact that the department of corporation and appropriation does not alter the fact that the actual purchase is purely an executive, not a legislative, action.

Mr. BIBLE. Mr. President, I am pleased to make that legislative record. I think it conforms with the practice. I could not believe there would be anything in this foundation section of the tax bill that would be adversely construed with respect to acquiring park and recreation areas throughout the Nation. I appreciate not only the attention which the conferees paid to this matter, but the assurance which the Senator from Louisiana has given.

Mr. TYDINGS. Mr. President, I would like to take this opportunity to speak for a few minutes on the Tax Reform Act of 1969.

First of all, I think it is important for the American people to know, as the members of this body know, that there would have been no Tax Reform of 1969 if it had not been for the distinguished majority leader of the Senate (Mr. Mansfield), who refused to go along with pressure from enumerable sources, including the administration, earlier this year, when they wished to repeal the investment credit tax without any tax
reform for the American taxpayer as a whole.

When Senator MANSFIELD made the decision to hold solid for a tax reform for all of the citizens of the United States, he made this final tax reform possible.

I think that the work of the distinguished chairman of the Senate Finance Committee, Senator RUSSELL LONG, who held long hours of hearings from August through October, when the bill was reported, is a great credit to him and to the Finance Committee.

I think the distinguished chairman of the Senate Ways and Means Committee, Mr. WILLIE MILLS, who provided the leadership on the other side, will long be remembered and appreciated.

I certainly concur in the words of the Senator from Utah (Mr. MOSS), who said that if the first session of the 91st Congress had done nothing else but pass appropriations bills and pass this Tax Reform Act, the American people would have been justified in calling it a great piece of legislation accomplished in this session.

There has been some criticism on some fronts that this legislation is inflationary. I challenge the editorial of the New York Times. I think that the present tax law holds.

All the rhetoric of the minority leader of the Republican Party in the House has been his position to repeal the surtax; the Republicans campaigned on a platform of reducing the national debt.

We had the power to amend, a privilege that did not exist for the House of Representatives, as we should appreciate the members of the Committee espoused sectional or geographical concerns, only to the detriment of fair, across-the-board sharing and apportionment of tax reductions.

I have had a substantial piece of legislation before me, and they have continued to be reviewed and revised. I think that the average American taxpayer in Maryland, Senator GORE, we thank you. We think this bill is a great service to our country, and one that was long overdue but one that will render benefit for a generation.

I wish to point out also, at least for the Recorp, the tremendous amount of work the committee members did on this bill, day after day, night after night, and I wish to express my very profound appreciation to the members of the Committee on Finance of the Senate, and, of course, the members of the House Ways and Means Committee as well; but I personally know about what the members of the Senate Finance Committee did. I think they have rendered a truly great service to our country, and one that was long overdue but one that will render benefit for a generation.

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This is a subject I have never gotten into. I do not understand the technical phases of taxation. But I do realize what it means for the economy. I have not had much contact with many of the amendments that have been made over the years. One reason is that they have passed up a group of people that I have thought is entitled to the most relief in the form of increased personal exemptions. That is, the first ran for the Senate, I promised that I would try to raise the $600 exemption. I told the people that I would seek to have the exemption increased. I meant it. I tried to do it, I voted for it many times, but always it was lost in conference: the tax relief went off in another direction to another group.

This process has really gotten down to the fellow who counts, those who feel it, and will appreciate it, too.

I commend the distinguished Senator from Tennessee (Mr. GOSS). I do not know what has been stated earlier, but he made the difference for success in this personal exemption increase. He opened the way; he opened the door, and we must have that door opened wide; we must not be content with anything less than we have heard about here throughout this session. I do not know anything about his skill in debate, but I know something about his skill in debate, because I have had some of it displayed against me. So I appreciate the skillful way that he handled the battle for the increase in personal exemptions to the end, causing it to survive the conference.
The committee had much good help in bringing back the report from conference. I am proud of our friend from Louisiana (Mr. LONG), who reached a pinnacle in the way he handled the bill in the Finance Committee from Nebraska (Mr. CURTIS). I know that he has worked hard on the bill, as has also the ranking Republican member of the committee, the Senator from Delaware (Mr. WILLIAMS), and also my special friend from Utah (Mr. BENNETT). I have spoken often with the Senator from Georgia (Mr. TALMADGE) about the bill and order of his work and contribution. I have personal knowledge of what he has done. I mention them because of my personal contact with them. We are grateful to them and to all other members of the committee.

As I have said, I feel that the distinguished Senator from Tennessee (Mr. GORE) made the difference on the bill so far as personal exemption increases are concerned. He fought on behalf of a group of people who have long been overlooked.

Some of us wish to make a new start and an approach nearer to justice for that great body of people in our society who are the backbone of support for our churches, schools, and communities. As one Member, and as a citizen, I am most appreciative.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. STENNIS. I am glad to yield.

Mr. FULBRIGHT. I wish to join the Senator from Mississippi. I said a few words a moment ago, but I wish to join him in paying tribute to the distinguished Senator from Tennessee (Mr. GORE), who carried the greatest burden in the matter of increased exemptions.

I also wish to pay particular tribute to the staff. Mr. Woodworth, of the joint committee, and his associate, Mr. Vail, of the committee staff, really bore an even greater physical burden than the Senator. The committee could not have functioned at all without their extraordinary knowledge of the substantive matter, because there is no bill that has ever been associated with that is more complex and more difficult for Senators who have not had special training in this area to grasp than a tax bill. Therefore, the staff is all the more important.

I did not want to lose this opportunity pass without paying tribute to Mr. Woodworth and to his very good assistants, including Mr. Vail. They have done a great job in helping the chairman and the other members of the committee.

Mr. STENNIS. Mr. President, I join in what the Senator has said about the importance of the staff. So many of our committees have received great assistance from the staff members. I have said that the Senate moves on the wheels, as it were, supplied by the staff and that the staff members have given us.

Mr. FULBRIGHT. If it moves in the right direction, it does.

Mr. HARRIS. Mr. President, I join in the comments that have been made here. I particularly want, as a member of the Finance Committee, to commend the distinguished chairman, the Senator from Louisiana (Mr. GORE).

I told him the other day, while commenting with him after 2 or 3 days of conference, what the senior Senator from Minnesota (Mr. McCARRHY) told me and I wished to point out to him at the beginning of the bill that he had the long we has been involved in the bill this year. Senator McCARRHY said this experience reminded him of what Tommy Gibbons had said after going 15 rounds with Jack Dempsey. He said "I never got so tired of looking at one man in my life."

I think that is how the Senator from Louisiana must have felt after going through the lengthy hearings, the execu-tives and the seniors in the executive session in the bill, and days of debate on the floor, and then finally the conference.

I think that while he may have been tired from time to time, and not particu-lary happy about the action on the Senate floor, as many of us were unhappy from time to time, the Senator can feel very proud of himself and of this product of his leadership today.

I think it is a major accomplishment. It obviously could not have occurred except for the leadership and the hard work and persistence of the distinguished Senator (Mr. GORE) and other members of the Committee on Finance, I am very pleased to have this opportunity to honor his leadership.

Also, I wish to point out that I cer-tainly agree with the distinguished Senator from Rhode Island (Mr. PASTORE) and others in saying that this would not have been possible if it had not been for the actions taken by the distinguished Senator from Montana (Mr. MANSEFIELD), and the position that he and others of us took in the Senate earlier this year. We believed that no one in this country could, as he could, go into this country to carry the burden of the surtax and any part of it over another 6 months or a year, unless we could all the same time assure them that they would have some realistic tax relief or tax reductions during this session of the Con-gress.

Mr. President, without the assistance of the majority leader, I do not believe we would have ever accomplished this goal. I doubt that anyone disagrees with that statement.

I honor the distinguished majority leader for the position which he has taken on this issue throughout this ses-sion. He is certainly entitled to the gratitude of the Senate and of the country.

Mr. President, a great many people ought to be pleased with the results we have here today. However, I want to single out, as others have, the dis-tin-guished Senator from Tennessee (Mr. GORE).

I recall that when he first began to talk about raising the personal exemption, there was not very much support in the Finance Committee for the idea. And there was not very much hope that it could be done.

I was one of those who was doubtful. However, he kept on with his argument. He kept on refining the idea until I, like the majority of the Senate, came to believe—as obviously a majority of the people in the country believe—that the Gore amendment is the best way by which we can give such much needed tax relief to the American people.

The Senator from Tennessee is honored in the Senate and all around the country for bringing that increase in personal exemptions.

There is a great deal about the bill that I believe will be a credit to us all. I am pleased that it includes a 15 percent increase in Social Security benefits without an increase in the rates. I think that meets a great need.

I am pleased that we have given so much needed tax relief and tax reduc-tions to the overburdened lower and mid-dle income taxpayers.

I know that there are those who believe that the kind of determination of priorities that is contained in the bill is unwise at this time. I am not one of those. As I said in one of those who feel that a great deal must be done on the whole front of social issues. But I do not believe we will be able to do what ought to be done on the tax side without doing something also for the lower and middle income taxpayers feel they are being more fairly treated by the tax system of our country. They have not felt that way in the past, and they have been right in not feeling that way.

I believe that we will have a much better chance in getting the lower and mid-dle income taxpayers to help do these things that must be done in this that by reason of the fact that the tax laws of this country, which were more regres-sive than they should have been, are now more progressive than they were.

I believe that was a major accomplishment and one which is a condition pre-cedent to our moving on so many of these other fronts that need our attention, as I have said before in the Senate and else-where.

I am pleased that we will have tax re-form and the most important tax reform, I think, that we have had in the last 25 years, than not palatable in the present bill, in the conference. I would have done certain things; I would have gone 15 rounds with Jack Dempsey.

It means that the people who, up to now, have not been paying their fair share will be paying their fair share, or at least will come a lot closer to it than they have in the past.

As a member of the Finance Commit-tee, I have watched this development in this year, which has been right in not feeling that way.

Mr. President, I am again pleased to honor the Senator from Tennessee for the respect in which I hold him, and also to the Senator who has helped to make the bill a reality.

Mr. WILLIAMS of Delaware. Mr. Presi-dent, there are a great many of the re-form features in the bill with which
many of us agree. First I join my colleagues in paying tribute to the conferees on the excellent job they have done in bringing back to the Senate the first a much better bill than that which left the Senate.

In fact, as I sat here for the past several minutes and listened to my colleagues in the conference committee, I have not heard anybody defending even one of the Senate amendments that were deleted in conference. I congratulate my colleagues on joining the rest of us in recognizing that many of those Senate amendments were merely approved for: the day and were never intended to become law.

Nevertheless, the conferees do deserve a great deal of credit. I regretted, as I still do, that I could not scientiously serve as a conferee because I had disagreed with the Senate revenue reductions amendments.

I also wish to join in paying my respects to the majority leader, the Senator from Oklahoma, and many others who worked toward getting major tax reform. As one who for 20 years has been trying for tax reform, I particularly a reduction in the depletion allowance, I thank them for their cooperation in helping us achieve that goal. Today we are much closer to getting it. I do not think this is a time when we should argue as to who gets the credit for this reform or reduction in depletion allowance. I am perfectly willing for them to call the Harris amendment if they wish; the point is we have achieved a reduction in the depletion allowance. The important point; is it is becoming law, and I am willing that the Senator from Oklahoma get the credit. I join them in stating that this reduction a long overdue recognition of the inequities in our tax laws.

I congratulate my colleagues on the fact that they now recognize that when Congress, about a year and a half ago under President Johnson, reinstated the investment tax credit that it was a major loophole. As one of the two Members of the Senate who voted against it at that time I am glad that they belatedly recognize it as a major loophole and one that needs to be corrected in this bill.

Nevertheless, while there is much good in this bill, one point we cannot overlook is that we are projecting down the road a $9 billion tax cut; and the question in our minds is, can we or can we not afford to reduce taxes when we not only have an unbalanced budget but also are confronted with the most serious threat of inflation in our history?

I am sure that there are many parts of this bill which each Member would like to see included or not included in this bill, or this item or that item, but that is not so important. No one gets a perfect bill. We realize that as we move into the legislative process we all have to give and take.

As I have said, generally speaking this bill does go far toward closing many of the major loopholes in our tax structure, to that extent I would like to support the bill. I do want to point out, however, a couple of points on which I wish we could have gone a little further. It has been mentioned that the tax reduction for those in the high-income brackets. The people in the middle-income brackets will actually pay a little reduction until the people in the middle-income group can get it, and we just do not have the necessary funds to justify an across-the-board tax increase.

Yes, this bill contains a special 50-percent limitation on earned income. As I said before, it has a mathematical effect of approximately a 30-percent tax reduction for those in the high-income brackets. People in the middle-income brackets will actually pay a little more tax under this bill.

Another point I wish the Senate had corrected is a major loophole which was opened up to corporate officers in the Senate several years ago wherein Members of the Senate or any other public officials can claim tax deductions for their files or papers when donated to some charitable organization. After they leave office, or even before, they can donate their papers or cartoons in their offices to a university or other charity and get a tax reduction for them as though they had made a donation to a church. This is a glaring loophole which our attention was called several months ago. It was referred to in a Wall Street Journal article as a loophole primarily for public officials, although it did also apply to nonofficials, who would write their notes and receive a tax credit.

Another phase of this loophole is that Members of Congress and other public officials may be sent the copies of a new book by any conferee who confers on a loan to a school or university and get a tax credit for the value of the books for which they have paid nothing. That is wrong.

This bill was passed by the Senate it closed that loophole effective January 1, 1969. I regret to say that the date was changed in conference. The date was moved forward to July 25 of this year. I do not see why the conferees did not keep it effective for the full year. To my knowledge, we only had one Member of the Senate revenue committee in connection with the rate reductions amendments. As the former Secretary of HEW, who expressed the hope that the effective date would be delayed until he could get his papers turned over to a university, and told me that a 50-percent top rate service this year were in the same category. At the time I offered the amendment I did not think we should make any exceptions, and I regret that the date was changed. Perhaps there was the reason, but I do not understand it. Nevertheless in the conference report it was made effective from July 25 of this year on, but it is not effective for those who went out of office last year or the first part of this year and have turned their papers over to libraries and universities. I understand that as high as $20 million could be involved in this case, at a 50 percent top rate that would be $10 million in lost revenue. It seems to me that this is a loophole. When we are talking about closing loopholes this was certainly a good place to start. This is not an instance in which tax relief is needed. But I do thank the conferees for accepting the amendment even though it only has the effective date of July 25.

So far as the tax reform features of this bill are concerned, while there may be some in which I may still suggest we go further, I think the conferees have done an excellent job in bringing back a bill which corrects many of the inequities in our existing tax structure, and on that point I would have liked to support the bill. Nevertheless I regret that the Congress has built into this bill the projected $9 billion tax reduction which will be triggered in effect on the years, and in the face of the present inflationary threat I do not think we can afford it.

I took the same position in the committee in connection with the rate reductions which I supported the House bill. I agree that the amendment of the Senator from Tennessee as it is phased out has no more immediate impact than did the proposed amendment of the Senator from New Hampshire. I said in committee that I questioned whether or not we could afford a tax reduction at this time, when we are operating this Government at a sizable deficit.
One point which has been overlooked is that even without any reduction in rates or increase in exemptions this bill already provided for a $9 billion tax reduction when we reduced the surtax from 10 to 5 percent for a half year or 2 1/2 percent for the full year. But the supporters of this bill treat that reduction as though it were an increase in revenue by counting the $3 billion which will be derived from the lower tax rates as though it were increased revenue.

I have compiled a tabulation for the last 5 years, beginning with 1965 through 1968. Members may be amazed at the size of the deficit we have generated in just these five years. If the Members will take this book, the budget, and check it they will find that on an administrative basis we have operated our Treasury problems of this country? 5 years at a deficit of $53.504 billion.

In addition to that we have during this same 5-year period accelerated one full year's corporate tax payments by advancing the payment of $2 billion profit by melting down our coins, another $1.2 billion gained from accelerated payments of excise and withholding taxes, and an additional $8.8 billion derived from the sale of Consolidation certificates we have a total of $22.1 billion.

When that is added to the admitted deficit, which in the last 5 years was $33 billion, it has a total of $55.2 billion. We have increased our national debt to finance that debt. I think it is time that we should ask ourselves, when are we in Congress going to face up to the inflationary problems of this country? Inflation is our number one danger. It is eroding the purchasing power of social security benefits, the life savings, and the savings accounts.

Therefore, I agreed with the committee report that the impact in the next calendar year has been minimized substantially on that point. I congratulate the committee; however, one problem which remains is the fact as far as the investing public is concerned, those who are afraid of inflation, they are going to look down the road and ask themselves, "Does this Congress really mean it when it says it is going to tighten up on expenditures, balance the budget, and combat inflation?"

I stated earlier, this bill when fully effective is a reduction for individuals by around $20 billion. Reducing the surtax from 10 to 2 1/2 percent for the full year in 1970 equals a $9 billion reduction. Next year presumably the surtax will have expired, and that means another reduction of $3 billion. Then the full implementation of the increased exemptions and lower-income allowances will total another $8 or 9-billion reduction in 1973. Pouring these additional funds in the spending stream at this time is highly inflationary.

The question has been asked many times, "Why was the surtax which was put on by President Johnson not more effective?" The answer is simple—it was put on too late. The Senator from New York and I recommend as far back as 1967 that the economy was getting overheated and that the administration should have increased the cost of the war. We were in the midst of a war; yet the Johnson administration made no effort to finance that war, and we were not even recognizing it as a war. In August 1967 the Senator from New York had suggested that the Johnson administration should impose a tax to reduce the staggering deficit. Nothing was forthcoming.

In January 1967 President Johnson had recommended a 6 percent surcharge. As a member of the majority party, I endorsed that proposal as a step in the right direction. Then, much to the surprise of the Secretary of the Treasury, the President reversed himself and asked for a tax reduction. He asked for the reinstatement of the 6 percent surcharge, a $3-billion tax reduction. Congress stamped that through and poured that extra money into the economy at a time when we should have been raising taxes to reduce the deficit and cool an overheated economy.

It was not until several months later that the administration recognized that we were confronted with a serious threat of inflation. Finally the administration, the President agreed to support a bill which at that time was requesting a 10 percent surcharge accompanied by a 6 percent mandatory reduction in expenditures. The Senator from Florida and I sponsored the administration's bill, but President Johnson only accepted the expenditure controls after both Secretary Fowler and Mr. Martin of the Federal Reserve Board had warned that the American dollar was on the verge of forced devaluation unless prompt action was taken.

The bill proposing this 10 percent surcharge and a $6 billion reduction in expenditures was before the Senate in March of 1968, but it was on the verge of being defeated due to lack of administration support.

On a Friday, the day scheduled for the vote, the Senator from Florida (Mr. SMATHERS) and I received a call from Secretary of Treasury Fowler and from Mr. Martin, the Chairman of the Federal Reserve Board. They were calling from Stockholm and said that by no means should Congress be allowed to defeat that tax bill which represented a $3 billion cut because of the conference in Stockholm. The Secretary said to recess Congress unless we were sure of the votes. They emphasized that the following Monday the London gold pool was opening, and unless Congress had acted affirmatively when that pool was opened they predicted the American dollar would not stand for 72 hours. The Senator adjourned that Friday to avoid a negative vote on that bill until the Secretary could get back in the country and talk with enough Members on their side of the issue to be able to get votes to pass the bill, which we did on the following Tuesday.

In the minds of those on the Federal Reserve Board and the Secretary of the Treasury, that is how close we came to devaluation.

When they came back the President decided to use the 6 $6 billion expenditure cut as a part of the top increase, and the bill went through Congress around the end of June. But the ink was hardly dry before the executive branch and the Congress had to whittle on the reductions and we ended up with no reductions in expenditures.

Later, after the bill was enacted, the Federal Reserve Board in the last part of December pumped in another $1 billion unusual amount of money, which further fanned the fires of inflation. Here today we are with another increase in the cost of living of another one-half of one point in the last month. That is the equivalent of a rate of 6 percent per year on an average.

We talk about social security increases. I would like to see social security pay more than just the cost of living. This $9 billion tax reduction is not even recognized for them. But at the rate of increase in the cost of living, 6 percent of that increase will be gone before another Christmas rolls around. Inflation is taking away the fruits of their labor, and Congress can give it to them. Sooner or later Congress must face the fact that inflation cannot be controlled with pious speeches. Inflation has to be controlled with hard votes. We may have to cut down on programs we think are good, but let us tell the American people we cannot give them this tax reduction at this time. Those who invest in bonds or securities are going to look down the road 3 years from now and try to predict the inflation results. Will or will it not be controlled? They see a $9 billion tax reduction being approved here for next year, and they see us with an unbalanced budget, and more tax reductions promised for later years, all at a time when we are running a deficit of over $700 million a day.

There is no chance in the foreseeable future of reducing this deficit: no chance at all.

Those who think there is a chance should remember that as the result of the debt ceiling, after 3 or 4 months they will be requested to raise the ceiling on the national debt. If this bill is passed there will be a request to raise the national debt by $5 to $10 billion so they can borrow the money to finance the tax reductions which are being voted today. I say that does not make sense, and I do not think the American taxpayers are going to be fooled with this political shell game going on in the Congress. We are taking away in inflation more than this tax reduction. Our cities and States cannot borrow money today with interest rates as they are.

The reason they cannot borrow with these high-interest rates is that those who are investors in bonds are insisting that the bonds carry interest rates high enough, first, to offset the projected inflation, which is running at an annual rate of about 3 to 5 percent. Secondly, an investors reasonable return on their money—4 or 5 percent—thus ending with 10 percent money. One is not going to get away from
said no, because in the history of the world, I did not know of a single country that ever defaulted on paying its obligations, even those whose currencies became worthless.

The reason is that as inflation takes over the purchasing power of the dollar bill or a five thousand dollar bill just as easily as a one thousand dollar note or a five thousand dollar bond. When they go bankrupt they just turn on the printing presses and pour out money and pay off their obligations. Of course it is no purchasing power. That must not happen here in America, and it need not happen, but some effort must be made and some thought given to protecting the purchasing power of the American dollar.

That cannot be done by approving irresponsible tax-reductions in the face of huge deficits.

That is the reason I shall not support this conference report, not on the basis of its reform provisions, because they do have merit and many of them I have been working for for years; but I do not want to be a party to projecting multi-billion dollar tax reductions down the road 3 years from now when I do not think the American people will get that tax reduction, or if they do it will be only at the staggering cost of additional inflation.

I repeat that the criticism I am making of the tax reduction features in the conference report are also, as I said in the Finance Committee and on the floor of the Senate at the time we debated this bill, equally applicable to the rate reduction proposal in both the House bill and in the Finance Committee bill. I am speaking of tax reduction in general at this time.

I think that this is the time when we cannot afford to cut taxes by $9 billion—$9 billion which we do not have unless we borrow the money.

I conclude my remarks with this word of caution, that before this Congress has adjourned, not this session, but before another 6 months have passed, if we proceed with this so-called tax reduction bill we will be back here raising the ceiling on the national debt in order to finance the tax reduction the Senate will be voting here today. I say that that cannot be justified.

Mr. WILLIAMS of Delaware. Yes; that dates back to April.

But another reason, early in the spring I made a statement on the floor of the Senate that an effort would be made to close this glaring loophole and offered as an amendment to the committee for inclusion as a part of the tax reform bill. I said at the time that I would propose that it be made effective the first of the year because otherwise, with the advance knowledge that this was going to be offered, public officials could, if they chose, transfer their papers before the effective date. Former members of the executive branch or Congress could easily figure that this amendment may pass and hasten to transfer their papers to a private library or some university. Why should any public official be allowed to take care of his own files and get a big tax deduction. Yes, public officials can contribute files to their own libraries and get a big tax credit for them. That is ridiculous; and why should not the repeal of this loophole be made retro-
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active to the first of this year? Only last July the Congress passed a 10-percent surtax and made it retroactive to the first of the year.

The Finance Committee, as I recall, unanimously approved the January 1, 1969, date but the House-Senate conference tried to hold the Senate position and that the date of the 25th may have been taken because that was the date on which the House acted on the so-called deficit bill.

But this was a loophole that benefits primarily public officials. Certainly if we are going to talk about closing loopholes Congress should start in its own back yard first. That is the reason I was so concerned that the loophole be plugged as of the first of this year. As the former Secretary of Health, Education, and Welfare testified before the committee, by amending, or a certain date. Notice that those who left Government service early this year would be taken care of before the loophole was closed.

Mr. GRiffin. As I understand, if for example or Vice Presidents or Members of Congress had given their papers to a university or a library established in their own name this calendar year, but prior to July 25, they will get the same reduced tax provided.

Mr. WILLIAMS of Delaware. That is right. They can have it appraised and get the full benefit by claiming its appraised value as a charitable contribution.

Why should the effective date be deferred so that a group of public officials can take advantage of the loophole before others?

Mr. WILLIAMS of Delaware subsequently said:

Mr. President, I ask unanimous consent to have printed in the Record three editorials, one from today's New York Times, December 21, 1969. [Printed]

FRAUD ON THE TAX FRONT

The House-Senate conference committee has produced a tax bill that appears certain to be passed over the veto of President Nixon, and it does represent a marked improvement over the atrocious Senate version. Chairman Wilbur Mills of the House Ways and Means Committee has stated that the revised measure “is certainly not inflationary,” and Mr. Nixon has indicated to Senator William Proxmire that the conferences’ actions have improved the chances of Presidential signature.

Unfortunately for the nation, however, the bill remains definitely inflationary. The alarming degree to which this is true is masked by the data on revenue gains and losses that the U.S. Treasury and Congress are putting out. In fact, there has been what amounts to a conspiracy between the Administration and Congress to disguise the true extent to which the proposed tax action is a destructive measure. It is a short-run, as well as how substantially it would give away Federal fiscal resources in the long run.

The revenue estimates released by the Administration indicate that the revised tax bill will increase the net revenue of the Federal Government by $6.5 billion in 1970 and by $315 million in 1971, and that, even in the long run, it will result in a net revenue loss of only $2.5 billion a year.

There are two basic fallacies in these estimates:

First, they take no account of the future growth of the economy, which would greatly exceed the $6.5 billion in the years ahead. Reasonable growth projections would cause the revenue losses to increase by 8 to 10 per cent per year.

Second, they treat the reduction and repeal the 10 per cent surtax, which has been yielding $12 billion a year, as though it was nothing. A $1 billion loss in 1970—instead of what it actually represents, a $9 billion reduction in revenues in 1970 and a $6 billion reduction in the ensuing years. The same treatment is given to the temporary extension of automobile and telephone excises; these are carried forward as for this bill the surcharge would lapse and gradually reduced. In fact, these changes, in the excises represent no gain in revenues in 1970 and a $2.5 billion gain in 1970 and thereafter gradually reduced. In fact, these changes, in the excises represent no gain in revenues in 1970 and a $2.5 billion gain in 1970 and thereafter gradually reduced.

The upshot of this accounting gimmick is to show a $6.5 billion revenue gain in 1970 when the right figure, to indicate the fiscal effects of the tax bill as it is, should be a net revenue loss of at least $8 billion. Similarly, the Administration-Congress published figure that $315 million in 1970 should be a revenue loss of at least $13.5 billion. Given the present inflationary monetary and economic position, this is both irresponsible and dangerous.

In the long run the revenue losses built into this legislation may be even more serious. The nation is already saddled with enormous unmet social needs. Without figuring national income growth, those losses will be $6 billion a year. With national income growth included, the annual revenue loss could total as much as $90 billion in seven years.

How have the Administration and Congress produced this misleading accounting. Simply by assuming that if Congress did not act on the tax bill, the nation’s growth would be reduced by only one percent a year. Why should this be assumed? It can only be regarded as the result of a lack both of party leadership and of firm direction from the White House.

It is now only too clear that the national interest calls for a veto of this tax bill and a new start on fiscal policy. What started as a heroic effort to inject more fairness into the tax structure has turned into a fiscal disaster that contributes only moderately to greater tax equity. The best out at this point would be a simple continuation of the 10 per cent surtax as it was before the Vietnam war permits a major reduction in military spending. But the President has promised himself a kind of personal stand that he made to Congress. The tax folly of 1969 will cost the nation dearly unless the President’s decision will be a crucial one which will affect not only his own political future but the lives of all of us. Concerning the nation from the effects of fiscal irresponsibility, has given him a bill which it seems possible for him to sign. There is nothing that would cause him to veto it. If he feels that it would be deleterious psychologically for the nation’s discipline for him to sign the bill, then he may have to veto it.

DECEMBER 22, 1969

DECISION ON TAXES CRUCIAL FOR NIXON

(By David Lawrence)

President Nixon faces the most crucial decision of his administration to date. He has stated that he will decide whether to veto or to sign the tax reform bill. It is a decision that he cannot expect to be popular. Nixon has already warned that economic recovery will be stunted by the tax reform bill. It is a bill that the President has threatened to veto. It is a bill that Mr. Nixon is in the decided minority on being damned if he does and damned if he doesn’t. The President has staked his future on the tax reform bill. The decision on the tax reform bill will be a crucial decision, whether or not for Mr. Nixon.

For the President this decision will largely influence the political fortunes of the Republicans in the Congress. The President has staked his future on the tax reform bill. The decision on the tax reform bill will be a crucial one, whether or not for Mr. Nixon.

For the tax reform bill is a hedgehog of the Evangelical wing of the Senate. It is a hedgehog that is politically popular but in reality could be repudiated in the next election if the voters are provided with the real truth of the tax reform bill: a reduction in taxes that can result in a recession and a firm stand that will prevent deficit financing and economic recovery. The tax reform bill is a serious handicap to business development.

For the tax reform bill is a hedgehog of the Evangelical wing of the Senate. It is a hedgehog that is politically popular but in reality could be repudiated in the next election if the voters are provided with the real truth of the tax reform bill: a reduction in taxes that can result in a recession and a firm stand that will prevent deficit financing and economic recovery. The tax reform bill is a serious handicap to business development.
Theoretically, the bill distributes more money for individual spending. But prices are bound to rise and the present inflationary trend will be maintained. While the bill cuts some tax rates, others are increased. On the whole, the federal budget will be adversely affected and deficits will continue, the committee stated.

Hitherto the emphasis has been on restraining inflation, but the new tax bill is bound to enlarge its scope. While collecting money with new tax rates, the proposed law calls for more federal disbursements which use up the higher tax receipts and create new deficits.

Only a few days ago, the National Planning Association through its chief economist predicted that the nation is flirting with a recession and that if it is apt to be excessive next year, even with high unemployment. Also, the consumer index just issued by the federal government shows prices are steadily going up and the dollar value keeps on going down.

"Under these circumstances, the President is in the process of analyzing the "tax reform" bill for the American people, to tell the country how the increases in revenue obtained from higher taxes on most income groups, and on the higher income groups are wiped out by new appropriations."

Mr. WILLIAMS of Delaware, who voted for the measure thought it would bring them votes in the election next November. But if taxes are bad and the money saved by tax reduction is offset by price increases, the voters are likely to blame the Democratic party, which seeks to retain control of both chambers.

Will the President have the courage to veto the "tax reform" bill? It is not easy to tell whether the President will perceive the reasons for the spread of inflation. But certainly a president can give the facts to the public and refuse to take the risk in signing the new bill. It is possible that the presence of the President will add to the new loopholes. But about the first of the year attention will be called to the fact that such a possible tax loophole existed, and I thought it should be closed. Some public officials have taken advantage of this loophole. I think any public official should be able to declare such papers over to a library, but he should not get a tax credit for them based on appraised value. That is what he could get under existing law, and I think it should be closed.

As stated, I will like to see the effective date January 1, 1969, I accept the decision of the conference because in conference all legislation becomes a compromise. The date in the House bill was prospective; the date in the Senate bill was retroactive. As the distinguished chairman said, the date was fixed as of the date the House passed the bill, and the conference committee that it should be effective as of December 31, 1968. I would not have the chance to go back and claim a tax credit. I want to make it very clear that I do not so regard the situation. I have given such papers as I have accumulated, back through many years in public life, the State Senate in Michigan, the House of Representatives, or Governors, or Cabinet members, or Presidents, or anyone else who has been in public life, should not retain any documents of any nature for future public service; that we should do is find a public place for their care, indexing, and being made available.

Mr. HOLLAND. Mr. President, let me add just that I claim no credit on that account, but I simply want the Record to show that both as to some tons—two truckloads, as a matter of fact—already held by the University of Florida and the additional ones that will go there at the time I retire next year—and I believe the Senate and I will retire at the same time—there is not only no thought of compensation or any tax credit, but I have always felt that those things are charged with a public interest, that they are considered costs of public service; that what we should do is find a public place for their care, indexing, and being made available.

It is tragic that the Congress of the United States has tried to change important parts of the tax structure so hastily instead of proceeding with qualifications with which there are not experts to devote at least a year to a careful study of alternatives. To modify arbitrarily tax laws that are supposed to be mandates, and have been imbedded in the economic system for such a long time requires a non-political approach. I try to state to this committee the public interest as a whole.

Mr. LONG. Mr. President, since the Senate brought this up, permit me to say the House passed a bill in which I seem to appreciate the need for a fair and proper caretaking, preservation, and availability to those who may be in-
intered, all matters of this kind, which is exactly what the Senator from Florida has done, and I am sure is what the Senator from Delaware will do.

Mr. FANNIN. Mr. President, I think the Revenue is clear, and I am ready to yield the floor; but I had promised first to yield to the Senator from Arizona.

Mr. PAKSTIS. Mr. President, I compliment the Senator from Delaware for the distinguished record he has made, and for his dedicated services. I know that the conference committee did not have his services, and I commend the Senate for his services, but we are very proud to have had the leadership of the Senator from Delaware here in the Senate, and we are very thankful for the work he has done.

Mr. President, I should like to address a few executive sessions, asked chairman of our committee. With reference to the taxation of stock dividends in section 421 of the bill, I have in mind a corporation which, under the transitional rules, is permitted to issue a particular type of stock which, under the transitional rules, is covered by the transitional right when a shareholder demands conversion into stock not directly covered by the transitional rules?

Mr. FANNIN. I thank the distinguished chairman, and at this time I express my appreciation to him for the way in which he handled the committee all the way through the hearings and then through our executive sessions, and for the fairness and courtesy he extended to all the members, for the way he kept things moving, and naturally, of course, for his distinguished leadership as exemplified in the conference.

Mr. LONG. I thank the able Senator from Arizona for his kind words, and also for the very diligent work he did to inform the conference committee as well as on the floor of the Senate.

Mr. GORE. Mr. President, I should like to make a few observations on the development of this historic legislation. To begin with, the Senate committee held extensive hearings on the bill—more extensive than those held by the other body. I do not say that as any criticism of the House representatives. The Ways and Means Committee held extensive hearings on the general subject of tax reform. The Senate Committee on Finance, however, held extensive hearings on the specific subject of the bill passed by the House of Representatives.

We have heard a great many remarks today about the action of the Senate and the action of the conference committee on this historic legislation. The Senate has fully reclaimed its position of parity in tax legislation, with the exception of the constitutional process which the Senate needs to make a revenue measure. There was a time, not many years ago, when the House of Representatives fiercely resisted any major amendments added by the Senate to a revenue measure.

On this particular bill, the careful consideration given to the measure indicates that a large number of the amendments. Some of these amendments, of course, were adopted which I did not think were wise. Many were adopted which I thought were needed. Let me offer some statistics in that regard.

The Senate added 376 substantive amendments in the committee and on the floor, mostly in the committee. Those amendments resulted from long hearings of the many witnesses representing the many interests affected by this bill. A great deal has been said in compliment of the distinguished chairman for holding those hearings. He is entitled to every word of commendation he has received, and I associate myself with that commendation. He stayed on the job every day, and we held hearings comprising more than 7,000 pages of record.

This is the largest tax bill in the history of our Republic. It affects everyone and every economic interest. People had a right to petition that their interests be considered, and they were considered.

What happened to those 376 amendments? In conference, the conference representatives the House of Representatives accepted without change 237 of the Senate amendments. They accepted amendment to the amendment 71 of the Senate amendments. In total, this conference report embodies 386 amendments in the bill by the Senate. The Senate receded and accepted without change 53 provisions in the House bill which were not approved by the Senate. We accepted with amendment seven more.

So, Mr. President, the work of the Senate with respect to this bill is monumental and meaningful. The two principal benefits to the people in the bill came from amendments offered on the floor of the Senate. I refer to amendment providing a 15-per cent increase in social security benefits, and to the amendment providing tax relief by way of an increase in personal exemptions.

Perhaps the Senate would find interesting the effect of the bill on the withholding tax on salaries and payrolls. I have asked the staff to calculate the withholding tax on salaries of $6,000 per year, $9,000 per year, and $12,000 per year, for a taxpayer with a wife and four children—a family with a wife and two children, and a single taxpayer. As I say, I think perhaps the Senate will find these figures interesting.

A taxpayer with a wife and four children, on a monthly salary of $500, will have withheld from his salary check in January 1970, $22.58. In July 1970, he will have withheld $36.60.

In January, 1973, when the law will be fully effective, there will be withheld from his salary $38.40.

Mr. President, to translate that to a weekly wage, the weekly wage is $115.38.

In January, 1970, his weekly withholding will be $9.09.

In January, 1973, when the law will be fully effective, it will be $24.51. In January, 1973, when the law will be fully effective, the amount will be $24.51.

Mr. President, translating the income of that taxpayer to a weekly wage, his weekly wage would be $115.38.

In January, 1970, his weekly withholding will be $9.09. In January, 1973, when the law will be fully effective, it will be $24.51.

Mr. President, let us take the example of a taxpayer with the same number of dependents, but with an annual income of $12,000. His monthly salary would be $1,000.

In January 1970, there would be a monthly withholding of $109.42.

In July 1970, it would be $100.22.

In January 1973, when the law will be fully effective, it will be $82.54.

Mr. President, translating that to a weekly wage, his weekly wage would be $250.77. In January 1970, there would be a weekly withholding of $25.35.

In July 1970, it will be $23.19.

In January 1973, when the law will be fully effective, it will be $19.10.

Mr. President, I would now like to consider the taxpayer with a wife and two children—something which is nearly the typical American family—and an annual income of $6,000.

Mr. President, I realize that when we break down a $6,000 annual income to weekly wages and calculate the amount withheld, we are dealing with small amounts. However, we are also dealing with people to whom small amounts are important. Such a man would receive a monthly wage of $500.

In January 1970, there will be a monthly withholding of $39.08.

In July 1970, there will be a monthly withholding from his salary of $35.64.

In January 1973, when the law will be fully effective, the amount will be $24.51.

Mr. President, translating the income of that taxpayer to a weekly wage, his weekly wage would be $115.38.

In January, 1970, his weekly withholding will be $9.09.

In January, 1973, when the law will be fully effective, it will be $24.51.
from his weekly wage the amount of $24.80.

In July 1970 there will be withheld $17.63.

In January 1973, when the law will be fully effective, the weekly withholding on such a salary will be $12.17. Mr. President, let us next take the taxpayer with a wife and two children and an income of $12,000 a year. His monthly salary would be $1,000.

In January 1970 there will be a monthly withholding from his salary of $128.41.

In July 1970 it will drop to $119.13.

In January 1973 when the law will be fully effective, it will drop to $102.54.

Mr. President, translating that into a weekly wage, a person with a $12,000-a-year income has a weekly wage of $230.77.

In January 1970 the weekly withholding on that amount will be $29.72.

In July 1970 it will be $27.55.

In January 1973, when the law is fully effective, the weekly withholding will drop to $21.40.

Mr. President, I would like now to consider the example of one more taxpayer for whom the bill we are about to pass provides considerable relief. That is the single taxpayer.

Mr. President, I have felt that the man without dependents has had to pay an unusually heavy part of the burden.

A single taxpayer without dependents, and with an annual income of $6,000 receives a salary of $500 a month.

In January 1970 the monthly withholding from his salary will be $75.42.

In July 1970 it will drop to $71.30.

In January 1973, when the law becomes fully effective, it will be $61.70.

The single taxpayer earning $9,000 a year would have a monthly withholding in January 1970 of $129.22.

In July 1970, it would be $123.80, and in January 1973, $111.70. The same single taxpayer with an income of $12,000 a year would, in January 1970, have a withholding from his monthly salary of $191.22; in July 1970, $184.89; in January 1973, $168.14.

Mr. President, these amounts of tax reduction, to a Member of the Senate, favored as we are with a larger salary, may, indeed, seem small. But let me repeat that this is tax reduction for people who have small incomes. People with small incomes and with dependents to support find tax reductions ever, in small amounts are very helpful. From the messages I have been receiving, people are very happy, indeed, with the passage of this bill.

Before closing, I wish to express my deep appreciation to the generosity of the chairman of the committee and other members of the Joint Committee on Internal Revenue Taxation, and I express appreciation to my own staff. I think I have the ablest staff with which any Member of this body is favored—William Allen, Jack Lynch, Paul McDaniel, each in his own right a lawyer, a student, each in his own right possessed with intelligence, character, and energy. It has been a pleasure to work with Larry Worthom, Tom Vail, Bill Allen, Jack Lynch, and Paul McDaniel. They fortified me with the information, with the advice, and with the opinions; and my colleague, Larry Woolworth, free, in conference committee, and in the Senate were very generous, patient, tolerant, and understanding.

This is a monumental work. Perhaps new taxes, not new levies, will be brought into the Senate for tax reform for a decade. We have achieved a great deal of tax reform here. I would not be candid if I did not say that the conference report we are about to adopt contains some provisions which I resisted. It contains some provisions which I resisted fiercely. I shall not describe them or identify them now. I shall do so later. But, for now, let me speak of the positive features of this bill.

It has two major parts: One, tax reform, by which we are requiring many people in various segments of our society, in the opinion of the committee, heretofore have not paid their fair share of the tax burden to pay a fairer share of that tax burden now. By tightening tax preferences or removing them, this bill brings into the Treasury additional revenue of some $6.6 billion. This is major tax reform. When we bring into the Treasury, not through new taxes, not through new levies, but through elimination of tax preferences, $6.6 billion, I say that is major tax reform.

The second major provision of this bill is the distribution of tax relief, largely, as I have said, through an increase in the personal exemption. In the long run, the bill distributes something more than is recouped through tax reform. But we should reduce taxes if to do so increases the deficit and adds to the national debt.

The bill as agreed upon by the conference would grant $1.4 billion in income tax relief for calendar year 1970, $4.9 billion of tax relief for calendar year 1971, and $7.3 billion in tax relief for calendar year 1972.

Mr. President, I hold in my hand the daily statement of the U.S. Treasury for December 11, 1969. It shows that the total outstanding debt of $372,707,605 is $92.86. The shocking thing is that this same statement shows that the debt at this same time a year ago was $363,126,-294,779.21.

Spending has not been reduced. Appropriations are running higher than the Nixon budget. The original budget estimates include increases in postage rates, in social security taxes, and certain user charges, none of which have been enacted. There are other adverse factors in reference to our budget. The interest payments are expected to exceed the national debt is $1 billion above the original budget estimate for that expenditure. Corporate tax payments are off by a sizable amount. The deficit situation of the Federal budget is not improving.

Now, Mr. President, I realize that a discussion of the Federal budget is most confusing. It is confusing because the budget is tied up with the user of the funds, the user of the funds is the Government, and the Government stands from the standpoint of the general operating expenses of the Government and the revenue coming in that is available to meet those general operating expenses. For instance, when the President of the Senate appeared before the Finance Committee last July and estimated the deficit of $9.9 billion for 1969. Actually from the standpoint of the funds available to pay the general bills of the Government, we did not have a surplus but have a deficit of about $6.6 billion because the Budget Director was including a surplus in trust funds of $9.5 billion. The largest item of trust funds is of course the social security trust funds. These funds do not be-
long to the General Treasury. They are held not to pay the general bills of the Government but to pay social security beneficiaries.

In the Budget Director's testimony on that same day he stated that the Administration had borrowed from the General Treasury a total of $6.3 billion for the fiscal year which would end next June 30. Here again trust funds were taken into account. Were they to be disregarded, Mr. Mayo stated that we would have an estimated deficit of $4.3 billion next June 30. The budgetary picture is really more discouraging than it appeared then. I am convinced that if this tax bill becomes law all of its tax reductions will have to be made by increasing taxation or deficits and increasing the national debt. This is not fair to the people now. It is not fair to future generations of taxpayers.

I see nothing that can be said for this measure from the standpoint of fiscal responsibility. There is nothing favorable to be said for this bill from the standpoint of inflation control. It is very likely that increased costs of living will more than destroy the tax relief that comes to the individuals who receive the relief.

Mr. JAVITS, Mr. President, I would like to take just a minute of your time on this tax bill. I think the situation which we face in the country is tax reform—which is urgently needed—extension of the surcharge and excise taxes, and repeal of the investment tax credit, are all being held hostage for tax cutting. Now, sometimes one has to yield and surrender, but I do not think that is the case here. I voted to send the bill to conference in the hope that the revenue impact of the final bill would be negligible. But this is not the case. Hence, I must vote against the conference report. This is not an idle vote, and I would not cast it if it were an idle vote. I think the President will have to look very carefully at therolcall in the Senate. I think the number of "nay" votes will be very, very meaningful. The President must come to a judgment in the best interests of our Nation with respect to the bill.

I am heavily motivated by the fact that we are mortgaging now whatever fiscal and peace dividends may be available in the days ahead which will be so critically needed for dealing with our most critical social problems. I do not feel that if it is proposed by the State, to bargain that away now for the superficial attractions of the bill, in view of the inflationary course on which we are seemingly continuing and its terrible drain on the economy.

If some by the conference report is turned down by the Senate, or if the President decides, because he sees the strength of the opposition in the Senate, to veto the bill, I have every confidence that we will get a social security increase job protection, much needed housing financing—and the surcharge will be continued as we all know it must, that the investment tax credit will be repealed, and that the substantive elements of tax reform will be enacted by the Congress.
sent to have printed in the Record a comparison of major tax relief provisions of the Percy-Dole, Senate, and conference provisions.

There being no objection, the table was agreed to and printed in the Record, as follows:

**COMPARISON OF MAJOR TAX RELIEF PROVISIONS OF PERCY-DOLE, SENATE, AND CONFERENCE BILL**

<table>
<thead>
<tr>
<th>Years</th>
<th>Percy-Dole</th>
<th>Senate</th>
<th>Conference</th>
</tr>
</thead>
<tbody>
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<td>1970</td>
<td>$750</td>
<td>$700</td>
<td>$1,000</td>
</tr>
<tr>
<td>1971</td>
<td>$750</td>
<td>$700</td>
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<td>1972</td>
<td>$750</td>
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</tr>
<tr>
<td>1973</td>
<td>$750</td>
<td>$700</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

1. Effective July 1, 1970.
2. Percent.
3. 1 percent.
4. $750.
5. 15 percent.
6. Maximum of 20 percent over joint return rate.

Mr. PERCY. Mr. President, the work of the conference is particularly gratifying to me, because the compromise agreed to on personal income provisions closely follows the amendment that I offered together with Senator Dole when the matter was before the Senate for debate. Taxpayers will now be entitled to a personal exemption of $600 beginning July 1, 1970, $700 in 1972, and $750 in 1973. In addition, a low-income allowance of $1,000 has been provided, relief for single persons has been included, and a graduated increase in the standard deduction has been concurred in leading up to 15 percent at a $2,000 ceiling by 1973.

The bill out of conference contains major tax relief provisions, Mr. President, which I supported during Senate debate while excluding some that were unsound in my opinion. Among the former are the inclusion of a minimum income tax to prevent individuals from totally avoiding tax obligations; the closing of many tax loopholes; and the tightening up of public supervision over private foundations, including a requirement, offered as an amendment that foundations pay out at least 6 percent of their assets for philanthropic causes each year.

Among the unsound provisions that were deleted, I am gratified that one in particular was eliminated. This was the grant of authority to impose quotas on foreign imports. While additional effort will have to be made in the future to spur U.S. exports while assisting U.S. industries harmed by heavy imports, the application of quotas is not the solution. Quotas only lead to inefficient commercial endeavor; a misuse of resources and fallacies of production, higher consumer prices, and a depressed world economy.

Finally, Mr. President, I particularly wish to commend the conference for agreeing upon a social security amendment which increases benefits to security recipients of 15 percent while not imposing an undue drain upon wage earners or unduly furthering the inflationary spiral.

This is now, on balance, a good bill, Mr. President, which I hope the President can and will support. I urge adoption of the conference report.

Mr. President, at this time I should like the Senate to know of my personal admiration for the great work of the majority leader who kept our noses to the grindstone and kept a schedule for consideration of this bill that many believed would be impossible to achieve. He has had the full and complete cooperation of the minority leader. I also should like to commend the complete cooperation of every member of the conference, especially the ranking minority member, the Senator from Delaware (Mr. Williams). He also kept the Senate fully informed, and the day the bill was in committee as to what was transpiring in the committee so that we could read in the Record every morning what had happened the day before. The thorough analysis and summary of the hearings and the recommendations that were being made by the various interest groups were invaluable. I would not in any way wish to diminish the hard work and contribution made by many Members of the majority and the minority to the bill as it now comes before the Senate. We should certainly commend all the members of the Finance Committee for their diligence:

Russell B. Long (La.), Clinton P. Anderson (N.M.), Albert Gore (Tenn.), Herman Talmadge (Ga.), Eugene McCarthy (Minn.), Vance Hartke (Ind.) J. W. Fulbright (Ark.), Abraham A. Ribicoff (Conn.), Fred R. Harris (Okla.), Harry F. Byrd, Jr., John J. Williams (Del.), Wallace F. Bennett (Utah), Carl T. Curtis (Neb.), Jack R. Miller (Iowa), Len R. Jordan (Nebr.), Paul F. O’Neill (N.Y.), Carl T. Curtis (Okla.), Harry F. Byrd, Jr., John J. Williams (Del.), Wallace F. Bennett (Utah), Carl T. Curtis (Neb.), Jack R. Miller (Iowa), Len R. Jordan (Idaho), Paul F. O’Neill (N.Y.).

Our thanks also go to the members of the staff, who carried an unbelievable load and who, when the committee finished, always had the additional load placed on them of translating into language we could understand, what the committee had done. So we extend our gratitude to the various members of the staff, headed by Larry Woodworth, who made this bill possible.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. PERCY. Mr. President, I yield to the Senator from Illinois, who was so helpful to me in the work I was trying to do and who furthered our cause by his intelligent and dedicated effort.

Mr. DOLE. Mr. President, I know the hour is late, and every Senator is anxious to go. I want, however, to commend the Senator from Illinois (Mr. Percy) for his work, not only on the personal exemption provision, but also on the so-called super-tax on drilling costs in connection with the exploration for oil and gas.

I have discussed this issue earlier with the chairman of the committee, the Senator from Louisiana, and he feels we have accomplished substantially what we intended. That is, that a tax will not be paid on exploration expenditures. It was not an effort to give the oil and gas industry preferential treatment, but only to make certain that they would not have a tax on costs of drilling. I am thankful for the helpful efforts of the Senator from Illinois, as is the oil and gas industry.

Mr. President, at the time the Senate voted on the Tax Reform Act of 1969, I found it necessary to vote against the bill.

The original purpose of this legislation was to remove the inequities in our tax structure without contributing to the inflationary spiral. Mr. President, the Senate Finance Committee substantially accomplished this objective. However, after the Senate completed its deliberation, the $6 billion surplus recommended by the President was changed to a projected deficit of $10.65 billion increasing to $12 billion by 1971.

Such a deficit would only have served to increase the inflationary pressures on the economy. Last week some of my colleagues were complaining about inflation and blaming the President for failing to bring it under control, yet only the week before they had voted for a tax bill that would have greatly contributed to further inflation.

With living costs rising at a rate comparable to 1951, another war year, it is indeed time for the Congress to take some of the "unpleasant medicine" advocated by the President to bring inflation under control.

Mr. President, I am pleased that the House-Senate conferences demonstrated the kind of courage needed to make the hard decisions necessary to turn the Senate-passed Christmas tree version of tax legislation into a reasonable effort at tax reform.

The conference agreement, like the approach Senator Percy and I proposed, provides for a modest first-year adjustment in the personal exemption with gradual step increases until the exemption reaches $750 in 1973. By the gradual approach, the revenue loss next year, a critical year for the inflation battle, would be minimized. I am pleased that the senior Senator from Tennessee now supports this Percy-Dole amendment.

However, Mr. President, in the end, it is the President of the United States who must make the decision whether the tax-reform bill is acceptable. That decision must be based on his assessment and that of his economic advisers as to the effect the tax bill will have on our economy.

We await that decision with hope and anticipation.
TAX REFORM ACT OF 1969—
CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws.

Mr. LONG. Mr. President, reference has been made to the fine work and efforts of the staff of the Joint Committee on Internal Revenue Taxation, headed over by our very able chief of staff, Larry Woodworth, and also by the fine work done by the staff of the Senate Committee on Finance, in connection with this measure.

We are also cognizant of the fine work done by the staff of the House Ways and Means Committee with regard to this revenue bill.

Without the fine technical help of these able staff members, it would not have been possible to put together this bill and to have achieved the purposes of the conferees, nor would it have been possible to have had anything like the advice needed to pass a revenue measure of this type.

I heard the statement made by someone on one occasion that, in his judgment, there are probably no more than 100 people in this country capable of writing a measure of this type; and we had about 75 people working on the bill. I have discussed this matter with people who are knowledgeable in this field, and they agreed with that proportion. Some of those technicians were borrowed from the Treasury Department. I wish to thank them for the help they gave us in connection with the measure. Assistant Secretary Cohen and his able staff gave us all the help of which they were capable.

Some of the pamphlets that have been prepared have been enormously helpful. I think no one could really understand this bill and how it was structured if he did not have available to him a fine pamphlet prepared by the joint committee, with the assistance of the committee staff to which I have referred, showing the impact of that bill on groups and on the Government, and showing how it affected various groups and various interests as it passed through the various stages of its proceedings.
I ask unanimous consent that there be printed in the Record an analysis of the differences between the Senate- and House-passed bills as it went to conference, and the results.

**TABLE 1.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY**

<table>
<thead>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
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<td><strong>A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)</strong></td>
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<tr>
<td>Tax reform program under House bill</td>
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<td>+3,000</td>
<td>+3,000</td>
<td>+3,300</td>
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<tr>
<td>Repeal of investment credit</td>
<td>+4,605</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax reform and repeal of investment credit</td>
<td>+4,605</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax relief: Low-income allowance</td>
<td>+650</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Removal of phaseout on low income allowance</td>
<td>+650</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in standard deduction</td>
<td>+4,605</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard deduction</td>
<td>+4,605</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum 50-percent rate on earned income</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate tax treatment for certain single persons, etc.</td>
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<td>Total tax relief under House bill</td>
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<td>Extension of surcharge and excises</td>
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<td>Total</td>
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<td>Income tax relief under Senate bill</td>
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<tr>
<td>Balance between reform (+) and relief (−) under Senate bill</td>
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<td></td>
<td></td>
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<tr>
<td>Extension of surcharge and excises</td>
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<td>Total</td>
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<tr>
<td>Tax reform program under conference bill</td>
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<td></td>
<td></td>
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<tr>
<td>Repeal of investment credit</td>
<td>+2,300</td>
<td></td>
<td></td>
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<tr>
<td>Tax reform and repeal of investment credit</td>
<td>+2,300</td>
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<tr>
<td>Income tax relief: Low-income allowance</td>
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<td></td>
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<tr>
<td>Removal of phaseout on low income allowance</td>
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<tr>
<td>Increase in standard deduction</td>
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<td></td>
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<td></td>
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<tr>
<td>Standard deduction</td>
<td>+4,605</td>
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<td></td>
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</tr>
<tr>
<td>Maximum 50-percent rate on earned income</td>
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<tr>
<td>Intermediate tax treatment for certain single persons, etc.</td>
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<td></td>
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<tr>
<td>Total tax relief under conference bill</td>
<td>+1,150</td>
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*Revised.*
### TABLE 2—BALANCING OF TAX REFORM AND TAX RELIEF UNDER H. R. 13270—CALENDAR YEAR TAX LIABILITY—Continued

<table>
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<tr>
<th>Adjusted gross income class</th>
<th>Reform provisions</th>
<th>Low income allowance</th>
<th>Elimination of phaseout</th>
<th>15-percent $2,000 standard deduction</th>
<th>General rate reduction (millions)</th>
<th>Maximum tax on earned income</th>
<th>Intermediate tax treatment</th>
<th>Total relief provisions</th>
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<tr>
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<td>-641</td>
<td>-80</td>
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<td>-737</td>
<td>324</td>
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<tr>
<td>Total</td>
<td>+1,380</td>
<td>-2,027</td>
<td>-1,373</td>
<td>-6,498</td>
<td>-100</td>
<td>-550</td>
<td>-9,273</td>
<td>-7,893</td>
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### TABLE 3—TAX RELIEF PROVISIONS UNDER H. R. 13270 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE, BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS

<table>
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<tr>
<th>Adjusted gross income class</th>
<th>Reform provisions</th>
<th>Low income allowance</th>
<th>Tax under present law</th>
<th>Tax under present law</th>
<th>Increase (+) or decrease (−) from reform and relief provisions</th>
<th>Adjusted gross income class</th>
<th>Tax under present law</th>
<th>Tax under present law</th>
<th>Increase (+) or decrease (−) from reform and relief provisions</th>
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</thead>
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<tr>
<td>0 to $3,000</td>
<td>-16</td>
<td>-502</td>
<td>-297</td>
<td>-375</td>
<td>-727</td>
<td>-10</td>
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<td>-1,046</td>
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<td>-1</td>
<td>-94</td>
<td>-34</td>
<td>-18</td>
<td>-1,046</td>
<td>-18</td>
<td>-1,046</td>
<td>-1,046</td>
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</tr>
<tr>
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<td>+7</td>
<td>-33</td>
<td>-33</td>
<td>-18</td>
<td>-1,046</td>
<td>-18</td>
<td>-1,046</td>
<td>-1,046</td>
<td>-1,046</td>
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<tr>
<td>$10,000 to $15,000</td>
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<td>-63</td>
<td>-33</td>
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<td>-18</td>
<td>-1,046</td>
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<tr>
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<td>-1,046</td>
<td>-1,046</td>
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<tr>
<td>$50,000 to $100,000</td>
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<td>-33</td>
<td>-18</td>
<td>-1,046</td>
<td>-18</td>
<td>-1,046</td>
<td>-1,046</td>
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<tr>
<td>Total</td>
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<td>-2,027</td>
<td>-1,373</td>
<td>-6,498</td>
<td>-100</td>
<td>-550</td>
<td>-9,273</td>
<td>-7,893</td>
<td>-7,893</td>
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</table>

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

Note: Details do not necessarily add to totals because of rounding.

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<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Reform provisions</th>
<th>Low income allowance</th>
<th>$750 exemption (millions)</th>
<th>15-percent $2,000 standard deduction</th>
<th>Maximum tax on earned income</th>
<th>Tax treatment of single persons</th>
<th>Total relief provisions</th>
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</thead>
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<tr>
<td>0 to $3,000</td>
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<td>-502</td>
<td>-140</td>
<td>-14</td>
<td>-7</td>
<td>-104</td>
<td>-1,046</td>
</tr>
<tr>
<td>$3,000 to $5,000</td>
<td>-3</td>
<td>-72</td>
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<td>-7</td>
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<td>-1,046</td>
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<tr>
<td>$7,000 to $10,000</td>
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<td>-11</td>
<td>-7</td>
<td>-104</td>
<td>-1,046</td>
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<tr>
<td>$10,000 to $15,000</td>
<td>+26</td>
<td>-63</td>
<td>-11</td>
<td>-7</td>
<td>-104</td>
<td>-1,046</td>
<td>-1,046</td>
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<tr>
<td>$15,000 to $20,000</td>
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<td>-6,498</td>
<td>-100</td>
<td>-550</td>
<td>-9,273</td>
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</table>

Note: Details do not necessarily add to totals because of rounding.
TABLE 4A.—INDIVIDUAL INCOME TAX RELIEF PROVISIONS IN HR. 13270, CALENDAR YEARS 1970-73

A. AS PASSED BY THE HOUSE OR REPRESENTATIVES

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<tr>
<td>Percentage standard deduction</td>
<td>13 percent</td>
<td>14 percent</td>
<td>15 percent</td>
<td>16 percent</td>
</tr>
<tr>
<td>Maximum tax rate on earned income</td>
<td>50 percent</td>
<td>60 percent</td>
<td>70 percent</td>
<td>80 percent</td>
</tr>
<tr>
<td>Intermediate tax treatment for certain single persons</td>
<td>$3,000 to $5,000</td>
<td>$3,000 to $5,000</td>
<td>$3,000 to $5,000</td>
<td>$3,000 to $5,000</td>
</tr>
<tr>
<td>Taxable income class</td>
<td>$7,800</td>
<td>$7,800</td>
<td>$7,800</td>
<td>$7,800</td>
</tr>
<tr>
<td>Financial assistance</td>
<td>$10,080</td>
<td>$10,080</td>
<td>$10,080</td>
<td>$10,080</td>
</tr>
</tbody>
</table>

B. AS PASSED BY THE SENATE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum standard deduction</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Percentage standard deduction</td>
<td>13 percent</td>
<td>14 percent</td>
<td>15 percent</td>
<td>16 percent</td>
</tr>
<tr>
<td>Maximum tax rate on earned income</td>
<td>50 percent</td>
<td>60 percent</td>
<td>70 percent</td>
<td>80 percent</td>
</tr>
<tr>
<td>Intermediate tax treatment for certain single persons</td>
<td>$3,000 to $5,000</td>
<td>$3,000 to $5,000</td>
<td>$3,000 to $5,000</td>
<td>$3,000 to $5,000</td>
</tr>
<tr>
<td>Taxable income class</td>
<td>$7,800</td>
<td>$7,800</td>
<td>$7,800</td>
<td>$7,800</td>
</tr>
<tr>
<td>Financial assistance</td>
<td>$10,080</td>
<td>$10,080</td>
<td>$10,080</td>
<td>$10,080</td>
</tr>
</tbody>
</table>

C. AS APPROVED BY THE CONFERENCE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum standard deduction</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Percentage standard deduction</td>
<td>13 percent</td>
<td>14 percent</td>
<td>15 percent</td>
<td>16 percent</td>
</tr>
<tr>
<td>Maximum tax rate on earned income</td>
<td>50 percent</td>
<td>60 percent</td>
<td>70 percent</td>
<td>80 percent</td>
</tr>
<tr>
<td>Intermediate tax treatment for certain single persons</td>
<td>$3,000 to $5,000</td>
<td>$3,000 to $5,000</td>
<td>$3,000 to $5,000</td>
<td>$3,000 to $5,000</td>
</tr>
<tr>
<td>Taxable income class</td>
<td>$7,800</td>
<td>$7,800</td>
<td>$7,800</td>
<td>$7,800</td>
</tr>
<tr>
<td>Financial assistance</td>
<td>$10,080</td>
<td>$10,080</td>
<td>$10,080</td>
<td>$10,080</td>
</tr>
</tbody>
</table>

1 This low-income allowance, or minimum standard deduction, is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,100) by $1 for every $2 of adjusted gross income in excess of the 1970 taxable level.

2 A reduction of at least 1 percent in each bracket with a 5 percent or more reduction in total income brackets, taken place in 2 equal steps in 1971 and 1972.

3 The additional allowance is "phased out" by reducing it by $1 for every $4 of adjusted gross income above the 1971 taxable level.

4 This minimum standard deduction ($1,000) is "phased out" by reducing it by $1 for every $4 of adjusted gross income above the 1971 taxable level.

5 This minimum standard deduction is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,050) by $1 for every $4 of adjusted gross income above the 1971 taxable level.

TABLE 5.—TAX REFORM PROVISIONS UNDER HR. 13270 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Eliminate alternative tax rate on long-term gains</th>
<th>Capital loss limitation</th>
<th>Pension plan provision</th>
<th>Life estate provision</th>
<th>Deemed income</th>
<th>Capital gains and dividend income</th>
<th>Charitable deductions</th>
<th>Deducted per cent</th>
<th>Accretion trusts</th>
<th>Moving expenses</th>
<th>Farm losses</th>
<th>Real estate</th>
<th>Tax-free dividends</th>
<th>Limit on tax preferences</th>
<th>Allocation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to $3,000</td>
<td>$10</td>
<td>$5</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$3,000 to $5,000</td>
<td>$15</td>
<td>$10</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$5,000 to $10,000</td>
<td>$20</td>
<td>$15</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$10,000 to $15,000</td>
<td>$25</td>
<td>$20</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$15,000 to $20,000</td>
<td>$30</td>
<td>$25</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
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<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$20,000 to $25,000</td>
<td>$35</td>
<td>$30</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$25,000 to $30,000</td>
<td>$40</td>
<td>$35</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$30,000 and over</td>
<td>$45</td>
<td>$40</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$360</td>
<td>$150</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$910</td>
</tr>
</tbody>
</table>

B. AS PASSED BY THE SENATE (DEC. 11, 1969)

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Change alternative tax rate on long-term gains</th>
<th>Capital loss limitation</th>
<th>Life estate provision</th>
<th>Charitable deductions</th>
<th>Deducted per cent</th>
<th>Accretion trusts</th>
<th>Moving expenses</th>
<th>Forgone income</th>
<th>Farm losses</th>
<th>Real estate</th>
<th>Tax-free dividends</th>
<th>Limit on tax preferences</th>
<th>Allocation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to $3,000</td>
<td>$10</td>
<td>$5</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$3,000 to $5,000</td>
<td>$15</td>
<td>$10</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
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<td>( )</td>
<td></td>
</tr>
<tr>
<td>$5,000 to $10,000</td>
<td>$20</td>
<td>$15</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$10,000 to $15,000</td>
<td>$25</td>
<td>$20</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$15,000 to $20,000</td>
<td>$30</td>
<td>$25</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$20,000 to $25,000</td>
<td>$35</td>
<td>$30</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
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<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$25,000 to $30,000</td>
<td>$40</td>
<td>$35</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>$30,000 and over</td>
<td>$45</td>
<td>$40</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$360</td>
<td>$150</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$70</td>
<td>$910</td>
</tr>
</tbody>
</table>

Footnote at end of table.
TABLE 5.—TAX REFORM PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS—Continued
C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Change including life insurance tax limitations</th>
<th>Capital gain</th>
<th>Pension plan provision</th>
<th>Life estate provision</th>
<th>Average capital gain and 120 percent</th>
<th>Charitable deductions</th>
<th>Interest deduction</th>
<th>Reduced percentage depletion</th>
<th>Accumulation trusts</th>
<th>Moving expenses</th>
<th>Farm leases</th>
<th>Real estate</th>
<th>Tax free dividends</th>
<th>Tax on preferential income</th>
<th>Citrus grove costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to $3,000.00</td>
<td>+85</td>
<td>(9)</td>
<td>(9)</td>
<td>(9)</td>
<td>$7,000 to $10,000</td>
<td>$5,000 to $7,000</td>
<td>Subchapter S</td>
<td>Deterred compensation</td>
<td>Corporate capital gains</td>
<td>Restricted stock</td>
<td>$200</td>
<td>0</td>
<td></td>
<td>(7)</td>
<td>(7)</td>
<td>+32               +96</td>
</tr>
<tr>
<td>$3,000 to $5,000.00</td>
<td>+18</td>
<td>(9)</td>
<td>(9)</td>
<td>(9)</td>
<td>$5,000 to $7,000</td>
<td>$1,000 to $3,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(6)</td>
<td></td>
<td>(6)</td>
<td>(6)</td>
<td>+66               +51</td>
</tr>
<tr>
<td>$5,000 to $10,000.00</td>
<td>+18</td>
<td>(9)</td>
<td>(9)</td>
<td>(9)</td>
<td>$7,000 to $10,000</td>
<td>$1,000 to $3,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(5)</td>
<td></td>
<td>(5)</td>
<td>(5)</td>
<td>+27               +51</td>
</tr>
<tr>
<td>$10,000 to $25,000.00</td>
<td>+18</td>
<td>(9)</td>
<td>(9)</td>
<td>(9)</td>
<td>Subchapter S</td>
<td>Deterred compensation</td>
<td>Corporate capital gains</td>
<td>Restricted stock</td>
<td>$200</td>
<td>0</td>
<td></td>
<td>(7)</td>
<td>(7)</td>
<td>+32               +96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$20,000 to $50,000.00</td>
<td>+18</td>
<td>(9)</td>
<td>(9)</td>
<td>(9)</td>
<td>Real estate</td>
<td>Tax free dividends</td>
<td>Tax on preferential income</td>
<td>Citrus grove costs</td>
<td>$200</td>
<td>0</td>
<td></td>
<td>(7)</td>
<td>(7)</td>
<td>+32               +96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$50,000 or over</td>
<td>+18</td>
<td>(9)</td>
<td>(9)</td>
<td>(9)</td>
<td>Total</td>
<td>+275</td>
<td>+65</td>
<td>+60</td>
<td>+10</td>
<td>-300</td>
<td>+20</td>
<td>+20</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40                 +460</td>
</tr>
</tbody>
</table>

1 Assumes 3/4 of effect as compared with no change in realization.
2 Less than $100,000.

TABLE 6.—REVENUE ESTIMATES, TAX REFORM UNDER H.R. 13270, CALENDAR YEAR LIABILITY

<table>
<thead>
<tr>
<th>Provision</th>
<th>As passed by the House of Representatives</th>
<th>As passed by the Senate</th>
<th>As approved by the conference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate capital gains</td>
<td>175</td>
<td>175</td>
<td>175</td>
</tr>
<tr>
<td>Federal capital gains</td>
<td>65</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Unrelated business income</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Nonfarm businesses</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Farm acres</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Real estate</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Life estates</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Restricted stock</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>650</td>
<td>650</td>
<td>650</td>
</tr>
</tbody>
</table>

Note: Calendar year 1969 estimates, not shown above, are as follows: under the House bill and the Conference report, the repeal of the investment credit $100,000,000 and under the Senate bill, as amended, the repeal of the investment credit $370,000,000. Under the House bill corporate capital gains $75,000,000, multiple corporations $20,000,000, accumulated taxes $20,000,000, and individual capital gains $175,000,000.
## TABLE 7.—TAXABLE RETURNS UNDER PRESENT LAW AND NUMBER MADE NOT TAXABLE BY RELIEF PROVISIONS OF HR. 13270  

<table>
<thead>
<tr>
<th>Adjusted gross income class</th>
<th>Returns made not taxable under low-income allowance and 15 percent standard deduction</th>
<th>Returns remaining taxable—benefiting from the relief provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $3,000</td>
<td>10,053</td>
<td>4,904</td>
</tr>
<tr>
<td>$3,000 to $5,000</td>
<td>9,392</td>
<td>405</td>
</tr>
<tr>
<td>$5,000 to $7,000</td>
<td>9,797</td>
<td>24</td>
</tr>
<tr>
<td>$7,000 to $10,000</td>
<td>8,415</td>
<td>8</td>
</tr>
<tr>
<td>$10,000 to $13,000</td>
<td>8,962</td>
<td>4</td>
</tr>
<tr>
<td>$13,000 to $15,000</td>
<td>6,852</td>
<td>2</td>
</tr>
<tr>
<td>$15,000 to $20,000</td>
<td>2,894</td>
<td>0</td>
</tr>
<tr>
<td>$20,000 to $50,000</td>
<td>2,394</td>
<td>0</td>
</tr>
<tr>
<td>$50,000 to $100,000</td>
<td>340</td>
<td>0</td>
</tr>
<tr>
<td>$100,000 and over</td>
<td>95</td>
<td>0</td>
</tr>
</tbody>
</table>

**Total**                       | 63,152                          | 5,932                                           |

**Footnote at end of table.**

### TABLE 8—TAX BURDEN ON THE SINGLE PERSON UNDER PRESENT LAW AND UNDER HR. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES, AS PASSED BY THE SENATE, AND AS APPROVED BY THE CONGRESS

#### A. Assuming Nonbusiness Deductions of 10 Percent of Income

<table>
<thead>
<tr>
<th>Adjusted gross income (wages and salaries)</th>
<th>Tax under present law</th>
<th>Tax under HR. 13270</th>
<th>Tax decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>$1,000</td>
<td>115</td>
<td>0</td>
<td>$115</td>
</tr>
<tr>
<td>$2,000</td>
<td>57</td>
<td>0</td>
<td>$57</td>
</tr>
<tr>
<td>$3,000</td>
<td>116</td>
<td>0</td>
<td>$116</td>
</tr>
<tr>
<td>$4,000</td>
<td>194</td>
<td>0</td>
<td>$194</td>
</tr>
<tr>
<td>$5,000</td>
<td>312</td>
<td>0</td>
<td>$312</td>
</tr>
<tr>
<td>$6,000</td>
<td>524</td>
<td>0</td>
<td>$524</td>
</tr>
<tr>
<td>$7,000</td>
<td>843</td>
<td>0</td>
<td>$843</td>
</tr>
<tr>
<td>$8,000</td>
<td>1,161</td>
<td>0</td>
<td>$1,161</td>
</tr>
<tr>
<td>$9,000</td>
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### TABLE 8—Continued

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TABLE 10.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW 1 AND UNDER HR. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES, AS PASSED BY THE SENATE, 2 AND AS APPROVED BY THE CONFERENCE 3

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

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3. AS APPROVED BY THE CONFERENCE

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Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. LONG. Yield.

Mr. PROXMIRE. I want to congratulate the Senator from Louisiana for what I think was a remarkably fine job. In terms of fiscal responsibility—and a lot of people just do not understand this tax bill provides fiscal responsibility. If they knew what the facts really are, they would not be critical. The New York Times editorial carried an editorial critical of this bill. The New York Times editorial said that the staffs of the two tax committees have resources data comparing the revenue effect of the conference version of the bill with the revenue effect of no bill at all. They have concluded that the first year the conference bill will provide an increase of $6,479 billion in revenues as compared to no bill. The New York Times suggested that this was a fraudulent comparison. The editorial then proceeded to compare the conference bill with the effect of continuing all 1969 taxes at current rates. I will come to that. But first if we compare the conference bill with what President Nixon recommended for 1970 and subsequent years with a repeal of the surtax, but with the continuation of the 5-percent surtax until July 1, 1970, and with other revenue proposals, the conference’s bill is only $300 million below the President’s full revenue suggestions.

This is according to the best estimate the joint staff can give so in 1970 the President and the Congress are close together on a total revenue package since total Federal revenues are near $200 billion, the difference is about one-quarter of 1 percent. In 1971 the President would bring in about $300 million more than the conference version. In 1972 the President would bring in about $600 million less than the conference. So the President and the conference are very close in revenue impact.

Furthermore, if we take the present tax law, reenacting the surtax, continuing the original investment tax credit, as we have without action on this bill, and continuing to have the same provisions in the law in 1969 but extended fully into 1970, and this is what the New York Times suggested as a comparison. Then the staff tells me this means $10.2 billion of additional revenue as compared with $6.7 billion, for the conference version or a difference of $3.5 billion. But the New York Times said that the staffs of the two tax committees have resources data comparing the revenue effect of the conference bill with what President Nixon would bring in about $600 million less than the conference. So the President would bring in about $300 million more of revenue, the difference is about one-quarter of 1 percent.

Mr. President, both the Senator from New York and the New York Times raise the very serious point that this bill is preempting our future ability to meet such serious problems as the crisis of our cities. Now it is true that if we continued the 10-percent surtax for the next 10 years, if we repealed the investment tax credit. In other words if we increased the present level of taxes, and if that higher level of taxes did not precipitate a recession, we might have a larger Federal contribution to meet our urban problems.

But the surtax was never viewed as a permanent tax. It was proffered as a bill that would be in effect for 1 year—2 at the most.

If we compare the capacity of the Federal Government to meet its responsibilities to the extent President Nixon’s tax proposals would permit and compare that to the effect of the conference bill now before the Senate then the taxes that we have are the equivalent of $3.5 billion if we compare the state of the 1969 surtax and the excise taxes, it is thus clear that the New York Times conclusion that we are starving our vital domestic services to push through a popular tax reduction bill is completely unfounded.

Furthermore, if we had no bill, we would be giving an unintended windfall by way of an investment credit, amounting to $30 billion in the next 8 years, to those who had been led to believe they would not have it because Congress had intended to repeal the investment tax credit as of April 18.

If there is any inflationary about raising $6.479 billion more than would be raised without the bill, I do not know what it would be. Nor do I know of anything more inflationary than permitting a huge tax windfall for the benefit of those for whom it was never intended at all, to the tune of $3 billion.

So this bill is a responsible bill from the fiscal point of view. If we have more inflation, it will not be because of what we do in this measure; it will be because of other things.

With regard to the social security increases which has been most discussed today, all the responsible people in the Department who have to study this matter day in and day out—and they are very able and competent people—agree that the New York Times conclusion that this 15-percent increase, which is something more than a cost-of-living increase, but a great deal of which is to cover a cost-of-living increase, can be paid by the fund on a continuing basis, and at no point in the future do we expect that we will have any deficit in the fund. The fund will continue to grow, notwithstanding the increase—so much so that the House of Representatives will proceed next year, and we shall work next year, and we shall work to provide additional benefits for those for whom we would like to do more. We recognize that that will require a tax. We plan to provide whatever tax we think is necessary when we pass that measure and send it to the President.

I do think that the bill that we have passed is by far a better bill than the bill the House passed. It would bring in about $30 billion more than the bill the Senate passed; and I think it is by far a better bill than the Senate committee reported.


Senators—and I believe that will be table 3 of the charts I placed in the Record—one can see that where the percentage reduction by groups starts out at 66 percent in the House bill for those in the lowest income bracket, it drops down to 4 percent in the highest bracket, and the Senate bill starts with a 70 percent reduction in the lowest bracket and arrives at an 8 percent increase in the highest bracket. Senators may notice that the set of figures finally approved starts at 69.8 percent, roughly a 70 percent reduction in the lowest bracket, and winds up at 7.8 percent increase in the highest bracket. The impressive thing is the perfect symmetry of the final chart. The tax curve starts at 69.8 percent, then 33.2 percent, 19.5 percent, 15.8 percent, 12.6 percent, 9.8 percent, 5.1 percent, and 1.9 percent, and finally an increase of 7.2 percent.

If one lays the final percentages alongside each other, he will find that almost a perfectly symmetrical pattern was achieved by the conference, and the amazing thing is that it was not achieved by design; it was achieved after we added up the costs of income tax factors and put them through a computer.

There were a number of things about the bill that worked out in that fashion—so much so that I am inclined to believe we got far more guidance than we had any right to expect.

Mr. MANSFIELD. Mr. President, have the yeas and nays been requested on the conference report?

Mr. CAIRNS. Mr. President, has the yeas and nays been requested on the conference report?

Mr. MANSFIELD. I ask for the yeas and nays.

Mr. SPONG. Mr. President, today the Senate considers the conference report on the Tax Reform Act of 1969. This latest landmark result of long months of consideration by the Members of the committees of both Houses of Congress and in response to strong demands by our citizens that the tax laws be made more fair and equitable.

The Tax Reform Act of 1969 represents the largest overhaul of the income tax laws in the history of this Nation and is a complex combination of relief and tax reform.

While the final version of the bill as reported by the conference committee is not perfect, it is a great improvement on the Senate-passed bill and represents a significant step in reforming our tax laws so that they are more equitable.

The conference bill is an improvement over that passed by the Senate in its impact on inflation. In balancing the bills projected loss from relief provisions against its gain in income from loophole closing reforms and extension of the surtax to non-rich, the conference bill produces a net income of $6.5 billion in revenue in 1970 and $300 million in 1971, the crucial period in the fight against inflation.

In the area of tax reform, many significant steps were taken by Congress to make our tax laws more equitable. For example, the oil depletion allowance was reduced from 27 1/2 to 22 percent. This will eventually net the Federal Government more than $235 million a year.

A minimum tax was imposed which reduces significantly the capacity of wealthy individuals and corporations to escape completely Federal taxation. This will net the Government over $655 million a year.

In addition the bill will tighten the regulation on the operation of private foundations and place for the first time a tax on a foundation's net investment income.

The act includes two measures of tax relief that are vital at this time. Retirement benefits under social security would be raised 15 percent across the board starting in January 1970 and the $600 personal exemption a taxpayer is allowed for himself and each of his dependent gradually would rise to a level of $750 by 1973. Next July of tax increase to $650 and in 1972 it would be $700.

I supported the social security increase because I believe that the old, the infirm, and the dependent who live on social security should have their benefits raised to allow them to meet the tremendous increase in the cost of living that has occurred over the last 2 years.

Also I believe that the increase in the $600 personal exemption is only fair in light of the increase in the cost of raising and maintaining families. The provision is timed in such a way as to be non-inflationary. The present exemption of $600 has been in existence for 20 years, and is, in my judgment, unrealistic.

The conference committee struck from the Senate-passed bill both the bill building reform and relief provisions that at another time might be desirable, but the conference hewed to the basic principle I followed in my votes on the Senate floor: That the provisions of tax relief should be more than compensated for by income gained from the closing of tax loopholes. In following this principle, I was forced to accept provisions that I felt desirable in the long run, but whose effect would have produced a net revenue deficit in the bill. The conference committee had the same hard choices and has recommended to the Congress a responsible and effective tax reform bill that on balance warrants support. I shall vote for the bill. I commend the able Senator from Louisiana (Mr. Long) and the other Senate conference.

Mr. THURMOND. Mr. President, I was very much disturbed to note that the House-Senate conferees on the tax reform bill have failed to retain the import amendment introduced by the Senator from New Hampshire (Mr. Corrigan). My primary concern in cosponsoring the amendment was that it would be a tax on a foundation's net investment income which finds itself in a completely untenable position when trying to compete with the low wages paid by their foreign counterparts. The same plight is facing many other American industries also, and it was in recognition of this problem that the Senate overwhelmingly adopted the Cotton amendment.

Mr. President, there is one very important and significant factor which no one should make the mistake of overlooking: The Senate has not reversed its position by not maintaining this amendment in the tax bill. The situation is quite to the contrary. By a vote of 65 to 30, the Senate has clearly and irreversibly placed itself on record as being against any legislation designed to protect American jobs and industry. We must not lose sight of this fact.

Mr. President, I will continue to work hard to assure that the textile-apparel industry is allowed to survive in this country. The true significance of Senate adoption of the import amendment on December 10 must not be lost on those who are determined to negotiate an equitable arrangement whereby the textile-apparel industry is protected.

Mr. GOODELL. Mr. President, the tax reform bill is now before us in its final form—as reported by the House-Senate conference. The bill has been somewhat improved from the Senate version. Its net revenue losses are smaller and they have been deferred somewhat. Some of the costly Senate amendments have been dropped.

It remains, however, more of a tax-cutting, masure than a tax reform act, at a time when wholesale cuts will only feed inflation and take away revenues desperately needed to meet the social problems facing this Nation.

An omnibus bill of this nature represents a difficult decision for all of us. The bill contains many features which I strongly favor. It corrects inequities that should have been remedied long ago. In reforming our tax structure, however, we must be sure to do so on a fiscally responsible basis with the provision of adequate revenues to pay for the changes we make.

The present bill does not rest on a sound fiscal basis. It overrides tax decreases and "underdoes" compensating tax increases. It fails, in short, to pay for itself. The total impact of the bill is to add $3 billion to inflationary pressures in future years of the funds urgently required to deal with our domestic problems.

Certainly, the present level of military expenditures is a major reason why we cannot now afford to adopt the large tax reductions of this bill.

I have been an opponent of the present rate of military spending, which I consider excessive. I have proposed a complete U.S. withdrawal from Vietnam within 1 year, thus eliminating a large part of the $25 to $30 billion we are now spending on the war. I have voted against the military authorization and military appropriations bills in the Senate this year.

These military expenditures, however, remain a fact of life. Until they are reduced—as I firmly believe they should be—I cannot support a tax bill that results in such a large revenue loss.

Therefore, despite improvements, the overall effect of this bill is still negative.

I will vote against the bill.

Mr. MANSFIELD. Mr. President, is the fiscal impact?

Mr. MANSFIELD. The fiscal impact of this bill is its fiscal effect; that is, how much net revenue gain or loss it creates. No
It is imperative at this time that a tax-reform measure adopted by Congress does not produce major revenue losses.

Inflation continues to erode the savings of millions of Americans and diminish the purchasing power of their income.

This year, the value of the dollar has declined by a staggering 6-percent. A 1-percent rise in the consumer price level represents an invisible but very real tax of $6 billion. A 6-percent rise, such as occurred this year, means an invisible consumer tax of $36 billion.

A major shortfall in the tax bill would only aggravate this inflation. The savings of such a measure could well be more than offset by a further decline in the value of the dollar.

Aside from the question of inflation, a properly balanced tax package is essential to provide sufficient funds for welfare reform, revenue sharing, health, urban rehabilitation, education, and job training programs. It is important to recognize that a tax bill that cuts several billion dollars from Federal revenues would make it nearly impossible to finance these efforts at adequate levels.

Our budgetary problems have been aggravated by excessive military spending that many of my colleagues and I have opposed. Such military spending, however, remains a reality. The bitter experience of many years suggests that if revenues are cut, it will be domestic programs, not military expenditures, that will suffer most.

The Senate version of the tax bill was completely out of balance. The Senate bill would have resulted in a gigantic net revenue loss of $6.7 billion in 1971. This would have virtually ended all hopes of bringing inflation under control in that critical year.

The Senate bill would have created a long-term revenue loss of $3.5 billion, on the basis of present income figures. This bill would have created a permanent inflationary pressure in the economy, and drastically interfered with the financing of essential domestic programs for alleviating poverty, hunger, and urban decay.

I felt compelled to vote against the Senate version of the bill because of these clear, excessive and inflationary revenue losses.

And frankly, I found it difficult to comprehend how some of my Senate colleagues—who have been highly vocal in calling for massive new domestic programs at the Federal level—could have supported such enormous cuts in the revenues needed to finance these programs.

The conference version of the bill now before us has been brought into balance in the first 2 years, 1970 and 1971. It continues to provide substantial net revenue losses in subsequent years.

Based on present income figures, the net loss will be $1.8 billion in 1972, $3.8 billion in 1974, and $2.5 billion over the long run. As incomes rise, these losses will be larger.

In my testimony before the Senate Finance Committee, I stated that the tax bill should involve no net revenue loss. I still believe this is true. A balanced tax package—in which revenue losses do not exceed revenue gains—entails in itself no inflationary risks. It also preserves the funds so badly needed for financing domestic social programs.

The long-term loss created by the bill is its major weakness. It will continue to build inflationary pressures. It will reduce the $36 billion, which will end from the middle of the Vietnam war. It will increase the budgetary strains upon our domestic programs.

How can we provide adequate funding for our need to increase the health, and housing programs in the next years, if we now cut billions of dollars from the tax revenues that finance these programs?

How can we initiate new programs to strengthen the fiscal base of States and communities, such as revenue sharing, or we now succumb to the temptations of wholesale tax cuts?

How can we take truly effective action to bring inflation under control and keep it under control if we now adopt legislation that will surely produce major revenue losses only a few years from now?

THE RELIEF MEASURES

The conference version of the bill increases the personal exemption to $750 in 3 yearly stages. It adopts a "windfall" which will allow an additional deduction of 5 million poor and near-poor from the tax rolls. It increases the standard deduction to 15 percent of income with a $2,000 ceiling, in 3 yearly stages. It retains a 15 percent federal credit, and voted for the Senate version.

The bill, however, does not raise the tax rates now may take hold at a future time when we are no longer so much concerned with inflation as with recession.

The experience of a few years ago—when Congress repealed the credit only to restore it—suggests the inadvisability of trying to turn the credit on and off to offset swings in the economy.

I think it is essential to have a permanent tax incentive for long-run economic growth. The investment tax credit served this function.

The fact that the bill eliminates the investment credit—and thus adds to the risk of recession—is a further basis for voting against the bill.

The present bill makes some steps toward closing loopholes in the present tax law which favor special interest groups.

One is the adoption of the minimum tax on wealthy individuals who are now escaping taxation by various deductions. I support the principle of such a minimum tax, and voted for the Senate amendment for calculating the tax that was adopted by the conference.
In other respects, the Senate bill has been unduly solicitous of private interest groups, at the expense of real reform. A glaring example is the oil-depletion allowance—which was reduced in the House to 20 percent but only decreased to 22 percent in conference version. I supported an amendment—which failed in the Senate—to reduce the allowance to 20 percent.

The treatment of private foundations in this bill is most disappointing. It is true that the bill provides a positive measure for protection of past foundation abuses—such as self-dealing and the misuse of tax exemption for private influence or gain—and requires greater public disclosure of foundation activities. Some of the harsh provisions in the House bill, later changed by the Senate Finance Committee, regarding excessive sanctions on foundations and their managers and foundation responsibility for the expenditures of their grantees, have been accepted in conference.

Nonetheless, in a number of ways this bill reflects a punitive approach to foundations which will merely deplete society of an important source of creativity and thought. We have, in effect, not reformed the foundations; we have somewhat deformed them.

I am strongly opposed to the imposition of a 4-percent tax on foundation net investment income. The conference committee has made a critical mistake in rejecting the supervisory fee based on asset values as passed in the Senate.

In my judgment, the tax is an unwarranted departure from the principle that income of nonprofit organizations organized for charitable purposes should be free from taxation.

It is discriminatory in that it would only be levied against foundations and not against other nonprofit charities such as schools, universities, churches, and hospitals.

It would hit not the donors or officers of foundations, but the whole range of educational, scientific, medical, cultural, and social activities they finance. A 4-percent tax on foundations means an automatic corresponding loss of funds for these activities. To the extent that foundations aid the public, the public is hurt by this tax on their investment income.

In my opinion, the only rationale for collecting revenue from foundations should be to encourage more effective supervision of their activities through the imposition of a filing fee. The language of the Senate bill clearly stated that an annual audit fee on assets would be imposed for the purposes of administration, and provided for annual review by the Secretary of the Treasury so that collection of the fee would accurately reflect the costs of such administration and supervision. There are no such provisions in this bill or in the conference committee report. Certainly, it was the view of the Senate Finance Committee and the Senate as a whole that these funds should be collected only to cover increased auditing the supervision by the Internal Revenue Service. A 4-percent tax on income is already twice as much revenue as the Treasury indicated it would need to carry out such an auditing program adequately.

In sum, this tax creates a dangerous precedent. If it is appropriate to tax foundation income now at the rate of 4 percent, then why not at 10 percent, or 25 percent next year or the year after? Will other nonprofit charities such as schools, universities, and churches—which escaped this time—be the next target? If the Federal Government can tax foundations, State and local governments could do the same. In my judgment, the road ahead is only too clear; the Government now has opened the door to taking a larger and larger bite from foundation income, and as a result a smaller and smaller portion will be left over to fulfill charitable and social purposes.

A second aspect of this bill which deeply disturbs me is the broad language restricting foundations in taking positions on the public issues of the day.

Foundations are now engaged in studies or projects on almost every topic of public concern, be it air pollution, juvenile delinquency, court reform, drug abuse, international satellite communications, or the problems of famine in India. Every one of these topics is a matter of significant legislative concern. Every one of them is a matter of public interest.

I do not think it makes sense to inhibit foundations in any way from sharing their ideas with those who must make decisions in these vital areas.

Third, the bill creates a broad definition of private foundations which describes them from a totally new vantage point. The public has traditionally viewed foundations as private, nonprofit organizations with a principal fund of their own, established primarily to make grants in support of charitable, educational, scientific, and civic purposes serving the public welfare.

The provisions of the bill would expand this traditional definition to such an extent that a wide range of other institutions would now be classified as "private foundations."

Some of these institutions are primarily engaged in research or in conducting studies on education, medical, scientific, and social issues. They have never been considered foundations in the past. Others are public service organizations working with the community, or health, welfare, and other programs. Many of them are heavily dependent upon foundation grants for their very existence. Newly classified as foundations under the bill, they will be subject to the 4-percent tax on income—thereby having less money available to conduct their activities; and they will also be subject to the bill's program limitations upon foundations.

Finally, I regret that the conference committee has not fully accepted the Senate provision regarding nonpartisan voter education and registration drives. By a substantial margin, the Senate indicated its interest in a far less restrictive version than the House has passed.

I would voice my concern that we have gravitated to past abuses in curtailing activities of organizations which have and can contribute so much to broadening participation in our democratic processes.

Private foundations have played a vital role in the scientific, intellectual, cultural, and social development of this Nation. I am distressed that their role has not been recognized in this bill.

CAPITAL GAINS

The House proposed a far-reaching change in the treatment of capital gains. It did so with very little study of how such a change could affect capital formation and economic growth.

In my testimony before the Finance Committee, I cautioned against making such a fundamental change in so much haste, saying:

The special treatment now accorded to capital gains is not just a loophole. It is a way of stimulating investment. Any change in this treatment must be considered, therefore, not in the loophole-plugging spirit merited by special privilege provisions of the tax code, but in the spirit of inquiry into all factors affecting capital formation and economic growth in this nation.

It may well be that changes of the present rules are desirable. But the effect of those changes on the economy, on markets, and on individuals must first be thoroughly understood. The haste with which action was taken on these changes in the House of Representatives did not permit adequate investigation of the consequences.

The conference version has dropped one of the House changes—the extension of the 6-month holding period. It has, however, followed the lead of the House in partly abolishing the 25-percent alternative tax for capital gains. I still remain unconvinced that sufficient study has been made of the economic impact of this action.
The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws.

The PRESIDING OFFICER. The question is on agreeing to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws.

On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Mississippi (Mr. EASTLAND), the Senator from Louisiana (Mr. ELLENDER), the Senator from North Carolina (Mr. EVANS), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Minnesota (Mr. McCARTHY), the Senator from Wyoming (Mr. MCGEE), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Georgia (Mr. RUSSELL), the Senator from Missouri (Mr. SYMINGTON), and the Senator from Texas (Mr. YARBOROUGH) are necessarily absent.

I further announce that, if present and voting, the Senator from Louisiana (Mr. ELLENDER), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Missouri (Mr. SYMINGTON), and the Senator from Texas (Mr. YARBOROUGH) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Colorado (Mr. ALLOTT), the Senator from New Jersey (Mr. CASE), the Senator from Kentucky (Mr. COOK), the Senator from New Hampshire (Mr. COTTON), the Senator from Hawaii (Mr. FONG), the Senator from Arizona (Mr. GOEBEL), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. MURPHY), the Senator from Alaska (Mr. STEVENS) and the Senator from Texas (Mr. TOWER) are necessarily absent.

The Senator from Kentucky (Mr. COOPER) is absent because of illness in his family.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

If present and voting, the Senator from New Jersey (Mr. CASE), the Senator from Oregon (Mr. HATFIELD), the Senator from Kentucky (Mr. COOPER), and the Senator from New Hampshire (Mr. COTTON) would each vote "yea."

On this vote, the Senator from Hawaii (Mr. FONG) is paired with the Senator from Texas (Mr. TOWER). If present and voting, the Senator from Hawaii would vote "yea" and the Senator from Texas would vote "nay."

On this vote, the Senator from California (Mr. MURPHY) is paired with the Senator from Alaska (Mr. STEVENS). If present and voting, the Senator from California would vote "yea" and the Senator from Alaska would vote "nay."
The result was announced—yeas 71, nays 6, as follows:

[No. 273 Leg.]

**YEAS—71**

Allen Hansen Muskie
Allen Harris Nelson
Baker Hart Packwood
Bayh Hartke Pastore
Bennett Holland Pearson
Bible Hruska Pell
Boggs Hughes Percy
Brooke Inouye Prouty
Burdick Jackson Proxmire
Cannon Kennedy Scott
Church Long Smith, Maine
Cranston Magnuson Smith, Ill.
Dodd Mansfield Sping
Doile Mathias Spong
Dommuick McClellan Stennis
Eagleton McGovern Talmadge
Fannin McIntyre Thurmond
Fulbright Metcalf Tydings
Gore Miller Williams, N.J.
Gravel Mondaile Young, N.Dak.
Griffin Montoya Young, Ohio
Gurney Moss

**NAYS—6**

Bellmon Goodell Saxbe
Curtis Javits Williams, Del.

**NOT VOTING—23**

Allott Ervin Murphy
Anderson Ewing Ribicoff
Case Goldwater Russell
Coch Cahrfield Stevens
Cooper Hollings Symington
Cotton McCarthy Tower
Eastland McGee Yarbrough
Ellender Mundt

So the report was agreed to.

Mr. LONG. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. SCOTT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.
Public Law 91-172
91st Congress, H. R. 13270
December 30, 1969

An Act
To reform the income tax laws.

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

SECTION 1. SHORT TITLE, ETC.

(a) Short Title.—This Act may be cited as the “Tax Reform Act of 1969”.

(b) Table of Contents.

TITLE I—TAX EXEMPT ORGANIZATIONS
Subtitle A—Private Foundations

Sec. 101. Private foundations.

Subtitle B—Other Tax Exempt Organizations

Sec. 121. Tax on unrelated business income.

TITLE II—INDIVIDUAL DEDUCTIONS
Subtitle A—Charitable Contributions

Sec. 201. Charitable contributions.

Subtitle B—Farm Losses, Etc.

Sec. 211. Gain from disposition of property used in farming where farm losses offset nonfarm income.
Sec. 212. Livestock.
Sec. 213. Deductions attributable to activities not engaged in for profit.
Sec. 214. Gain from disposition of farm land.
Sec. 215. Crop insurance proceeds.
Sec. 216. Capitalization of costs of planting and developing citrus groves.

Subtitle C—Interest

Sec. 221. Interest.

Subtitle D—Moving Expenses

Sec. 231. Moving expenses.

TITLE III—MINIMUM TAX; ADJUSTMENTS PRIMARILY AFFECTING INDIVIDUALS
Subtitle A—Minimum Tax

Sec. 301. Minimum tax for tax preferences.

Subtitle B—Income Averaging

Sec. 311. Income averaging.
Subtitle C—Restricted Property

Sec. 321. Restricted property.

Subtitle D—Accumulation Trusts, Multiple Trusts, Etc.

Sec. 331. Treatment of excess distributions by trusts.
Sec. 332. Trust income for benefit of a spouse.

TITLE IV—ADJUSTMENTS PRIMARILY AFFECTING CORPORATIONS

Subtitle A—Multiple Corporations

Sec. 401. Multiple corporations.

Subtitle B—Debt-Financed Corporate Acquisitions and Related Problems

Sec. 411. Interest on indebtedness incurred by corporation to acquire stock or assets of another corporation.
Sec. 412. Installment method.
Sec. 413. Bonds and other evidences of indebtedness.
Sec. 414. Limitation on deduction of bond premium on repurchase.
Sec. 415. Treatment of certain corporate interests as stock or indebtedness.

Subtitle C—Stock Dividends

Sec. 421. Stock dividends.

Subtitle D—Financial Institutions

Sec. 431. Reserve for losses on loans; net operating loss carrybacks.
Sec. 432. Mutual savings banks, etc.
Sec. 433. Treatment of bonds, etc., held by financial institutions.
Sec. 434. Limitation on deduction for dividends received by mutual savings banks, etc.
Sec. 435. Foreign deposits in United States banks.

Subtitle E—Depreciation Allowed Regulated Industries; Earnings and Profits Adjustment for Depreciation

Sec. 441. Public utility property.
Sec. 442. Effect on earnings and profits.

TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

Subtitle A—Natural Resources

Sec. 501. Percentage depletion rates.
Sec. 502. Treatment processes in the case of oil shale.
Sec. 503. Mineral production payments.
Sec. 504. Exploration expenditures.
Sec. 505. Continental shelf areas.
Sec. 506. Foreign tax credit with respect to certain foreign mineral income.
Subtitle B—Capital Gains and Losses
Sec. 511. Increase in alternative capital gains tax.
Sec. 512. Capital losses of corporations.
Sec. 513. Capital losses of individuals.
Sec. 514. Letters, memorandums, etc.
Sec. 515. Total distributions from qualified pension, etc., plans.
Sec. 516. Other changes in capital gains treatment.

Subtitle C—Real Estate Depreciation
Sec. 521. Depreciation of real estate.

Subtitle D—Subchapter S Corporations
Sec. 531. Qualified pension, etc., plans of small business corporations.

TITLE VI—STATE AND LOCAL OBLIGATIONS
Sec. 601. Arbitrage bonds.

TITLE VII—EXTENSION OF TAX SURCHARGE AND EXCISE TAXES; TERMINATION OF INVESTMENT CREDIT
Sec. 701. Extension of tax surcharge.
Sec. 702. Continuation of excise taxes on communication services and on automobiles.
Sec. 703. Termination of investment credit.
Sec. 704. Amortization of pollution control facilities.
Sec. 705. Amortization of railroad rolling stock and right-of-way improvements.
Sec. 706. Expenditures in connection with certain railroad rolling stock.
Sec. 707. Amortization of certain coal mine safety equipment.

TITLE VIII—ADJUSTMENT OF TAX BURDEN FOR INDIVIDUALS
Sec. 801. Personal exemptions.
Sec. 802. Low income allowance; increase in standard deduction.
Sec. 803. Tax rates for single individuals and heads of household; optional tax.
Sec. 804. Fifty-percent maximum rate on earned income.
Sec. 805. Collection of income tax at source on wages.

TITLE IX—MISCELLANEOUS PROVISIONS
Sec. 901. Exclusion of additional living expenses.
Sec. 902. Deductibility of treble damage payments, fines and penalties, etc.
Sec. 903. Accrued vacation pay.
Sec. 904. Deduction of recoveries of antitrust damages, etc.
Sec. 905. Corporations using appreciated property to redeem their own stock.
Sec. 906. Reasonable accumulations by corporations.
Sec. 907. Insurance companies.
Sec. 908. Certain unit investment trusts.
Sec. 909. Foreign corporations not availed of to reduce taxes.
Sec. 910. Sales of certain low-income housing projects.
Sec. 911. Per-unit retain allocations.
Sec. 912. Foster children.
Sec. 913. Cooperative housing corporations.
Sec. 914. Personal holding company dividends.
Sec. 915. Replacement of property involuntarily converted within a 2-year period.
Sec. 916. Change in reporting income on installment basis.
Sec. 917. Recognition of gain in certain liquidations.

Subtitle B—Miscellaneous Excise Tax Provisions

Sec. 931. Concrete mixers.
Sec. 932. Constructive sale price.

Subtitle C—Miscellaneous Administrative Provisions

Sec. 941. Filing requirements.
Sec. 942. Computation of tax by Internal Revenue Service.
Sec. 943. Failure to make timely payment or deposit of tax.
Sec. 944. Declarations of estimated tax by farmers.
Sec. 945. Portion of salary, wages, or other income exempt from levy.
Sec. 946. Interest and penalties in case of certain taxable years.

Subtitle D—United States Tax Court

Sec. 951. Status of Tax Court.
Sec. 952. Appointment; term of office.
Sec. 953. Salary.
Sec. 954. Retirement.
Sec. 955. Survivors.
Sec. 956. Powers.
Sec. 957. Tax disputes involving $1,000 or less.
Sec. 958. Commissioners.
Sec. 959. Notice of appeal.
Sec. 960. Conforming amendments.
Sec. 961. Continuation of status.
Sec. 962. Effective dates.

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

Sec. 1001. Short title.
Sec. 1002. Increase in old-age, survivors, and disability insurance benefits.
Sec. 1003. Increase in benefits for certain individuals age 72 and over.
Sec. 1004. Maximum amount of a wife's or husband's insurance benefit.
Sec. 1005. Allocation to disability insurance trust fund.
Sec. 1006. Disregarding of retroactive payment of OASDI benefit increase.
Sec. 1007. Disregarding of income of OASDI recipients in determining need for public assistance.

(c) Amendment of 1954 Code.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.
TITLE I—TAX EXEMPT ORGANIZATIONS
Subtitle A—Private Foundations

SEC. 101. PRIVATE FOUNDATIONS.

(a) In General.—Subchapter F of chapter 1 (relating to exempt organizations) is amended by redesignating parts II, III, and IV as parts III, IV, and V, respectively, and by inserting after part I the following new part:

* * * * * *
“(1) unless it has given notice to the Secretary or his delegate, in such manner as the Secretary or his delegate may by regulations prescribe, that it is applying for recognition of such status; or

“(2) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary or his delegate by regulations for giving notice under this subsection.

For purposes of paragraph (2), the time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

“(b) Presumption That Organizations Are Private Foundations.—Except as provided in subsection (c), any organization (including an organization in existence on October 9, 1969) which is described in section 501(c) (3) and which does not notify the Secretary or his delegate, at such time and in such manner as the Secretary or his delegate may by regulations prescribe, that it is not a private foundation shall be presumed to be a private foundation. The time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

“(c) Exceptions.—

“(1) Mandatory Exceptions.—Subsections (a) and (b) shall not apply to—

“(A) churches, their integrated auxiliaries, and conventions or associations of churches, or

“(B) any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than $5,000.

“(2) Exceptions by Regulations.—The Secretary or his delegate may by regulations exempt (to the extent and subject to such conditions as may be prescribed in such regulations) from the provisions of subsection (a) or (b) or both—

“(A) educational organizations which normally maintain a regular faculty and curriculum and normally have a regularly enrolled body of pupils or students in attendance at the place where their educational activities are regularly carried on; and

“(B) any other class of organizations with respect to which the Secretary or his delegate determines that full compliance with the provisions of subsections (a) and (b) is not necessary to the efficient administration of the provisions of this title relating to private foundations.

“(d) Disallowance of Certain Charitable, Etc., Deductions.—

“(1) Gift or Bequest to Organizations Subject to Section 507(c) Tax.—No gift or bequest made to an organization upon which the tax provided by section 507(c) has been imposed shall be allowed as a deduction under section 170, 545(b) (2), 556(b) (3), 642(c), 2055, 2106(a) (2), or 2522, if such gift or bequest is made—

“(A) by any person after notification is made under section 507(a), or

“(B) by a substantial contributor (as defined in section 507(d) (2)) in his taxable year which includes the first day on which action is taken by such organization which culminates in the imposition of tax under section 507(c) and any subsequent taxable year.

“(2) Gift or Bequest to Taxable Private Foundation, Section 4947 Trust, Etc.—No gift or bequest made to an organization shall be allowed as a deduction under section 170, 545(b) (2), 556(b) (3), 642(c), 2055, 2106(a) (2), or 2522, if such gift or bequest is made—
“(A) to a private foundation or a trust described in section 4947 in a taxable year for which it fails to meet the requirements of subsection (e) (determined without regard to subsection (e)(2)(B) and (C)), or
“(B) to any organization in a period for which it is not treated as an organization described in section 501(c)(3) by reason of subsection (a).
“(3) Exception.—Paragraph (1) shall not apply if the entire amount of the unpaid portion of the tax imposed by section 507(c) is abated by the Secretary or his delegate under section 507(g).
“(e) Governing Instruments.—
“(1) General Rule.—A private foundation shall not be exempt from taxation under section 501(a) unless its governing instrument includes provisions the effects of which are—
“(A) to require its income for each taxable year to be distributed at such time and in such manner as not to subject the foundation to tax under section 4942, and
“(B) to prohibit the foundation from engaging in any act of self-dealing (as defined in section 4941(d)), from retaining any excess business holdings (as defined in section 4943(c)), from making any investments in such manner as to subject the foundation to tax under section 4944, and from making any taxable expenditures (as defined in section 4945(d)).
“(2) Special Rules for Existing Private Foundations.—In the case of any organization organized before January 1, 1970, paragraph (1) shall not apply—
“(A) to any taxable year beginning before January 1, 1972,
“(B) to any period after December 31, 1971, during the pendency of any judicial proceeding begun before January 1, 1972, by the private foundation which is necessary to reform, or to excuse such foundation from compliance with, its governing instrument or any other instrument in order to meet the requirements of paragraph (1), and
“(C) to any period after the termination of any judicial proceeding described in subparagraph (B) during which its governing instrument or any other instrument does not permit it to meet the requirements of paragraph (1).

* * * * *
TITLE II—INDIVIDUAL DEDUCTIONS
SEC. 217. MOVING EXPENSES.

(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction moving expenses paid or incurred during the taxable year in connection with the commencement of work by the taxpayer as an employee or as a self-employed individual at a new principal place of work.

(b) DEFINITION OF MOVING EXPENSES.—

(1) IN GENERAL.—For purposes of this section, the term 'moving expenses' means only the reasonable expenses—

(A) of moving household goods and personal effects from the former residence to the new residence,

(B) of traveling (including meals and lodging) from the former residence to the new place of residence,

(C) of traveling (including meals and lodging), after obtaining employment, from the former residence to the general location of the new principal place of work and return, for the principal purpose of searching for a new residence,

(D) of meals and lodging while occupying temporary quarters in the general location of the new principal place of work during any period of 30 consecutive days after obtaining employment, or

(E) constituting qualified residence sale, purchase, or lease expenses.

(2) QUALIFIED RESIDENCE SALE, PURCHASE, OR LEASE EXPENSES.—For purposes of paragraph (1) (E), the term 'qualified residence sale, purchase, or lease expenses' means only reasonable expenses incident to—

(A) the sale or exchange by the taxpayer or his spouse of the taxpayer's former residence (not including expenses for work performed on such residence in order to assist in its sale) which (but for this subsection and subsection (e)) would be taken into account in determining the amount realized on the sale or exchange,

(B) the purchase by the taxpayer or his spouse of a new residence in the general location of the new principal place of work which (but for this subsection and subsection (e)) would be taken into account in determining—

(i) the adjusted basis of the new residence, or

(ii) the cost of a loan (but not including any amounts which represent payments or prepayments of interest),

(C) the settlement of an unexpired lease held by the taxpayer or his spouse on property used by the taxpayer as his former residence, or

(D) the acquisition of a lease by the taxpayer or his spouse on property used by the taxpayer as his new residence in the general location of the new principal place of work (not including amounts which are payments or prepayments of rent).

(3) LIMITATIONS.—

(A) DOLLAR LIMITS.—The aggregate amount allowable as a deduction under subsection (a) in connection with a commencement of work which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1)
shall not exceed $1,000. The aggregate amount allowable as a
deduction under subsection (a) which is attributable to qual-
ified residence sale, purchase, or lease expenses shall not exceed
$2,500, reduced by the aggregate amount so allowable which
is attributable to expenses described in subparagraph (C) or
(D) of paragraph (1).

"(B) HUSBAND AND WIFE.—If a husband and wife both
commence work at a new principal place of work within the
same general location, subparagraph (A) shall be applied as
if there was only one commencement of work. In the case of a
husband and wife filing separate returns, subparagraph (A)
shall be applied by substituting "$500" for "$1,000", and by
substituting "$1,250" for "$2,500".

"(C) INDIVIDUALS OTHER THAN TAXPAYER.—In the case of
any individual other than the taxpayer, expenses referred to
in subparagraphs (A) through (D) of paragraph (1) shall
be taken into account only if such individual has both the
former residence and the new residence as his principal place
of abode and is a member of the taxpayer's household.

"(c) CONDITIONS FOR ALLOWANCE.—No deduction shall be allowed
under this section unless—

"(1) the taxpayer's new principal place of work—
  "(A) is at least 50 miles farther from his former residence
  than was his former principal place of work, or
  "(B) if he had no former principal place of work, is at
  least 50 miles from his former residence, and

"(2) either—
  "(A) during the 12-month period immediately following
  his arrival in the general location of his new principal
  place of work, the taxpayer is a full-time employee, in such general
  location, during at least 39 weeks, or
  "(B) during the 24-month period immediately following
  his arrival in the general location of his new principal
  place of work, the taxpayer is a full-time employee or performs
  services as a self-employed individual on a full-time basis, in
  such general location, during at least 78 weeks, of which not
  less than 39 weeks are during the 12-month period referred
  to in subparagraph (A).

For purposes of paragraph (1), the distance between two
points shall be the shortest of the more commonly traveled routes
between such two points.

"(d) RULES FOR APPLICATION OF SUBSECTION (c) (2).—

"(1) The condition of subsection (c) (2) shall not apply if the
taxpayer is unable to satisfy such condition by reason of—
  "(A) death or disability, or
  "(B) involuntary separation (other than for willful mis-
  conduct) from the service of, or transfer for the benefit of,
  an employer after obtaining full-time employment in which
  the taxpayer could reasonably have been expected to satisfy
  such condition.

"(2) If a taxpayer has not satisfied the condition of subsection
(c) (2) before the time prescribed by law (including extensions
thereof) for filing the return for the taxable year during which he
paid or incurred moving expenses which would otherwise be
deductible under this section, but may still satisfy such condition,
then such expenses may (at the election of the taxpayer) be de-
ducted for such taxable year notwithstanding subsection (c) (2).

"(3) If—
"(A) for any taxable year moving expenses have been deducted in accordance with the rule provided in paragraph (2), and

(B) the condition of subsection (c)(2) cannot be satisfied at the close of a subsequent taxable year,

then an amount equal to the expenses which were so deducted shall be included in gross income for the first such subsequent taxable year.

"(e) DENIAL OF DOUBLE BENEFIT.—The amount realized on the sale of the residence described in subparagraph (A) of subsection (b)(2) shall not be decreased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a), and the basis of a residence described in subparagraph (B) of subsection (b)(2) shall not be increased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a). This subsection shall not apply to any expenses with respect to which an amount is included in gross income under subsection (d)(3).

"(f) RULES FOR SELF-EMPLOYED INDIVIDUALS.—

(1) DEFINITION.—For purposes of this section, the term 'self-employed individual' means an individual who performs personal services—

(A) as the owner of the entire interest in an unincorporated trade or business, or

(B) as a partner in a partnership carrying on a trade or business.

(2) RULE FOR APPLICATION OF SUBSECTIONS (b)(1), (c) AND (n).—For purposes of subparagraphs (C) and (D) of subsection (b)(1), an individual who commences work at a new principal place of work as a self-employed individual shall be treated as having obtained employment when he has made substantial arrangements to commence such work.

"(g) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section.

(b) INCLUSION IN GROSS INCOME OF MOVING EXPENSE REIMBURSEMENTS.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding after section 81 the following new section:

"SEC. 82. REIMBURSEMENT FOR EXPENSES OF MOVING.

There shall be included in gross income (as compensation for services) any amount received or accrued, directly or indirectly, by an individual as a payment for or reimbursement of expenses of moving from one residence to another residence which is attributable to employment or self-employment."

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 82. Reimbursement of moving expenses."

(2) Section 1001 (relating to determination of amount and recognition of gain or loss) is amended by adding after subsection (e) (as added by section 516(a) of this Act) the following new subsection:

"(f) CROSS REFERENCE.—

"For treatment of certain expenses incident to the sale of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e)."
(3) Section 1016(c) is amended to read as follows:

"(c) Cross References.—

"(1) For treatment of certain expenses incident to the purchase of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e).

"(2) For treatment of separate mineral interests as one property, see section 614."

(d) Effective Dates.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969, except that—

(1) section 217 of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not apply to any item to the extent that the taxpayer received or accrued reimbursement or other expense allowance for such item in a taxable year beginning on or before December 31, 1969, which was not included in his gross income; and

(2) the amendments made by this section shall not apply (at the election of the taxpayer made at such time and manner as the Secretary of the Treasury or his delegate prescribes) with respect to moving expenses paid or incurred before July 1, 1970, in connection with the commencement of work by the taxpayer as an employee at a new principal place of work of which the taxpayer had been notified by his employer on or before December 19, 1969.

* * * * *
TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS
Subtitle D—Subchapter S Corporations

SEC. 531. QUALIFIED PENSION, ETC., PLANS OF SMALL BUSINESS CORPORATIONS.

(a) IN GENERAL.—Subchapter S of chapter 1 (relating to election of certain small business corporations as to taxable status) is amended by adding at the end thereof the following new section:

"SEC. 1379. CERTAIN QUALIFIED PENSION, ETC., PLANS.

"(a) ADDITIONAL REQUIREMENT FOR QUALIFICATION OF STOCK BONUS OR PROFIT-SHARING PLANS.—A trust forming part of a stock bonus or profit-sharing plan which provides contributions or benefits for employees some or all of whom are shareholder-employees shall not constitute a qualified trust under section 401 (relating to qualified pension, profit-sharing, and stock bonus plans) unless the plan of which such trust is a part provides that forfeitures attributable to contributions deductible under section 404(a)(3) for any taxable year (beginning after December 31, 1970) of the employer with respect to which
it is an electing small business corporation may not inure to the benefit of any individual who is a shareholder-employee for such taxable year. A plan shall be considered as satisfying the requirement of this subsection for the period beginning with the first day of a taxable year and ending with the 15th day of the third month following the close of such taxable year, if all the provisions of the plan which are necessary to satisfy this requirement are in effect by the end of such period and have been made effective for all purposes with respect to the whole of such period.

(b) Taxability of Shareholder-Employee Beneficiaries.—

(1) Inclusion of excess contributions in gross income.—Notwithstanding the provisions of section 402 (relating to taxability of beneficiaries of employees' trust), section 403 (relating to taxation of employee annuities), or section 405(d) (relating to taxability of beneficiaries under qualified bond purchase plans), an individual who is a shareholder-employee of an electing small business corporation shall include in gross income, for his taxable year in which or with which the taxable year of the corporation ends, the excess of the amount of contributions paid on his behalf which is deductible under section 404(a) (1), (2), or (3) by the corporation for its taxable year over the lesser of—

(A) 10 percent of the compensation received or accrued by him from such corporation during its taxable year, or

(B) $2,500.

(2) Treatment of amounts included in gross income.—Any amount included in the gross income of a shareholder-employee under paragraph (1) shall be treated as consideration for the contract contributed by the shareholder-employee for purposes of section 72 (relating to annuities).

(3) Deduction for amounts not received as benefits.—If—

(A) amounts are included in the gross income of an individual under paragraph (1), and

(B) the rights of such individual (or his beneficiaries) under the plan terminate before payments under the plan which are excluded from gross income equal the amounts included in gross income under paragraph (1), then there shall be allowed as a deduction, for the taxable year in which such rights terminate, an amount equal to the excess of the amounts included in gross income under paragraph (1) over such payments.

(c) Carryover of amounts deductible.—No amount deductible shall be carried forward under the second sentence of section 404(a) (3) (A) (relating to limits on deductible contributions under stock bonus and profit-sharing trusts) to a taxable year of a corporation with respect to which it is not an electing small business corporation from a taxable year (beginning after December 31, 1970) with respect to which it is an electing small business corporation.

(d) Shareholder-Employee.—For purposes of this section, the term 'shareholder-employee' means an employee or officer of an electing small business corporation who owns (or is considered as owning within the meaning of section 318(a) (1), on any day during the taxable year of such corporation, more than 5 percent of the outstanding stock of the corporation.

(b) Conforming Amendment.—Section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (8) the following new paragraph:

(9) Pension, etc., plans of electing small business corporations.—The deduction allowed by section 1379(b) (3).
(c) **Clerical Amendment.**—The table of sections for subchapter S of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1379. Certain qualified pensions, etc., plans."

(d) **Effective Date.**—The amendments made by this section shall apply with respect to taxable years of electing small business corporations beginning after December 31, 1970.

* * * * * * *
TITLE IX—MISCELLANEOUS PROVISIONS

* * * * *
Subtitle C—Miscellaneous Administrative Provisions

* * * * *

SEC. 944. DECLARATIONS OF ESTIMATED TAX BY FARMERS.

(a) Return as Declaration or Amendment.—Section 6015(f) (relating to return considered as declaration or amendment) is amended by striking out "February 15" and inserting in lieu thereof "March 1".

(b) Effective Date.—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1968.

* * * * * *
### TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

#### SEC. 1001. SHORT TITLE.
This title may be cited as the "Social Security Amendments of 1969".

#### SEC. 1002. INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS.
(a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS"

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
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<tbody>
<tr>
<td>(Primary insurance amount under 1939 Act, as modified)</td>
<td>(Primary insurance amount under 1961 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefit)</td>
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</table>

#### ADDITIONAL TABLES

#### Pub. Law 91-172
- Section 1001: SHORT TITLE
- Section 1002: INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS
- Table: DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

#### Relevant Section
- **42 USC 415.**
### Table for Determining Primary Insurance Amount and Maximum Family Benefits—Continued

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</table>

**Note:**
- For determining primary insurance amount and maximum family benefits, the table above is used.
- The primary insurance amount is calculated based on the individual's wages or self-employment income, whichever is more.
- The maximum family benefit is calculated based on the individual's coverage level and the number of eligible dependents.
- The table entries are rounded to the nearest dollar.
**TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued**

<table>
<thead>
<tr>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
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<tbody>
<tr>
<td>(Primary insurance amount under 1967 Act)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum family benefits)</td>
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If an individual’s primary insurance benefit (as determined under subsec. (d)) is—

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(b)(1) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

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

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 209(q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of the Social Security Amendments of 1969 (and prior to January 1, 1970), for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or".
(2) Notwithstanding any other provision of law, when two or more persons are entitled to monthly insurance benefits under title II of the Social Security Act for any month after 1969 on the basis of the wages and self-employment income of an insured individual (and at least one of such persons was so entitled for a month before January 1971 on the basis of an application filed before 1971), the total of the benefits to which such persons are entitled under such title for such month (after the application of sections 203(a) and 202(q) of such Act) shall be not less than the total of the monthly insurance benefits to which such persons would be entitled under such title for such month (after the application of such sections 203(a) and 202(q)) without regard to the amendment made by subsection (a) of this section.

(c) Section 215(c) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969".

(d) Section 215(c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1967 Act

(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

SEC. 1005. INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER.

(a) (1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(2) Section 227(b) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(b) (1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".
(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

SEC. 1004. MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFIT.

(a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

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

(b) Section 202(c)(3) of such Act is amended to read as follows:

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

(c) Sections 202(e)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based."

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

SEC. 1005. ALLOCATION TO DISABILITY INSURANCE TRUST FUND.

(a) Section 201(b)(1) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported."

(b) Section 201(b)(2) of such Act is amended—

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969."

SEC. 1006. DISREGARDING OF RETROACTIVE PAYMENT OF OASDI BENEFIT INCREASE.

Notwithstanding the provisions of sections 2(a)(10), 402(a)(7), 1002(a)(8), 1402(a)(8), and 1602(a)(13) and (14) of the Social Security Act, each State, in determining need for aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV, of such Act, shall disregard (and the plan shall be deemed to require the State to disregard) in addition to any other amounts which the State is required or permitted to disregard in determining such need, any amount paid to an individual under title II of such Act (or under the Railroad Retirement Act of 1937 by reason of the first proviso in section 3(e) thereof), in any month after December 1968, to the extent that (1) such payment is attributable to the increase in monthly benefits under the old-age, survivors, and
disability insurance system for January or February 1970 resulting from the enactment of this title, and (2) the amount of such increase is paid separately from the rest of the monthly benefit of such individual for January or February 1970.

SEC. 1007. DISREGARDING OF INCOME OF OASDI RECIPIENTS IN DETERMINING NEED FOR PUBLIC ASSISTANCE.

In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual receiving aid or assistance for any month after March 1970 and before July 1970 who also receives in such month a monthly insurance benefit under title II of such Act which is increased as a result of the enactment of the other provisions of this title, the sum of the aid or assistance received by him for such month, plus the monthly insurance benefit received by him in such month (not including any part of such benefit which is disregarded under section 1006), shall exceed the sum of the aid or assistance which would have been received by him for such month under such plan as in effect for March 1970, plus the monthly insurance benefit which would have been received by him in such month without regard to the other provisions of this title, by an amount equal to $4 or (if less) to such increase in his monthly insurance benefit under such title II (whether such excess is brought about by disregarding a portion of such monthly insurance benefit or otherwise).

Approved December 30, 1969, 9:30 a.m.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 91-413 (Part 1), No. 91-413 (Part 2) (Comm. on Ways & Means) and No. 91-782 (Comm. of Conference).

SENATE REPORT No. 91-552 (Comm. on Finance).


Aug. 6, 7, Dec. 11: Considered and passed House.
Nov. 21, 24-26, Dec. 1-6, 8-11: Considered and passed Senate, amended.

Dec. 22: House and Senate agreed to conference report.
SOCIAL SECURITY AMENDMENTS OF 1969

To Administrative, Supervisory, and Technical Employees

On December 30, President Nixon signed the "Tax Reform Act of 1969," which includes a social security benefit increase. A copy of the statement made by the President when he signed the law is enclosed.

As you know, the Senate had added a number of social security amendments to the tax reform bill. As approved by the House-Senate Conference Committee, the social security amendments were virtually identical to those in H.R. 15095, the social security bill which passed the House on December 15 by a vote of 398-0 (and which had been described in Commissioner's Bulletin Number 98 at the time the Ways and Means Committee had reported the bill to the House).

The social security amendments in the Tax Reform Act provide a 15-percent increase in social security benefits and a similar increase in the special payments for certain people aged 72 and older, effective for January 1970. In addition, the $105 limitation on wife's and husband's insurance benefits is eliminated and--to cover the effect of the 15-percent benefit increase--the allocation of contribution income to the disability insurance trust fund is increased slightly. No changes in the contribution rates or contribution and benefit base were required to finance the changes made by the amendments, since there was a favorable actuarial balance of 1.16 percent of taxable payroll in the combined OASDI program, which was sufficient to cover the cost of the benefit changes. As a result of the changes, the program has an actuarial balance of minus 0.08 percent of taxable payroll, which is within what have been considered acceptable limits.
Beneficiaries can expect that their April 3 check will reflect the 15-percent increase. A separate check will be issued later in April to cover the retroactive amount due for January and February. Families whose total benefits for January 1970 are limited by the family maximum provision will get a 15-percent increase in benefits for January if at least one member of the family was on the benefit rolls in December 1969. Families on the rolls before 1971 will not get less in total benefits as a result of the 1969 amendments than they would have if the amendments had not been enacted. (Without this provision, a decrease in benefits could have occurred for certain families affected by the family maximum provision where the worker's benefit was actuarially reduced.)

The Committee on Ways and Means is expected to resume executive sessions on the social security, Medicare, Medicaid, and welfare programs on January 19. Committee Chairman Wilbur D. Mills and the Committee's ranking minority member, John W. Byrnes, have said that they expect that the Committee will report a bill to the House by late March.

Robert M. Ball
Commissioner

Enclosure
Eight months ago, I submitted a sweeping set of proposals to the Congress for the first major tax reform in 15 years, one which would make our tax system more fair.

My proposals were carefully balanced to avoid increasing the pressure on prices that were already rising too fast.

Congress has passed an unbalanced bill that is both good and bad. The tax reforms, on the whole, are good; the effect on the budget and on the cost of living is bad.

When the Congress reduces revenues, and at the same time increases appropriations, it causes budget deficits that lead to higher prices.

In terms of long-overdue tax reform, most of my major reform proposals were adopted. Other proposals were worked out between the Congress and the Administration; still others were the handiwork of the Congress alone.

-- More than nine million low-income people who pay taxes will be dropped from the tax rolls. This results primarily from the special Low Income Allowance that I proposed last April as a means of making sure that people at or below the poverty level do not have to pay Federal income taxes.

-- A large number of high-income persons who have paid little or no Federal income taxes will now bear a fairer share of the tax burden through enactment of a minimum income tax comparable to the proposal that I submitted to the Congress, which closes the loopholes that permitted much of this tax avoidance. However, the highest rates on wages and other earned income, not otherwise tax-sheltered, will be reduced from 70% to 50% in 1972.

-- The Congress accepted my recommendations to reduce sharply the discrimination against single persons in the tax laws.

-- Over 19 million additional people who pay taxes will find their annual task easier because they will find it advantageous to use the simple standard
deduction, which is being significantly increased, rather than listing each deduction separately.

-- Measures are also included that will guard against over-withholding of income taxes. For example, students who work in the summer and who in the past have had taxes withheld and retained by the government until refund checks were mailed out the following spring, will no longer be subject to such withholding.

-- The application of our Low Income Allowance will permit a student in 1970 to earn $1,725 -- $825 more than at the present time -- without paying Federal taxes or being subject to withholding.

-- The 255-page bill represents a sweeping revision of the Internal Revenue Code. Section after section is tightened to prevent the avoidance of taxes that has permitted far too many of our citizens to avoid the taxes that others have had to pay.

-- Our continuing efforts to meet the nation's housing needs will be aided. The tax bill encourages rehabilitation of old housing and investment in residential construction.

-- Tax-free foundations were brought under much closer Federal scrutiny, although Congress wisely rejected provisions that would have hampered legitimate activities of the voluntary sector. At the same time, we must recognize that Congressional consideration of this matter reflected a deep and wholly legitimate concern about the role of foundations in our national life.

Congress also accepted this Administration's recommendation to increase Social Security payments, enabling our older citizens to maintain their standard of living in the face of rising prices. Earlier I proposed that this be accomplished through a "catch-up" increase in payments coupled with automatic increases in the years ahead to meet any future rises in living costs. Congress provided instead for a higher one-time increase with no automatic increases in the years ahead. I believe my position was more responsive to the long-range needs of the elderly, but the overriding consideration is that 25 million recipients of Social Security benefits have fallen behind financially, which makes my approval of this short-range revision necessary.

Despite the achievement of these worthy goals, the decision to sign the bill was not an easy one.

The bill unduly favors spending at the expense of saving at a time when demands on our savings are heavy. This will restrict the flow
of savings to help build housing, to provide credit for small business firms and farmers, and to finance needed State and local government projects. It will make our fight against the rising cost of living more difficult.

The critical moment for this legislation came after the Senate had passed a totally irresponsible bill that would have led to a sharp increase in the cost of living for every family in America. In a letter to the leaders of the Congress, I left no doubt that such a bill would be vetoed.

As a result, when members of the Congress met to work out the differences between the House and Senate bills, the bill that came out of that Conference was over six billion dollars less inflationary for the next fiscal year than the bill that had passed the Senate. It still falls almost three billion dollars short of my original proposals, but this response to my appeal to budgetary sanity makes it possible for me to sign the bill into law.

I am, however, deeply concerned about the reluctance of the Congress to face up to the adverse impact of its tax and spending decisions. If taxes are to be reduced, there must be corresponding reductions on the expenditure side. This has not been forthcoming from the Congress. On the contrary: In the very session when the Congress reduced revenues by $3 billion, it increased spending by $3 billion more than I recommended.

A deficit in the budget at this time would be irresponsible and intolerable. We cannot reduce taxes and increase spending at a time and in a way that raises prices. That would be robbing Peter to pay Paul. That is why I shall take the action I consider necessary to present a balanced budget for the next fiscal year.

I am also concerned about the constraint this act imposes on government revenues in future years, limiting our ability to meet tomorrow's pressing needs.

Seldom is any piece of major legislation fully satisfactory to a President. This bill is surely no exception. But I sign it because I believe that, on balance, it is a necessary beginning in the process of making our tax system fair to the taxpayer.

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LISTING OF REFERENCE MATERIALS

TEMPORARY EMPLOYMENT AND RETIREMENT

SEPTEMBER 17, 1970.—Ordered to be printed

Mr. Fong, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany S. 2984]

The Committee on Post Office and Civil Service, to which was referred the bill (S. 2984) to permit certain Federal employment to be counted toward retirement having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

EXPLANATION AND JUSTIFICATION

Some temporary, part-time, and intermittent employment is covered by social security rather than by the retirement program. Such Federal civilian employment which, because of the type of appointment, places the employee under the social security law is generally creditable for civil service retirement purposes, if the employee is later employed in a position subject to the civil service retirement system. One exception to this rule exists as the result of the enactment of section 115 of the Social Security Amendments of 1954, Public Law 83—761, approved September 1, 1954.

By the terms of section 115, an employee who acquires social security coverage under the Social Security Amendments of 1954 may never receive retirement credit under the civil service retirement system or under any other retirement system established by the United States for the service covered by social security. Under the 1954 Social Security Amendments, which became effective January 1, 1955, social security coverage was and is extended to temporary and indefinite employees in the field service of the Post Office Department, temporary and indefinite employees of the Federal Deposit Insurance Corporation, temporary census-taking employees of the Census Bureau; employees on a contract or fee basis, persons receiving nominal pay of $12 a year or less, and patient employees in Federal hospitals.
Accordingly, any temporary or indefinite employee of this kind may not, if he later secures civil service retirement coverage, receive credit for his prior social security covered service in determining title to annuity for himself or his survivors, or in the computation of his annuity benefit. This is true even though the employee is not then or would not at any time in the future become eligible for social security benefits.

S. 2984 would repeal section 115 of the Social Security Amendments of 1954 to permit social security-covered service in the categories listed above to be counted under the civil service retirement system or other retirement system for Federal employees.

S. 2984 would become effective upon enactment and apply to employees and former employees who thereafter retire. An employee-annuitant or survivor-annuitant who, on the date of enactment, was already receiving or entitled to receive retirement benefits could request the Civil Service Commission (or other office which administers his retirement system) to allow additional service credit for any employment in the categories previously mentioned. The resulting increase in annuity would be payable only from the first of the month following enactment.

An employee who has service which becomes creditable for retirement purposes as a result of this bill may, if he wishes, make a deposit to the retirement fund equal to retirement deductions for the period, plus interest. Like any other employee who has nondeduction service, he will receive retirement credit without making any deposit, and the only penalty for nonpayment is a reduction in annuity equal to 10 percent of the amount due as deposit.

Amendments

As introduced, S. 2984 would have credited toward civil service retirement previous social security covered service only in the case of temporary and indefinite employees in the field service of the Post Office Department. The committee, believing that all employees in the same circumstances should be treated alike, has amended the bill to include all employees deprived of such retirement credit by section 115 of the Social Security Amendments of 1954. The title was also amended to reflect more accurately the purpose of the bill as amended.

Agency Views

The staff of the Civil Service Commission advises that, in the staff's view, the existing bar to retirement credit imposed by the 1954 Social Security Amendments is inequitable in principle, because it denies credit for Federal civilian service under the retirement system which was established and is maintained as the staff retirement plan for career civilian employees. Such a system should base retirement income on all service performed for the Federal Government as employer.

Changes in Existing Law

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law in which no change is proposed is shown
in roman; existing law proposed to be omitted is enclosed in black brackets; new matter is shown in italic):

* * * * *
SOCIAL SECURITY AMENDMENTS OF 1954
* * * * *

COVERED EMPLOYMENT NOT COUNTED UNDER OTHER FEDERAL RETIREMENT SYSTEMS

Sec. 115. Notwithstanding any other provision of law, in determining eligibility for or the amount of any benefit (other than a benefit under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof, there shall not be taken into account any service which, by reason of the amendments to section 210 (a) of the Social Security Act made by section 101 (c) of this act, constitutes employment as defined in such section 210 (a).
Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1210, S. 2984.

The PRESIDENT pro tempore. The bill will be stated by title.

The legislative clerk read as follows:

S. 2984, to permit certain service performed as a temporary employee of the field service of the Post Office Department to be counted toward civil service retirement.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Post Office and Civil Service with an amendment to strike out all after the enacting clause and insert:

That section 115 of the Social Security Amendments of 1954 is hereby repealed.

Sec. 2. (a) The repeal of such section 115 made by the first section of this Act shall not apply in the case of a person who, on the date of enactment of this Act, is receiving or is entitled to receive benefits under any retirement system established by the United States or any Instrumentality thereof unless he requests, in writing, the office which administers his retirement system to apply it in his case.

(b) Any additional benefits payable pursuant to a request made under subsection (a) of this section shall commence on the first of the month following enactment of this Act.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill to permit certain Federal employment to be counted toward retirement."
COUNTING OF CERTAIN FEDERAL EMPLOYMENT TOWARD RETIREMENT

December 10, 1970.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Mills, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany S. 2984]

The Committee on Ways and Means, to whom was referred the bill (S. 2984) to permit certain Federal employment to be counted toward retirement, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of S. 2984 is to accord equal treatment in crediting Federal service for civil service retirement purposes to certain Federal employees. Such equal treatment is now precluded by section 115 of the Social Security Amendments of 1954, which section S. 2984 would repeal.

GENERAL STATEMENT

Under existing law, some temporary, part-time and intermittent employment by the Federal Government is covered by the social security program rather than by the civil service retirement program or other retirement programs for Federal employees. Such Federal civilian employment is generally creditable for civil service retirement purposes if the employee is later employed in a position subject to the civil service retirement system. One exception to this rule exists as a result of the enactment of section 115 of the Social Security Amendments of 1954.

By the terms of section 115, Federal employees who acquired social security coverage under the 1954 amendments may never receive credit under a retirement system for Federal employees for this service covered by social security. The employees so affected are primarily...
those who receive temporary appointments in the field service of the Post Office Department, but section 115 applies also to a small number of temporary employees in the Federal Deposit Insurance Corporation, in a Federal land bank or bank for cooperatives, census-taking employees of the Census Bureau, and to employees paid on a contract or fee basis, employees receiving nominal pay of $12 a year or less, and patient employees in Federal hospitals.

The temporary appointments of many of these employees, especially those of the Post Office Department, ripen into permanent appointments, at which time they acquire coverage under the civil service retirement system and lose their social security coverage acquired under the 1954 amendments. When they retire under the civil service retirement system they cannot receive credit for their temporary employment as do persons in other temporary Federal positions.

An employee who has service which becomes creditable for retirement purposes as a result of this bill may, if he wishes, make a deposit to the civil service retirement fund equal to retirement deductions for the period, plus interest. If he failed to make this deposit, his retirement annuity would be reduced by 10 percent of the amount owed as deposit.

There are about 345,000 permanent full-time employees of the Post Office Department who have approximately 2.5 years each of temporary employment which would become creditable toward civil service retirement upon enactment of S. 2984. The number of nonpostal employees with temporary employment excluded from retirement credit by section 115 cannot be ascertained but it is believed to be relatively very small.

Based on the 345,000 figure, the Civil Service Commission estimates that the unfunded liability of the civil service retirement and disability fund would be increased by $402 million. Under the provisions of 5 U.S.C. 8348, pertaining to the civil service retirement and disability fund, enactment of S. 2984 is deemed to authorize appropriations to the fund to finance this increase in unfunded liability plus interest in 30 equal annual installments, with the first installment being due June 30, 1971. Each installment would amount to an estimated $21.1 million.

S. 2984 would become effective upon enactment and apply to employees and former employees who thereafter retire or die. An already retired employee or survivor annuitant could request his retirement system to allow credit for temporary service excluded by section 115. However, the increase in annuity benefit resulting from credit of the temporary service would be payable only from the first of the month following enactment.

This bill is approved by both the U.S. Civil Service Commission and the Department of Health, Education, and Welfare. Your committee is unanimous in recommending enactment of S. 2984.

**Changes in Existing Law Made by the Bill, As Reported**

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets):

H. Rept. 91–1722
SECTION 115 OF THE SOCIAL SECURITY AMENDMENTS OF 1954

COVERED EMPLOYMENT NOT COUNTED UNDER OTHER FEDERAL RETIREMENT SYSTEMS

Sec. 115. Notwithstanding any other provision of law, in determining eligibility for or the amount of any benefit (other than a benefit under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof, there shall not be taken into account any service which, by reason of the amendments to section 210 (a) of the Social Security Act made by section 101 (c) of this act, constitutes employment as defined in such section 210 (a).
COUNTING OF CERTAIN FEDERAL EMPLOYMENT TOWARD RETIREMENT

Mr. BOGGS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 2984) to permit service performed as a temporary employee of the field service of the Post Office Department to be counted toward civil service retirement, which was unanimously reported to the House by the Committee on Ways and Means.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Clerk read the bill as follows:

S. 2984

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 115 of the Social Security Amendments of 1954 is hereby repealed.

SEC. 2. (a) The repeal of such section 115, made by the first section of this Act, shall not apply in the case of a person who, on the date of enactment of this Act, is receiving or is entitled to receive benefits under any retirement system established by the United States or any instrumentality thereof unless he requests, in writing, the office which administers his retirement system to apply it in his case.

(b) Any additional benefits payable pursuant to a request made under subsection (a) of this section shall commence on the first of the month following enactment of this Act.

Mr. BOGGS. Mr. Speaker, such equal treatment is now precluded by section 115 of the Social Security Amendments of 1954, which section S. 2984 would repeal.

Under existing law, some temporary, part-time and intermittent employment by the Federal Government is covered by the social security program rather than by the civil service retirement program or other retirement programs for Federal employees. Certain of these positions were covered under social security by the Social Security Amendments of 1950; others were covered under the Social Security Amendments of 1954. Federal civilian employment covered under the 1950 amendments is creditable for civil service retirement purposes if the employee is later employed in a position subject to the civil service retirement system. Those covered under the 1954 amendments may not have such service later credited under civil service retirement simply because of the enactment of section 115 of the Social Security Amendments of 1954.

By the terms of section 115, Federal employees who acquired social security coverage under the 1954 amendments may never receive credit under a retirement system for Federal employees for this service covered by social security. Most of the employees so affected are those who receive temporary appointments in the field service of the Post Office Department, but section 115 applies also to a small number of other temporary employees.

An employee who has service which becomes creditable for retirement purposes as a result of this bill may, if he wishes, make a deposit to the Civil Service Retirement Fund equal to retirement deductions for the period, plus interest. If he failed to make this deposit, his retirement annuity would be reduced by 10 percent of the amount owed as deposit. This is the same treatment as is given to the temporary employees brought under social security by the 1950 amendments who later acquire coverage under the civil service retirement system.

Mr. Speaker, enactment of the bill would affect around 345,000 Post Office employees and would require additional appropriations to the civil service retirement and disability trust fund of an estimated $21.1 million a year.

The bill has the approval of both the U.S. Civil Service Commission and the Department of Health, Education, and Welfare. Your committee is unanimous in recommending its enactment.

The bill was ordered to be read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.
To permit certain Federal employment to be counted toward retirement.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 115 of the Social Security Amendments of 1964 is hereby repealed.

Sec. 2. (a) The repeal of such section 115, made by the first section of this Act, shall not apply in the case of a person who, on the date of enactment of this Act, is receiving or is entitled to receive benefits under any retirement system established by the United States or any instrumentality thereof unless he requests, in writing, the office which administers his retirement system to apply it in his case.

(b) Any additional benefits payable pursuant to a request made under subsection (a) of this section shall commence on the first of the month following enactment of this Act.

Approved December 31, 1970.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 91-1722 (Comm. on Ways and Means).
SENATE REPORT No. 91-1191 (Comm. on Post Office and Civil Service).
Sept. 23, considered and passed Senate,
Dec. 22, considered and passed House.
Mr. Mills, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 19915]

The Committee on Ways and Means, to whom was referred the bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of oldage, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF H.R. 19915

The purpose of H.R. 19915 is to make permanent section 1007 of the Social Security Amendments of 1969. Section 1007 was a temporary provision that accompanied the 15-percent increase in social security benefits, the principal purpose of the Social Security Amendments of 1969.

Under section 1007, the States were required to take action to assure that recipients of public assistance under the federally aided adult public assistance programs (the old-age assistance, aid to the blind, and aid to the permanently and totally disabled programs) who also received a social security benefit increase under the 1969 amendments would realize an increase in combined income from public assistance and social security equal to $4 a month or the amount of the social security benefit increase received by the recipient, if less. A State could meet this requirement either by disregarding a portion of the recipient's social security payment or by raising the State's standard of assistance for all recipients under the program involved.
Section 1007 of the 1969 amendments as originally enacted applied only to public assistance payments made before July 1970. The provision was enacted on a temporary basis in order to allow Congress time to consider the problem with which it dealt more thoroughly in connection with the work it has planned to do on major welfare proposals this year.

In April, the House of Representatives passed H.R. 16311, the administration's proposed welfare legislation. One of the sections of this bill provided for making section 1007 permanent law in the same manner as H.R. 19915.

In June of this year, when it became apparent that the Senate would not be able to complete action on H.R. 16311 before section 1007 was to expire, the Senate adopted an amendment to another pending bill (H.R. 14720) to extend the application of section 1007 through October of 1970. The Senate amendment also broadened section 1007 to apply to railroad retirement beneficiaries. The House agreed to this amendment and it was signed into law (Public Law 91-306).

The Senate has taken further action on this issue by including a provision to extend the application of section 1007 through December 31, 1971, in the pending Social Security Amendments of 1970 (H.R. 17550) which was ordered reported in the Senate on December 9.

Since section 1007 expired at the end of October and since both Houses of Congress have taken some action in the direction of extending its application to apply in the future, your committee believes it is imperative that action be taken on this legislation in order to prevent the States from ceasing to apply the provision, which in some instances could result in a $4 reduction in public assistance payments for some recipients. H.R. 19915 would apply retroactively to public assistance payments for months since October 1970.

Your committee is unanimous in recommending enactment of H.R. 19915.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, existing law in which no change is proposed is shown in roman):

Section 1007 of the Social Security Amendments of 1969

Sec. 1007. Disregarding of Income of OASDI Recipients and Railroad Retirement Recipients in Determining Need for Public Assistance

In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual receiving aid or assistance for any month after March 1970 (and before
November 1970], who also receives in such month (1) a monthly
insurance benefit under title II of such Act which is increased as a
result of the enactment of the other provisions of this title, the sum
of the aid or assistance received by him for such month, plus the
monthly insurance benefit received by him in such month (not includ-
ing any part of such benefit which is disregarded under section 1006),
shall exceed the sum of the aid or assistance which would have been
received by him for such month under such plan as in effect for
March 1970, plus the monthly insurance benefit which would have
been received by him in such month without regard to the other
provisions of this title, by an amount equal to $4 or (if less) to such
increase in his monthly insurance benefit under such title II (whether
such excess is brought about by disregarding a portion of such monthly
insurance benefit or otherwise), or (2) a monthly payment of annuity
or pension under the Railroad Retirement Act of 1937 or the
Railroad Retirement Act of 1935 which is increased as a result of the enact-
ment (after May 30, 1970, and before December 31, 1970) of any
Act which provides general increases in the amount of the annuities
or pensions payable under the Railroad Retirement Act of 1937 or
the Railroad Retirement Act of 1935, the sum of the aid or assistance
received by him for such month, plus the monthly amount of such
annuity or pension received by him in such month (not including any
part of such annuity or pension which is disregarded under section
1006), shall (except as otherwise provided in the succeeding sentence)
exceed the sum of the aid or assistance which would have been received
by him for such month under such plan as in effect for March 1970,
plus the monthly annuity or pension which would have been received
by him in such month without regard to the provisions of the Act
enacted by such enactment, by an amount equal to $4 or (if less) to
such increase in his monthly annuity or pension under the Railroad
Retirement Act of 1937 or the Railroad Retirement Act of 1935
(whether such excess is brought about by disregarding a portion of
such annuity or pension or other otherwise). If, in the case of any
individual, the provisions of both clauses (1) and (2) of the preceding
sentence are applicable to him with respect to any month, any increase
in the annuity or pension (referred to in clause (2) of the preceding
sentence) of such individual for such month shall, for purposes of such
sentence, be treated as an additional increase in the amount of his
monthly insurance benefit under title II of the Social Security Act for
such month in lieu of an increase for such month in his annuity or
pension (as so referred to).
IN THE HOUSE OF REPRESENTATIVES

DECEMBER 7, 1970

Mr. BURTON of California introduced the following bill; which was referred to the Committee on Ways and Means

DECEMBER 10, 1970

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

1    Be it enacted by the Senate and House of Representa-
2    tives of the United States of America in Congress assembled,
3    That, effective with respect to months after October 1970,
4    section 1007 of the Social Security Amendments of 1969 is
5    amended by striking out "and before November 1970".
A BILL

To make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

By Mr. Burton of California

DECEMBER 7, 1970
Referred to the Committee on Ways and Means

DECEMBER 10, 1970
Committed to the Committee of the Whole House on the State of the Union and ordered to be printed
Mr. BOGGS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance, which was unanimously reported to the House by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Clerk read the bill as follows:

H.R. 19915

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, effective with respect to months after October 1970, section 1007 of the Social Security Amendments of 1969 is amended by striking out "and before November 1970";

Mr. BOGGS. Mr. Speaker, under section 1007, the States were required to take action to assure that recipients of public assistance under the federally aided adult public assistance programs—the old-age assistance, aid to the blind and aid to the permanently and totally disabled programs—who also received a social security benefit increase under the 1969 amendments would realize an in-
crease in combined income from public assistance and social security equal to $4 a month or the amount of the social security benefit increase received by the recipient if less. A State could meet this requirement either by disregarding a portion of the recipient's social security payment or by raising the State's standard of assistance for all recipients under the program involved.

Section 1007 of the 1969 amendments as originally enacted applied only to public assistance payments made before July 1970. The provision was enacted on a temporary basis in order to allow Congress time to consider the problem with which it dealt more thoroughly in connection with the work it had planned to do on major welfare proposals this year.

This matter has already been considered and acted upon by the House. In April, the House of Representatives passed H.R. 16311, the administration's proposed welfare legislation. One of the sections of this bill provided for making section 1007 permanent law in the same manner as H.R. 19915.

Under legislation enacted in June of this year, the provision was extended for another temporary period, through the end of October. The pending social security bill (H.R. 17550) as reported in the Senate contains a provision extending the application of section 1007, through December 31, 1971.

Mr. Speaker, I believe it is important that action be taken on this bill so that States will not discontinue applying the $4 income disregard. This legislation is required to protect many recipients against a cut in their public assistance payments. It is also required in order that the States may know whether or not they should continue to apply the income disregard provision.

Mr. Speaker, this bill was favorably reported unanimously by the committee.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.
AN ACT

To make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

1

Be it enacted by the Senate and House of Representa-

tives of the United States of America in Congress assembled,

2

That, effective with respect to months after October 1970,

3

section 1007 of the Social Security Amendments of 1969 is

4

amended by striking out “and before November 1970”.

5

Passed the House of Representatives December 22,

1970.

Attest: W. PAT JENNINGS,

Clerk.
AN ACT

To make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

DECEMBER 28, 1970
Read twice and referred to the Committee on Finance

DECEMBER 31, 1970
The Committee on Finance discharged, and ordered to be placed on the calendar
MAKING PERMANENT THE TEMPORARY PROVISION FOR DISREGARDING INCOME OF OLD AGE, SURVIVORS, AND DISABILITY INSURANCE AND RAILROAD RETIREMENT RECIPIENTS IN DETERMINING NEED FOR PUBLIC ASSISTANCE

The bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance was announced as next in order.

Mr. GRIFFIN. Mr. President, reserving the right to object, I understood there was an amendment to be offered on this bill.

Mr. MANSFIELD. Mr. President, if there is an amendment to be offered, then I believe, in view of that situation, I shall withdraw consideration of the bill.

Mr. President, I withdraw consideration of this bill.

The PRESIDING OFFICER. The bill will be withdrawn.

Mr. MANSFIELD subsequently said.

Mr. President, I ask unanimous consent that the Senate turn to the consideration of Calendar No. 1558, H.R. 19915; that it be made the pending business, and that an amendment to it be considered.

The ACTING PRESIDENT pro tempore. The bill will be stated by title.

The legislative clerk read the bill by title, as follows: A bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

The ACTING PRESIDENT pro tempore. The bill is open to amendment.

Mr. MANSFIELD. Mr. President, there is an amendment at the desk.

The ACTING PRESIDENT pro tempore. The amendment will be read.

The legislative clerk read the amendment in the nature of a substitute as follows:

Strike out all after the enacting clause and insert:

"That section 1007 of the Social Security Amendments of 1969, as amended by section 2(b) of Public Law 91–306, is amended to read as follows:

'Sec. 1007. In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual found eligible (as a result of the requirement imposed by this section or otherwise) for aid for any month after March 1970 and before January 1972 who also receives in such month—

'(1) a monthly insurance benefit under title II of such Act, the sum of the aid received by him for such month, plus the monthly insurance benefit received by him in such month, shall not be less than the sum of the aid which would have been received by him for such month under the State plan as in effect for March 1970, plus either

'(A) the monthly insurance benefit which was or would have been received by him in March 1970 without regard to the other provisions of this title plus $4, or

'(B) the monthly insurance benefit which was or would have been received by him in March 1970 under the provisions of this title, whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly insurance benefit or otherwise), or

'(2) a monthly payment of annuity or pension under the Railroad Retirement Act January 2, 1971 CONGRESSIONAL RECORD — SENATE S 21735 road retirement recipients in determining their need for public assistance was announced as next in order.
of 1937 or the Railroad Retirement Act of 1935, the sum of the aid received by him in such month, plus the monthly payment of such annuity or pension received by him in such month (not including any part of such annuity or pension which is disregarded under section 1006), shall (except as otherwise provided in the succeeding sentence) not be less than the sum of the aid which would have been received by him for such month under such plan as in effect for March 1970, plus either

"(A) the monthly payment of annuity or pension which was or would have been received by him in March 1970 without regard to the provisions of any Act enacted after May 30, 1970, and before December 31, 1970, which provides general increases in the amount of such monthly payment of annuity or pension plus $4, or

"(B) the monthly payment of annuity or pension which was or would have been received by him in March 1970, taking into account the provisions of such Act (if any), whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly payment of annuity or pension or otherwise).

The PRESIDING OFFICER. The question is on agreeing to the amendment.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. MILLER. Mr. President, the reason for the amendment is that the substance of this legislation was included in the social security bill. It was anticipated, at the time the Senate Finance Committee took action on this measure, that the House would agree to a conference and that we would have a social security bill. Unfortunately, those expectations have not been fulfilled, and in order to do equity, it is necessary to have this legislation. It is hoped that there will be a social security bill next year, and therefore, it is necessary to extend the application of this legislation only for 1 additional year.

That is what the purpose of the amendment is, and I hope the Senate will agree to it.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment.

The amendment was agreed to.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time, and passed.

The title was amended so as to read:

"An Act to extend the temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance."

Mr. SCOTT. Mr. President, if the distinguished majority leader will yield, I might say, for the information of the Senate, that the reason we are passing the bill with an amendment today is that the distinguished chairman of the Ways and Means Committee in the other body is over there, and we hope this measure can be expeditiously adopted.
Mr. BOGGS. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments as follows:

Strike out all after the enacting clause and insert: That section 1007 of the Social Security Amendments of 1969, as amended by section 2(b) of Public Law 91–306, is amended to read as follows:

"Sec. 1007. In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual found eligible (as a result of the requirement imposed by this section or otherwise) for aid for any month after March 1970 and before January 1972 who also receives in such month—a

"(1) a monthly insurance benefit under title II of such Act, the sum of the aid received by him for such month, plus the monthly insurance benefit received by him in such month, shall not be less than the sum of the aid which would have been received by him for such month under the State plan as in effect for March 1970, plus either

"(a) the monthly insurance benefit which was or would have been received by him in March 1970 without regard to the other provisions of this title plus $4, or

"(B) the monthly insurance benefit which was or would have been received by him in March 1970 under the provisions of this title, whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly insurance benefit or otherwise), or

"(2) a monthly payment of annuity or pension under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1935, the sum of the aid received by him in such month, plus the monthly payment of such annuity or pension received by him in such month (not including any part of such annuity or pension which is disregard under section 1006), shall (except as otherwise provided in the succeeding sentence) not be less than the sum of the aid which would have been received by him for such month under such plan as in effect for March 1970, plus either

"(A) the monthly payment of annuity or pension which was or would have been received by him in March 1970 without regard to the provisions of any Act enacted after May 30, 1970, and before December 31, 1970, which provides general increases in the amount of such monthly payment of annuity or pension plus $4, or

"(B) the monthly payment of annuity or pension which was or would have been received by him in March 1970, taking into account the provisions of such Act (if any), whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly payment of annuity or pension or otherwise).

Amend the title so as to read: "An Act to extend the temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance."

Mr. BOGGS. Mr. Speaker, H.R. 19915, as passed by the House on December 22, 1970, would have continued indefinitely a provision of law which guaranteed aged, blind, and disabled people on welfare that they would benefit by at least $4 a month from the 15 percent social security benefit increase, effective in January 1970. This provision was enacted in conjunction with that 15-percent benefit increase as a temporary measure and it expired at the end of last October. I am pleased that many of the States have taken action to meet the $4 pass-along requirement by increasing their payments for adult recipients generally, but there are still a number of States that need to have the pass-along provision extended to permit them to continue applying their income disregarding provisions.

The Senate has passed H.R. 19915 with an amendment which would extend the pass-along provision through December 1971. I urge the House to adopt this bill as amended by the Senate. This will guarantee that the $4 provision will continue to be effective. There will be sufficient time during the first session of the 92d Congress to take further action on this matter.
To extend the temporary provision for disregarding income of old-age, survivors, and disabled insurance and railroad retirement recipients in determining their need for public assistance.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That section 1007 of the Social Security Amendments of 1969, as amended by section 2(b) of Public Law 91-306, is amended to read as follows:

"Sec. 1007. In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual found eligible (as a result of the requirement imposed by this section or otherwise) for aid for any month after March 1970 and before January 1972 who also receives in such month—

"(1) a monthly insurance benefit under title II of such Act, the sum of the aid received by him for such month, plus the monthly insurance benefit received by him in such month, shall not be less than the sum of the aid which would have been received by him for such month under the State plan as in effect for March 1970, plus either

"(A) the monthly insurance benefit which was or would have been received by him in March 1970 without regard to the other provisions of this title plus $4, or

"(B) the monthly insurance benefit which was or would have been received by him in March 1970 under the provisions of this title, whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly insurance benefit or otherwise), or

"(2) a monthly payment of annuity or pension under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1935, the sum of the aid received by him in such month, plus the monthly payment of such annuity or pension received by him in such month (not including any part of such annuity or pension which is disregarded under section 1006), shall (except as otherwise provided in the succeeding sentence) not be less than the sum of the aid which would have been received by him for such month under such plan as in effect for March 1970, plus either

"(A) the monthly payment of annuity or pension which was or would have been received by him in March 1970 without regard to the provisions of any Act enacted after May 30, 1970, and before December 31, 1970, which provides general increases in the amount of such monthly payment of annuity or pension plus $4, or
“(B) the monthly payment of annuity or pension which was or would have been received by him in March 1970, taking into account the provisions of such Act (if any), whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly payment of annuity or pension or otherwise).”

REASONABLE APPROVAL OF RURAL HOSPITALS FOR MEDICARE PURPOSES

December 7, 1970.—Ordered to be printed

Mr. Burleson, of Texas, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 19470]

The Committee on Ways and Means, to whom was referred the bill (H.R. 19470) to amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert the following:

That section 1861(e)(5) of the Social Security Act is amended by adding immediately after the semicolon at the end thereof the following:

"except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the provision of 24-hour nursing service rendered or supervised by a registered professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided during at least the regular daytime shift), where immediately preceding such one-year period he finds that—

"(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

"(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

"(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area;".

45-006
PURPOSE

The purpose of H.R. 19470, as amended, is to permit certain hospitals which have had difficulty in securing required nursing services to continue to participate in the medicare program for up to 5 years under specified conditions.

GENERAL STATEMENT

According to policy established by the Social Security Administration, a hospital or extended care facility is certified for participation in medicare if it is in full compliance (meets all the requirements of the Social Security Act and is in accordance with all regulatory requirements for participation), or if it is in "substantial" compliance (meets all the statutory requirements and the most important regulatory conditions for participation). Thus, while an institution may be deficient with respect to one or more standards of participation, it may still be found to be in substantial compliance, if the deficiencies do not represent a hazard to patient health or safety, and efforts are being made to correct the deficiencies.

It has been recognized that there is a need to assure continuing availability of medicare-covered institutional care in rural areas, many of which may have only one hospital, without jeopardizing the health and safety of patients. To achieve this objective, the approach has been adopted by Social Security of certifying "access" hospitals while documenting their deficiencies and requiring upgrading of plant and staff. State agencies have also been required to provide consultation and assistance to these facilities in an effort to help them achieve compliance with the standards. Certain "access" hospitals, to the extent that they are capable, have succeeded in overcoming deficiencies. However, many hospitals have not demonstrated sufficient willingness to take the steps necessary to correct deficiencies and have instead been willing to continue as "access" hospitals with all the limitations in quality care that this status entails. In other areas, some rural hospitals despite proper efforts have been unable to secure required personnel or otherwise comply.

To deal with the dilemma created by the need to assure the availability of hospital services of adequate quality in rural areas and the fact that existing shortages of qualified nursing personnel make it difficult for some rural hospitals to meet the nursing staff requirements of present law, your committee's bill would authorize the Secretary, under certain conditions, to waive the requirement that an access hospital have registered professional nurses on duty around the clock. This requirement could be waived only if the Secretary finds that the hospital:

(a) Has at least one registered nurse on the day shift and has made, and is continuing to make, a bona fide effort to comply with the registered nursing staff requirement with respect to other shifts (which, in the absence of an R.N. are covered by licensed practical nurses) but is unable to employ the qualified personnel necessary, at prevailing wage or salary levels, because of nursing personnel shortages in the area;
(b) Is located in an isolated geographical area in which hospitals are in short supply and the closest other participating hospitals are not readily accessible to people of the area; and

(c) Nonparticipation of the "access" hospital would seriously reduce the availability of hospital services to medicare beneficiaries residing in the area.

Under the provision, the Secretary would regularly review the situation with respect to each hospital, and the waiver would be granted on an annual basis for not more than one-year at a time. The waiver authority would be applicable only with respect to the nursing staff requirement; no waiver authority would be provided under the amendment with respect to any other conditions of participation or any standards relating to health and safety.

The proposed waiver authority would expire December 31, 1975.

Your committee is unanimous in recommending the enactment of this bill.

Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 1861(c) OF THE SOCIAL SECURITY ACT

DEFINITION OF SERVICES, INSTITUTIONS, ETC.

Sec. 1861. For purposes of this title—

(a) * * *

(b) The term "hospital" (except for purposes of sections 1814(d) and 1835(b), subsection (a)(2) of this section, paragraph (7) of this subsection, and subsections (i) and (n) of this section) means an institution which—

(1) is primarily engaged in providing, by or under the supervision of physicians, to inpatients (A) diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or (B) rehabilitation services for the rehabilitation of injured, disabled, or sick persons;

(2) maintains clinical records on all patients;

(3) has bylaws in effect with respect to its staff of physicians;

(4) has a requirement that every patient must be under the care of a physician;

(5) provides 24-hour nursing service rendered or supervised by a registered professional nurse, and has a licensed practical nurse or registered professional nurse on duty at all times; except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the provision of 24-hour nursing service rendered or supervised by a registered
professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided during at least the regular daytime shift), where immediately preceding such one-year period he finds that—

(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area,

(6) has in effect a hospital utilization review plan which meets the requirements of subsection (k);

(7) in the case of an institution in any State in which State or applicable local law provides for the licensing of hospitals, (A) is licensed pursuant to such law or (B) is approved, by the agency of such State or locality responsible for licensing hospitals, as meeting the standards established for such licensing; and

(8) meets such other requirements as the Secretary finds necessary in the interest of the health and safety of individuals who are furnished services in the institution, except that such other requirements may not be higher than the comparable requirements prescribed for the accreditation of hospitals by the Joint Commission on Accreditation of Hospitals (subject to the second sentence of section 1863).

For purposes of subsection (a)(2), such term includes any institution which meets the requirements of paragraph (1) of this subsection. For purposes of sections 1814(d) and 1835(b) (including determination of whether an individual received inpatient hospital services or diagnostic services for purposes of such sections), and subsections (i) and (ii) of this section, such term includes any institution which (i) meets the requirements of paragraphs (5) and (7) of this subsection, (ii) is not primarily engaged in providing the services described in section 1861(f)(1)(A) and (iii) is primarily engaged in providing, by or under the supervision of individuals referred to in paragraph (1) of section 1861(f) to inpatients diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or rehabilitation services for the rehabilitation of injured, disabled, or sick persons.

Notwithstanding the preceding provisions of this subsection, such term shall not, except for purposes of subsection (a)(2), include any institution which is primarily for the care and treatment of mental diseases or tuberculosis unless it is a tuberculosis hospital (as defined in subsection (g) or unless it is a psychiatric hospital (as defined in subsection (f)). The term “hospital” also includes a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Mass., but only with respect to items and services ordinarily furnished by such institution to inpatients, and payment may be made with respect to services provided by or in such an institution only to such extent and under
such conditions, limitations, and requirements (in addition to or in lieu of the conditions, limitations, and requirements otherwise applicable) as may be provided in regulations. For provisions deeming certain requirements of this subsection to be met in the case of accredited institutions, see section 1865.
IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 28, 1970

Mr. Burleson of Texas (for himself and Mr. Bush) introduced the following bill; which was referred to the Committee on Ways and Means

DECEMBER 7, 1970

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

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

That section 1861(e)(5) of the Social Security Act is amended by inserting "(A)" after "(5)"; and by inserting before the semicolon at the end thereof the following: "; or (B) in the case of an institution having fifty or fewer inpatient beds, provides (under the general supervision of a registered professional nurse) twenty-four-hour nursing service
rendered by licensed practical nurses (including vocational nurses) or registered professional nurses, or both".

SEC. 2. Section 1861(e)(8) of the Social Security Act is amended—

(1) by inserting "(A)" after "except that"; and

(2) by inserting before the period at the end thereof the following: "; and (B) such other requirements when applied to an institution having fifty or fewer inpatient beds may not include (i) a requirement that the institution have fire sprinklers; (ii) a requirement that any specified number of deaths in the institution be subject to autopsy; or (iii) any nursing service requirement more stringent than the requirement imposed by paragraph (6)(B)".

That section 1861(e)(5) of the Social Security Act is amended by adding immediately after the semicolon at the end thereof the following: "except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the provision of twenty-four-hour nursing service rendered or supervised by a registered professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided, during
at least the regular daytime shift), where immediately pre-
ceeding such one-year period he finds that—

"(A) such institution is located in a rural area and
the supply of hospital services in such area is not sufficient
to meet the needs of individuals residing therein,

"(B) the failure of such institution to qualify as a
hospital would seriously reduce the availability of such
services to such individuals, and

"(C) such institution has made and continues to
make a good faith effort to comply with this paragraph,
but such compliance is impeded by the lack of qualified
nursing personnel in such area;"
A BILL

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

By Mr. BURLESON of Texas and Mr. BUSH

SEPTEMBER 28, 1970
Referred to the Committee on Ways and Means
DECEMBER 7, 1970
Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed
Mr. PICKLE. Mr. Speaker, reserving the right to object, I notice that the bill H.R. 19470 is similar to the bill, which I introduced last September, and other Members joined me, giving relief to these small rural hospitals. Certainly this legislation should be moved forward. I understand that the essence of this legislation reportedly at least is in the social security bill. That bill may or may not move forward. Regardless of that, it is the intent of the committee to move this legislation forward to give relief to the small hospitals.

Mr. Speaker, I would like to speak in favor of the purpose of this bill. The necessity for this legislation was brought about by the Social Security Administration's demands that all hospitals provide 24-hour coverage by registered nurses in order to receive medicare certification. Due to a general shortage of manpower, many small hospitals cannot find nurses to comply with this requirement.

I fully realize that this requirement, where it can be met, is beneficial to the patients and to our national health service. However, until we get enough nurses to fill the need, it is harsh medicine to close these rural and small town hospitals. Many small hospitals in Texas and other States face the strong possibility of closing if they are cut off from medicare funds.

This bill that we are considering will keep these small hospitals open, but at the same time it will be consistent with the goal of trying to give the best health service possible. Under this bill the Secretary can waive the 24-hour requirement if the hospital meets the following requirements:

First. The hospital has at least one registered nurse on duty on the day shift and is continuing to make a bona fide effort to comply with the 24-hour requirement with respect to the other shifts. During the shifts which do not have a registered nurse present, there must be a licensed practical nurse on hand.

Second. The hospital must be in a geographic area where hospitals are in short supply and the closest other hospitals participating in medicare are not readily accessible to people of the area.

Third. Nonparticipation of the hospital in the medicare program would seriously reduce the availability of hospital services to medicare beneficiaries residing in the area.

Under this legislation the Secretary would regularly review the particular situation of each hospital and the waiver of the 24-hour requirement would be granted on annual basis for not more than 1 year at a time.

The waiver authority under this bill expires in 1975. The purpose of this expiration date is to cause Congress to reassess the supply of medical personnel at that time to see if the waiver provision is still needed. This reassessment of the need for the waiver is in line with our overall purpose of seeing that the best medical care possible is supplied. Mr. Speaker, I think this is a good bill and one that is desperately needed.

I withdraw my objections to the consideration of this legislation.
Mr. BOGGS. The gentleman is correct. Of course, it is our very firm hope that the bill will move ahead in the other body, but it is very difficult to give any guaranteed time.

Mr. PICKLE. I commend the committee for bringing this forward.

Mr. BOGGS. The gentleman's colleague and I have signed him in support of this legislation.

Mr. KAZEN. Mr. Speaker, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Texas.

Mr. KAZEN. Mr. Speaker, I commend the committee for bringing this bill out. It is a much needed bill. As one who has had experience in having a rural hospital closed down because of this particular deficiency, I welcome this bill. I hope it will help all the rural areas of this country.

Mr. BOGGS. I might say to the gentleman the Senate Finance Committee has reported out a report on the overall bill, and for us to pass it will make it possible for them to consider this separately.

Mr. Speaker, I yield to the author of the bill, the gentleman from Texas (Mr. Burleson).

Mr. BURLESON of Texas. Mr. Speaker, I join the gentleman and my associates who have explained the situation, which is really critical. This is a situation about the need or the reasonableness or the practicability of this approach.

Mr. Speaker, when H.R. 19470 was introduced, I provided a bill to the chairman of HEW and our State health officials in establishing standards for hospitals under Medicare.

There must be adequate standards for adequate health care. This we all recognize. There is, however, the practical aspect of what can be immediately provided in certain areas of the country.

In many small towns of the rural sections there is only one hospital. In many instances it is miles removed from a larger town hospital and is necessary to the community. To establish standards which cannot be met at this time and a few years in the immediate future, would work an extreme hardship on Medicare patients who have no other place to go.

Medicare patients should not be required to leave their home community, their familiar surroundings and, particularly, their doctor for care in another area not familiar to them.

The bill before the House permits discretion on the part of the Secretary of Health, Education, and Welfare to determine, under certain criteria, whether a registered nurse must be required around the clock at these particular hospitals. Originally, the bill which I introduced included a relaxation of rather stringent requirements in connection with physical facilities. Since there is some latitude already permitted in connection with these requirements, the present bill, as it appears in the Ways and Means Committee to apply only to registered nurses. Under present law it appears there is no discretion on the part of those who make these determinations to waive for any period of time this provision.

Mr. Speaker, it is my feeling that a greater latitude should be given in the requirements of physical facilities but, in view of the facts, we are reaching for the possible and it is needed immediately. The Senate Finance Committee has tentatively adopted language applicable only to the nursing requirements. Therefore, it is felt that with narrowing my original proposal we can get this much accomplished in the hope that these other things will come along in due time.

The bill before us is temporary in nature in that it is allowing requirement discretion to be exercised for a period of 5 years. The Secretary may determine on a year-to-year basis whether a hospital can provide around the clock more nursing and health care personnel. If such is impractical and impossible, then the requirement may be waived by year for the next 5 years.

I repeat that physical facilities are not involved in this narrower legislation, since some discretion can evidently be applied. The requirements necessary to the interest of the health and safety of patients must be provided to the greatest possible extent. The requirement of a sprinkler system is an example of these requirements. It is true enough that some of the hospitals in the "access" category as the present bill must show that efforts are being made to comply with safety standards. Although it is going to be difficult for some of the small rural hospitals to meet this standard, it is likely most will in the effort and, with time allowed, will be able to qualify in a reasonable time. The nursing requirements, however, creates a situation which can not be solved until there is available more nursing and health care personnel.

As you know, Mr. Speaker, we have passed legislation for this purpose and other proposals are pending which, it is hoped, within the period allowed, will alleviate this situation in connection with the availability of nursing care.

I urge the passage of this much needed revision in the Social Security Act which will give the Secretary the latitude to not work such a hardship on Medicare patients who depend entirely upon local care facilities.

Mr. BURLESON of Texas asked and was given permission to revise and extend his remarks.

Mr. YATES. Mr. Speaker, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Illinois.

Mr. YATES. Mr. Speaker, will the gentleman tell the House why the same thing should not be accorded for the urban as well as the rural nursing homes?

Mr. BOGGS. Mr. Speaker, I yield to the gentleman from Texas to respond.

Mr. BURLESON of Texas. Mr. Speaker, if I may respond to my colleague, the gentleman from Illinois, there is pending legislation which will do exactly what the gentleman expresses a concern about, i.e., a competition between urban hospital care and rural care. There is legislation pending which I think will take care of both situations.

The gentleman is exactly right. There are acute deficit areas and it may be that legislation will be considered by the Ways and Means Committee in the early part of the coming year which will address itself to this problem.

Mr. YATES. Mr. Speaker, I thank the gentleman for that assurance.

Mr. BOGGS. There is no intention on the part of the committee to discriminate against the urban hospitals or nursing homes. The bill was presented to us as an emergency measure and it contains many safeguards which were written in.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Clerk read the bill as follows:

H.R. 4970

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1961 (c) (5) of the Social Security Act is amended by inserting "(A)" after "(b)".

SEC. 2. Section 1861 (c) (8) of the Social Security Act is amended—

(1) by inserting "(A)" after "except that"; and

(2) by inserting before the period at the end thereof the following: "or (i) such other requirements when applied to an institution having fifty or fewer inpatient beds, provides (under the general supervision of registered professional nurses or nurses aides or aides, a four-hour nursing service rendered by licensed practical nurses (including vocational nurses) or registered professional nurses, or both.

The committee amendment was agreed to.

The statement of the minority leader of the committee to discriminate against the urban hospitals or nursing homes was not met with an objection to the request of the gentleman from Louisiana.

Mr. BOOGS. Mr. Speaker, the purpose of the bill, as amended, was In...
roduced by our colleague, the Honorable Omar Burleson, is to permit certain hospitals which have had difficulty in securing required nursing services to continue to participate in Medicare for up to 5 years under specified conditions.

The Secretary of Health, Education, and Welfare would be empowered to grant waivers, no longer than a year at a time, on the requirement that the hospital have registered professional nurses on duty around the clock. The requirement could be waived only if:

First, the hospital has a registered nurse on the day shift and is making bona fide efforts to hire registered nurses for all shifts;

Second, the hospital is located in an isolated geographic area with no other Medicare hospitals within a reasonable distance; and

Third, hospital services to Medicare beneficiaries in the area would be seriously reduced if the hospital could not participate in Medicare.

Enactment of this bill will assure that Medicare beneficiaries living in remote areas will not be denied access to the only hospital care available in their communities. The committee is unanimous in recommending enactment of H.R. 19470.

Mr. Byrnes of Wisconsin. Mr. Speaker, I rise in support of H.R. 19470, a bill which would enable small hospitals in rural areas to continue qualifying as providers under Medicare even if they are temporarily unable to obtain certain nursing services required by the law.

As we all know, Mr. Speaker, a number of hospitals throughout the country have great difficulty in finding and employing enough professional registered nurses. This is particularly true in sparsely populated areas.

Although the Medicare law was designed to recognize hospitals with facilities, equipment, and personnel deemed adequate by nationally accepted standards, it also was designed to assure continuing availability of institutional care for Medicare beneficiaries. Consequently, the Social Security Administration has adopted the practice of certifying certain institutions as "access" hospitals, which means that they can retain Medicare status if they strive to upgrade staff and plant deficiencies which have been documented.

One of the most prevalent documented deficiencies has been in registered professional nursing staffs. And in order to deal with this particular problem, H.R. 19470 would authorize the Secretary of Health, Education, and Welfare to waive the requirement that an access hospital have registered professional nurses on duty 24 hours a day if the following conditions could be met:

First, The hospital would be required to have at least one registered nurse on the day shift and would have to show that it was making a continuing effort to fill the gap on other shifts.

Second, It would have to be situated in a remote area where hospitals as well as nurses were in short supply.

Third, Participating hospitals would have to be so scarce and/or far away that nonparticipation of this particular access hospital would "seriously reduce" the availability of hospital services to Medicare beneficiaries.

The proposed waiver could be granted by the Secretary only for a year at a time, and would expire at the end of 1975.

Mr. Speaker, the committee was unanimous in reporting this bill, and I urge the House to take affirmative action now.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.
AN ACT

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1861 (e) (5) of the Social Security Act is amended by adding immediately after the semicolon at the end thereof the following: "except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the
provision of twenty-four-hour nursing service rendered or supervised by a registered professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided, during at least the regular daytime shift), where immediately preceding such one-year period he finds that—

"(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

"(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

"(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area;"

Passed the House of Representatives December 22, 1970.

Attest: W. PAT JENNINGS, Clerk.
AN ACT

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

December 28, 1970
Read twice and referred to the Committee on Finance
Mr. LONG. Mr. President, I ask unanimous consent that the Committee on Finance be discharged from the further consideration of H.R. 19470.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the bill (H.R. 19470).

The PRESIDING OFFICER. Is there objection to the consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. LONG. I should like briefly to explain what the bill does. I might mention that it was included as part of the social security bill that was passed by the Senate. The bill would make it possible for small rural hospitals that are having difficulty meeting medicare standards, as regards having registered nurses available around the clock, to provide medical and hospital care under the medicare program. Legislation has been strenuously urged by the Senator from Texas (Mr. YARBOROUGH), and in view of the fact that this provision was included as part of the social security bill already passed by the Senate, and since it now appears the social security bill is not going to become law, it seems to me that this House-passed bill concerning small hospitals should be passed by the Senate.

Mr. KENNEDY. These are hospitals that would lose their certification who are still trying to retain their eligibility for medicare; is that correct?

Mr. LONG. Yes. This measure has been agreed to unanimously by the committee. It has to do with small hospitals that cannot obtain enough nurses and thus cannot quite meet the medicare standards even though they are doing the best they can to obtain nurses.

Mr. KENNEDY. We had a situation like that even in the Boston City Hospital. There was also one in St. Louis, and in the Cook County Hospital, where accreditation was being threatened for a number of reasons, although I think they were all providing great services but were in danger of losing the opportunity for social security payments. There were a number of us, I know, about a year ago, who were trying to urge this kind of legislation to permit the hospitals to operate who are trying to meet these critical needs. In many instances, they are hospitals which are providing services to the poor and the indigent and, of course, they are the most heavily overburdened and are in considerable need. If I understand the explanation of the Senator from Louisiana correctly, it is a matter of great interest, and I want to say that I think it is of great value.

Mr. LONG. This particular bill, however, applies only to rural hospitals, and it is mainly concerned with the problem in the rural areas of getting sufficient numbers of registered nurses. If the hospital cannot get them, it will still be permitted to continue to operate under medicare with the personnel it can get until January 1, 1976. Of course the Secretary of HEW does not have to waive the nursing requirement, but he can waive the requirement of having a registered nurse around the clock, doing the best it can to find them but it cannot get them.

Mr. President, I ask unanimous consent to have printed in the Record an explanation of this provision.

There being no objection, the article was ordered to be printed in the Record, as follows:

MODIFICATION OF NURSING SERVICE REQUIREMENTS

According to policy established by the Social Security Administration, a hospital or extended care facility is certified for participation in medicare if it is in full compliance (meets all the requirements of the Social Security Act and is in accordance with all regulatory requirements for participation), or if it is in "substantial" compliance (meets all the statutory requirements and the most important regulatory conditions for participation). Thus, while an institution may be deficient with respect to one or more standards of participation, it may still be found to be in substantial compliance, if the deficiencies do not represent a hazard to patient health or safety, and efforts are being made to correct the deficiencies.

It has been recognized that there is a need to assure continuing availability of medicare-covered institutional care in rural areas.
many of which may have only one hospital, without jeopardizing the health and safety of patients. To achieve this objective, the approach has been adopted by Social Security of certifying "access" hospitals while documenting their deficiencies and requiring upgrading of plant and staff. State agencies have also been required to provide consultation and assistance to these facilities in an effort to help them achieve compliance with the standards. Certain "access" hospitals, to the extent that they are capable, have succeeded in overcoming deficiencies; however, other hospitals have not demonstrated sufficient willingness to take the steps necessary to correct deficiencies and have instead been willing to continue as "access" hospitals with all the limitations in quality care that this status entails. In other areas, some rural hospitals despite good faith efforts have been unable to secure required personnel or otherwise comply.

To deal with the dilemma created by the need to assure the availability of hospital services of adequate quality in rural areas and the fact that existing shortages of qualified nursing personnel generally make it difficult for some rural hospitals to meet the nursing staff requirements of present law, the committee's bill would authorize the Secretary, under certain conditions, to waive the requirement that an access hospital have registered professional nurses on duty around the clock. This requirement could be waived only if the Secretary finds that the hospital:

(a) has a registered nurse at least on the daytime shift and has made and is continuing to make a bona fide effort to comply with the registered nursing staff requirement with respect to other shifts (which, in the absence of an R.N., are covered by licensed practical nurses) but is unable to employ the qualified personnel necessary because of nursing personnel shortages in the area; and

(b) is located in an isolated geographical area in which hospital facilities are in short supply and the closest other facilities are not readily accessible to people of the area; and

(c) nonparticipation of the "access" hospital would seriously reduce the availability of hospital services to Medicare beneficiaries residing in the area.

Under the provision, the Secretary would regularly review the situation with respect to each hospital, and the waiver would be granted on an annual basis for not more than a one-year period. The waiver authority would be applicable only with respect to the nursing staff requirement; no waiver authority would be provided under the amendment with respect to any other conditions of participation relating to health and safety.

The proposed waiver authority would expire December 31, 1975.

Mr. MILLER. Mr. President, will the Senator from Louisiana yield?

Mr. LONG. I yield.

Mr. MILLER. The Senator from Louisiana has stated the position of the Finance Committee correctly. We deliberated on this at considerable length. It was pointed out in the case of many of the smaller hospitals in the smaller communities that, at this time, present requirements would be impossible to meet. As the Senator from Louisiana has said, they are doing the best they can but cannot overcome the impossible situations they are confronted with at this time.

If the program for increasing the number of nurses in this country continues, we may hope that this will be achieved; but, in the meantime, it is important to take action.

I strongly support the bill that the Senator from Louisiana (Mr. Long) has asked the Senate to approve.

Mr. LONG. Mr. President, I ask that the bill be approved.

The PRESIDING OFFICER. If there be no amendment to be ordered, the question is on the third reading and passage of the bill.

The bill (H.R. 19470) was ordered to be read a third time, was read the third time, and passed.
Public Law 91-690
91st Congress, H. R. 19470
January 12, 1971

An Act

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1861 (e)(5) of the Social Security Act is amended by adding immediately after the semicolon at the end thereof the following: "except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the provision of twenty-four-hour nursing service rendered or supervised by a registered professional nurse (except that in any event, a registered professional nurse must be present on the premises to render or supervise the nursing service provided, during at least the regular daytime shift), where immediately preceding such one-year period he finds that—

"(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

"(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

"(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area;"

Approved January 12, 1971.
Mr. Hruska, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany S. 476]

The Committee on the Judiciary, to which was referred the bill (S. 476) for the relief of Mrs. Marjorie Zuck, having considered the same, reports favorably thereon, with an amendment and recommends that the bill, as amended, do pass.

AMENDMENT

On page 1, line 8, strike the figure "487–42–4467" and insert in lieu thereof the figure "487–42–7467".

PURPOSE OF AMENDMENT

The purpose of the amendment is to conform the social security account number of Emery Zuck with information contained in the report of the Department of Health, Education, and Welfare, appended hereto.

PURPOSE

The purpose of this legislation, as amended, is to determine the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Mo., to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered 487–42–7467). If the said Mrs. Marjorie Zuck files application for such benefits within 6 months after the date of the enactment of this act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

37-007
STATEMENT

The Department of Health, Education, and Welfare has no objection to enactment of this legislation.

In its report to the Committee on the Judiciary under date of May 1, 1968, the Department states:

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mrs. Marjorie Rose Zuck filed an application on September 8, 1965, for wife's insurance benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. (Mr. Zuck's account number, 487--42--7476, is incorrectly shown as 487--42--4467 in S. 1142.) Mrs. Zuck's application was disallowed. She was not validly married to Mr. Emery Zuck because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half brothers—and she is consequently not entitled to wife's benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The bill would provide that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage. As a result, Mrs. Zuck would be eligible for social security wife's insurance benefits.

We believe that because of the very sympathetic circumstances in this case, special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment of benefits in such a case, we would favor enactment of such legislation. We would therefore have no objection to enactment of the bill.

The committee, after reviewing the facts of this case, concurs in the conclusions of the Department of Health, Education, and Welfare, and accordingly recommends that favorable consideration be given to S. 476, as amended.

Attached hereto and made a part hereof is the report of the Department of Health, Education, and Welfare, to the chairman of the Committee on the Judiciary, together with an accompanying memorandum.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 1, 1968.

Hon. James O. Eastland,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: This letter is in response to your request of March 8, 1967, for a report on S. 1142, a bill for the relief of Mrs. Marjorie Zuck.

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mrs. Marjorie Rose Zuck filed an application on September 8, 1965, for wife's insurance benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. (Mr. Zuck's account number, 487--42--7476, is incorrectly shown as 487--42--4467 in S. 1142.) Mrs. Zuck's application was disallowed. She was not validly married to Mr. Emery Zuck because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half brothers—and she is consequently not entitled to wife's benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The bill would provide that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage. As a result, Mrs. Zuck would be eligible for social security wife's insurance benefits.

We believe that because of the very sympathetic circumstances in this case, special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment of benefits in such a case, we would favor enactment of such legislation. We would therefore have no objection to enactment of the bill.

The committee, after reviewing the facts of this case, concurs in the conclusions of the Department of Health, Education, and Welfare, and accordingly recommends that favorable consideration be given to S. 476, as amended.

Attached hereto and made a part hereof is the report of the Department of Health, Education, and Welfare, to the chairman of the Committee on the Judiciary, together with an accompanying memorandum.
benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. (Mr. Zuck’s account number, 487-42-7467, is incorrectly shown as 487-42-4467 in S. 1142.) Mrs. Zuck’s application was disallowed. She was not validly married to Mr. Emery Zuck because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half brothers—and she is consequently not entitled to wife’s benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The bill would provide that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage. As a result, Mrs. Zuck would be eligible for social security wife’s insurance benefits. We believe that because of the very sympathetic circumstances in this case special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment of benefits in such a case, we would favor enactment of such legislation. We would, therefore, have no objection to enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration’s program.

Sincerely,

WILBUR J. COHEN,
Acting Secretary.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON S. 1142

S. 1142 would provide that for purposes of determining the entitlement of Mrs. Marjorie R. Zuck to benefits under the social security program, the marriage entered into by Mrs. Marjorie Zuck and Emery Zuck would be considered to have been a valid marriage. If the bill were enacted, Mrs. Zuck could become entitled to social security benefits for months after October 1965.

Under the law, an applicant is the wife of an insured individual for social security purposes if the courts of the State in which the insured individual is domiciled at the time the application is filed would find that the applicant and the insured individual were validly married at the time the application is filed. If the courts would not find that the applicant and the insured individual were validly married, the applicant nevertheless is deemed to be the wife of the insured individual if she would, under the laws applied by the courts in determining the devolution of intestate personal property, have the same status with respect to the taking of such property as a wife of the insured individual.

Marjorie Rose Zuck and Emery Zuck are first cousins of the halfblood; that is, their fathers were half brothers. (Mrs. Zuck has emphasized her belief that she and Mr. Zuck are not first cousins, since they have only one common grandparent.) They were married in Sydney,

S. Rept. 91-445
Iowa, on November 26, 1921, having obtained a marriage license, and the ceremony was recorded. The marriage was apparently entered into in good faith.

The validity of their marriage must be determined by the laws of either the State in which they reside or the State where the marriage was performed. Under Iowa law, marriage contracted in Iowa between cousins is void and under the laws of Missouri, where the couple is domiciled, a marriage between first cousins is void. The courts have used very broad language in holding that relationships of the halfblood are equivalents of relationships of the whole blood, and it is believed that the courts would take that view with respect to first cousins. Since the marriage cannot be held to be a valid one, Mrs. Zuck does not meet the requirements of the Social Security Act for eligibility for wife's benefits.
MRS. MARJORIE ZUCK

The Senate proceeded to consider the bill (S. 476) for the relief of Mrs. Marjorie Zuck, which had been reported from the Committee on the Judiciary, with an amendment, on page 1, line 8, after the word "numbered", strike out "(487-42-4467)" and insert "(487-42-7467)"); so as to make the bill read:

S. 476

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That, for purposes of determining the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Missouri, to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emory Zuck (social security account numbered (487-42-7467) if the said Mrs. Marjorie Zuck files application for such benefits within six months after the date of the enactment of this Act, the marriage entered into by the said Mrs. Marjorie Zuck and Emory Zuck on
November 26, 1921, shall be held and considered to have been a valid marriage.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the Record an excerpt from the report (No. 91-445), explaining the purposes of the measure.

There being no objection, the excerpt was ordered to be printed in the Record, as follows:

PURPOSE OF AMENDMENT

The purpose of the amendment is to conform the social security account number of Emery Zuck with information contained in the report of the Department of Health, Education, and Welfare, appended hereto.

PURPOSE

The purpose of this legislation, as amended, is to determine the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Mo., to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered 487-42-7467). If the said Mrs. Marjorie Zuck files application for such benefits within 6 months after the date of the enactment of this act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

STATEMENT

The Department of Health, Education, and Welfare has no objection to enactment of this legislation.

In its report to the Committee on the Judiciary under date of May 1, 1968, the Department states:

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mrs. Marjorie Rose Zuck filed an application on September 8, 1965, for wife's insurance benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. (Mr. Zuck's account number, 487-42-7476, is incorrectly shown as 487-42-4467 in S. 1142.) Mrs. Zuck's application was disallowed. She was not validly married to Mr. Emery Zuck because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half brothers—and she is consequently not entitled to wife's benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The bill would provide that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage. As a result, Mrs. Zuck would be eligible for social security's wife's insurance benefits.

We believe that because of the very sympathetic circumstances in this case, special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment of benefits in such a case, we would favor enactment of such legislation. We would therefore have no objection to enactment of the bill.

The committee, after reviewing the facts of this case, concurs in the conclusions of the Department of Health, Education, and Welfare, and accordingly recommends that favorable consideration be given to S. 476, as amended.
S. 476

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 7, 1969
Referred to the Committee on the Judiciary

AN ACT

For the relief of Mrs. Marjorie Zuck.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 That, for purposes of determining the entitlement of Mrs.
4 Marjorie Zuck, Rural Route 1, Watson, Missouri, to bene-
5 fits under title II of the Social Security Act for the months
6 after October 1965, on the basis of the wages and self-
7 employment income of Emery Zuck (social security account
8 numbered (487–42–7467) ) if the said Mrs. Marjorie Zuck
9 files application for such benefits within six months after
10 the date of the enactment of this Act, the marriage entered
11 into by the said Mrs. Marjorie Zuck and Emery Zuck on No-
12 vember 26, 1921, shall be held and considered to have been
13 a valid marriage.

Passed the Senate October 6, 1969.

Attest: FRANCIS R. VALEO,
Secretary.
AN ACT

For the relief of Mrs. Marjorie Zuck.

OCTOBER 7, 1969
Referred to the Committee on the Judiciary
MRS. MARJORIE ZUCK

November 12, 1969.—Committed to the Committee of the Whole House and ordered to be printed

Mr. Smith of New York, from the Committee on the Judiciary, submitted the following REPORT

[To accompany S. 476]

The Committee on the Judiciary, to whom was referred the bill (S. 476) for the relief of Mrs. Marjorie Zuck, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of this legislation is to determine the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Mo., to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered 487-42-7467). If the said Mrs. Marjorie Zuck files application for such benefits within 6 months after the date of enactment of this act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

STATEMENT

The Department of Health, Education, and Welfare, in its report to the Senate Committee on the Judiciary, stated that it had no objection to enactment of this legislation.

Mrs. Marjorie Rose Zuck filed an application on September 8, 1965, for wife's insurance benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. Mrs. Zuck's application was disallowed. The Social Security Administration ruled that it could not hold their marriage to be valid because she and Mr. Zuck are first cousins of the half blood—that is, their fathers were half-brothers. For this reason she was denied...
entitlement to wife's benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The benefits were denied Mrs. Zuck because of the determination by the Department that an applicant will only be recognized as the wife of an insured individual for social security purposes if the courts of the State in which the insured individual is domiciled at the time the application is filed would find that the applicant and the insured individual were validly married at the time the application is filed. If the courts would not find that the applicant and the insured individual were validly married, the applicant nevertheless is deemed to be the wife of the insured individual if she would, under the laws applied by the courts in determining the devolution of interstate personal property, have the same status with respect to the taking of such property as a wife of the insured individual.

However, in this case, no such relief appears to be available on an administrative basis since Marjorie Rose Zuck and Emery Zuck are first cousins of the halfblood; that is, their fathers were half brothers. (Mrs. Zuck has emphasized her belief that she and Mr. Zuck are not first cousins, since they have only one common grandparent.) They were married in Sydney, Iowa on November 26, 1921, having obtained a marriage license and the marriage was recorded as required by applicable State law. The Department in the memorandum accompanying its report stated on the basis of the information it had received on the case that the marriage was apparently entered into in good faith by both parties.

While, as a legal matter, the validity of a marriage must be determined by the laws of either the State in which the parties reside or the marriage performed. Neither alternative would aid Mrs. Zuck in this situation. Under Iowa law a marriage contracted in Iowa between cousins is void and under the laws of Missouri where the couple is domiciled, a marriage between first cousins is also void. The Department reasoned that since courts have used very broad language in holding that relationships of halfblood are equivalent to relationships of the whole blood, it was forced to conclude that the courts would take the same view with respect to first cousins of the halfblood. The Department for this reason concluded that the marriage could not be held to be valid in order to qualify Mrs. Zuck for her's benefits. The bill would grant relief on an equitable basis by providing that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage in order to qualify Mrs. Zuck for social security wife's benefits. In indicating that it would have no objection to such relief the Department of Health, Education, and Welfare stated in its report:

We believe that because of the very sympathetic circumstances in this case, special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment benefits in such a case, we would favor enactment of such legislation. We would therefore have no objection to enactment of the bill.

In view of the circumstances of the parties including the sympathetic considerations referred to by the Department of Health, Education,
and Welfare and the indication by that Department that it would have no objection to relief, it is recommended that the bill be considered favorably.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,

May 1, 1968.

Hon. JAMES O. EASTLAND,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of March 8, 1967, for a report on S. 1142, a bill for the relief of Mrs. Marjorie Zuck.

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mrs. Marjorie Rose Zuck filed an application on September 8, 1965, for wife’s insurance benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. (Mr. Zuck’s account number, 487-42-7467, is incorrectly shown as 487-42-4467 in S. 1142.) Mrs. Zuck’s application was disallowed. She was not validly married to Mr. Emery Zuck because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half brothers—and she is consequently not entitled to wife’s benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The bill would provide that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage. As a result, Mrs. Zuck would be eligible for social security wife’s insurance benefits. We believe that because of the very sympathetic circumstances in this case special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment of benefits in such a case, we would favor enactment of such legislation. We would, therefore, have no objection to enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration’s program.

Sincerely,

WILBUR J. COHEN,
Acting Secretary.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON S. 1142

S. 1142 would provide that for purposes of determining the entitlement of Mrs. Marjorie R. Zuck to benefits under the social security program, the marriage entered into by Mrs. Marjorie Zuck and Emery Zuck would be considered to have been a valid marriage. If the bill were enacted, Mrs. Zuck could become entitled to social security benefits for months after October 1965.

Under the law, an applicant is the wife of an insured individual for social security purposes if the courts of the State in which the insured

H. Rept. 91-616
individual is domiciled at the time the application is filed would find that the applicant and the insured individual were validly married at the time the application is filed. If the courts would not find that the applicant and the insured individual were validly married, the applicant nevertheless is deemed to be the wife of the insured individual if she would, under the laws applied by the courts in determining the devolution of intestate personal property, have the same status with respect to the taking of such property as a wife of the insured individual.

Majorie Rose Zuck and Emery Zuck are first cousins of the half-blood; that is, their fathers were half brothers. (Mrs. Zuck has emphasized her belief that she and Mr. Zuck are not first cousins, since they have only one common grandparent.) They were married in Sydney, Iowa, on November 26, 1921, having obtained a marriage license, and the ceremony was recorded. The marriage was apparently entered into in good faith.

The validity of their marriage must be determined by the laws of either the State in which they reside or the State where the marriage was performed. Under Iowa law, marriage contracted in Iowa between cousins is void and under the laws of Missouri, where the couple is domiciled, a marriage between first cousins is void. The courts have used very broad language in holding that relationships of the half blood are equivalents of relationships of the whole blood, and it is believed that the courts would take that view with respect to first cousins. Since the marriage cannot be held to be a valid one, Mrs. Zuck does not meet the requirements of the Social Security Act for eligibility for wife's benefits.
MRS. MARJORIE ZUCK

The Clerk called the bill (S. 476) for the relief of Mrs. Majorie Zuck.

There being no objection, the Clerk read the bill as follows:

S. 476

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for purposes of determining the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Missouri, to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered 487-42-7467); if the said Mrs. Marjorie Zuck files application for such benefits within six months after the date of the enactment of this Act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.
An Act

For the relief of Mrs. Marjorie Zuck.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for purposes of determining the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Missouri, to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered 487-42-7467) if the said Mrs. Marjorie Zuck files application for such benefits within six months after the date of the enactment of this Act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

Approved February 2, 1970.
ALBERT E. JAMESON, JR.

JUNE 9, 1969.—Committed to the Committee of the Whole House and ordered to be printed

Mr. HUNGATE, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 5337]

The Committee on the Judiciary, to whom was referred the bill (H.R. 5337) for the relief of the late Albert E. Jameson, Jr., having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to provide that the late Albert E. Jameson, Jr., is to be deemed to have filed an application for social security disability benefits prior to his death on November 1, 1964, in order to permit the consideration of a claim for retroactive disability benefits for a period prior to Mr. Jameson's death.

STATEMENT

The Department of Health, Education, and Welfare, in a report dated August 19, 1968 on a previous bill, stated that it did not oppose enactment of the bill. The report of the Department of Health, Education, and Welfare states that the enactment of the bill would permit the consideration of the claim which involves the right of the widow of Mr. Jameson to receive 4 months' retroactive benefits on the basis of the disability of her deceased husband. The problem in this case is that an application for disability benefits was not actually filed before Mr. Jameson's death. The bill would have the effect of waiving this requirement. The memorandum accompanying the report of the Department of Health, Education, and Welfare states:
Before the death of Albert E. Jameson, Jr. (which occurred on November 1, 1964) Mrs. Jameson telephoned the Roxbury, Mass., Social Security district office about the possibility of claiming disability insurance benefits for him. The specific date of the telephone inquiry cannot be established, but it occurred during October 1964. Mrs. Jameson apparently could not go to the Social Security office to file an application on behalf of her husband. Under the Social Security Administration procedures effective at that time, in such situations a representative of the Social Security office would go to the disabled worker as soon as practicable to obtain the required application. In this instance, there was some delay in making a visit to the disabled worker's home, and the application for disability insurance benefits was not obtained before Mr. Jameson's death. (Social security regulations in effect since November 10, 1964, permit the filing of a prescribed application form on behalf of a deceased individual, provided that the deceased individual or a proper person on his behalf filed with the Social Security Administration prior to his death, a signed written statement indicating an intent to claim benefits.)

Mrs. Jameson attempted to assert a claim to the disability benefits by filing an application on January 11, 1966; however, since that application was not filed while the disabled worker was alive, the claim for benefits had to be denied. This action was reconsidered and the denial was affirmed on May 19, 1966. As has been noted, the bill, H.R. 5337 would remedy this defect with the result that disability insurance benefits could be paid on Mr. Jameson's behalf to his widow. If it is acknowledged that Mr. Jameson met the definition of disability contained in the social security law from December 8, 1963, which is the date he stopped work, as stated by Mrs. Jameson, until his death, 4 months of benefits would be payable to Mr. Jameson. The memorandum of the Department states that, under applicable law, benefits payable to a disabled insured worker cannot begin until the worker has been disabled throughout a waiting period of 6 full calendar months; therefore, the first month's benefit is paid for the seventh full calendar month of disability. As a result, the 4 months for which benefits could be paid would be July through October of 1964.

The memorandum accompanying the departmental report also points out that, assuming that the duration of the disability is as stated by Mrs. Jameson, the bill would permit the establishment of a "disability freeze" with respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings on which the amount of any survivor's benefits that might be payable later would be based. The Department noted that in view of the relatively short duration of the period of disability, a disability freeze would have no significant effect in this instance.

The report of the Department of Health, Education, and Welfare states that as a general proposition, special legislation involving the application of social security law as in this instance is viewed as undesirable and ordinarily the Department would recommend against
enactment of a private bill. In this connection the committee would note that the rules of Subcommittee No. 2, the Claims Subcommittee, bar the consideration of such bills unless adequate basis is shown for a waiver of the rule. It has been concluded in this instance that the facts outlined in the departmental report justify the consideration of this matter and, in this connection, the departmental report stated facts which show that actual notice was given to the Social Security Administration of the existence of disability prior to Mr. Jameson's death. The committee feels that the following quotation from the departmental report outlines the basis for legislative relief in this instance and reflects the equities which justify an exception in this case:

However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application, and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Administration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson's death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,

HON. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of June 7, 1967, for a report on H.R. 10450, a bill for the relief of the late Albert E. Jameson, Jr.

The bill provides that the late Albert E. Jameson, Jr., be deemed to have filed, prior to his death on November 1, 1964, an application for social security disability benefits. Based on the time of onset of Mr. Jameson's disability as stated by Mrs. Jameson, enactment of this bill would enable her to receive 4 months' retroactive benefits on the basis of her deceased husband's disability. The facts upon which this private relief bill is based are stated in the accompanying memorandum.

The enactment of H.R. 10450 would make inapplicable in this instance a generally applicable requirement of present law—namely that an application for disability benefits must be filed before the death of the disabled worker. We believe that special legislation of this kind is generally undesirable, and would ordinarily recommend against the enactment of a bill of this kind. However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application, and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social

H. Rept. 91-299
security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Administration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson’s death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid.

In view of this, we would not oppose the enactment of H.R. 10450.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration’s program.

Sincerely,

WILBUR J. COHEN, Secretary.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

As a condition for entitlement to social security disability insurance benefits, the law requires that an application for the benefits must be filed by or on behalf of the disabled worker while he is alive.

Before the death of Albert E. Jameson, Jr. (which occurred on November 1, 1964) Mrs. Jameson telephoned the Roxbury, Mass., Social Security district office about the possibility of claiming disability insurance benefits for him. The specific date of the telephone inquiry cannot be established, but it occurred during October 1964. Mrs. Jameson apparently could not go to the Social Security office to file an application on behalf of her husband. Under the Social Security Administration procedures effective at that time, in such situations a representative of the Social Security office would go to the disabled worker as soon as practicable to obtain the required application. In this instance, there was some delay in making a visit to the disabled worker’s home, and the application for disability insurance benefits was not obtained before Mr. Jameson’s death. (Social security regulations in effect since November 10, 1964, permit the filing of a prescribed application form on behalf of a deceased individual, provided that the deceased individual or a proper person on his behalf filed with the Social Security Administration prior to his death, a signed written statement indicating an intent to claim benefits.)

On January 11, 1966, Mrs. Jameson filed a disability application on behalf of her deceased husband. However, since the application was not filed while the disabled worker was alive, the claim for benefits had to be denied. A reconsideration of the claim was requested, and on May 19, 1966, the denial was affirmed.

Under H.R. 10450, Mr. Jameson would be deemed to have filed an application for disability insurance benefits prior to his death, and as a result disability insurance benefits could
be paid on his behalf to Mrs. Jameson. Assuming that Mr. Jameson met the definition of disability in the law from December 8, 1963 (the date he stopped work as stated by Mrs. Jameson), until his death, 4 months of benefits (July through October 1964) would be payable to Mrs. Jameson. (Under the law, benefits payable to a disabled insured worker cannot begin until after the worker has been disabled throughout a waiting period of 6 full calendar months. The first month's benefits is for the 7th full calendar month of disability.)

The enactment of H.R. 10450 would also permit (assuming that the duration of disability is as stated by Mrs. Jameson) the establishment of a “disability freeze” in respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings, on which the amount of any survivors benefits that might be payable later on would be based. However, in view of the relatively short duration of the period of disability, a disability freeze would have no significant effect in this instance.

In view of the facts outlined in this report and in the report and memorandum of the Department of Health, Education, and Welfare, the committee has concluded that this is a proper subject for legislative relief and accordingly recommends that the bill be considered favorably.

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 29, 1969

Mr. Burke of Massachusetts introduced the following bill; which was referred to the Committee on the Judiciary

JUNE 9, 1969

Committed to the Committee of the Whole House and ordered to be printed

A BILL

For the relief of the late Albert E. Jameson, Junior.

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

2 That, for the purposes of determining the entitlement of Albert E. Jameson, Junior (Social Security Account Number 011-09-9887), of Hyde Park, Massachusetts, to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216 (i) of such Act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223 (a) (1) (C) of such Act (and for the establishment of a period of disability as required by section
1 216(i) (2) (B) of such Act) immediately before his death
2 on November 1, 1964.
ALBERT E. JAMESON, JR.

The Clerk called the bill (H.R. 5337) for the relief of the late Albert E. Jameson, Jr.

There being no objection, the Clerk read the bill, as follows:

H.R. 5337

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Albert E. Jameson, Junior (Social Security Account Number 011-09-9887), of Hyde Park, Massachusetts, to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216(i) of such Act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such Act (and for the establishment of a period of disability as required by section 216(i)(2)(B) of such Act) immediately before his death on November 1, 1964.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.
ALBERT E. JAMESON, JR.

JULY 30, 1970.—Ordered to be printed

Mr. Burdick, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 5337]

The Committee on the Judiciary, to which was referred the bill (H.R. 5337) for the relief of the late Albert E. Jameson, Jr., having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to entitle Albert E. Jameson, Jr. to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216(i) of such act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such act (and for the establishment of a period of disability as required by section 216(i)(2)(B) of such act) immediately before his death on November 1, 1964.

STATEMENT

The proposed legislation passed the House of Representatives June 17, 1969. The Department of Health, Education, and Welfare, the administrative agency most directly affected, is in favor of enactment of this legislation. The facts of the case as stated in the accompanying House Report No. 91–299 are as follows:

The Department of Health, Education, and Welfare, in a report dated August 19, 1968 on a previous bill, stated that it did not oppose enactment of the bill. The report of the De-
partment of Health, Education, and Welfare states that the enactment of the bill would permit the consideration of the claim which involves the right of the widow of Mr. Jameson to receive 4 months' retroactive benefits on the basis of the disability of her deceased husband. The problem in this case is that an application for disability benefits was not actually filed before Mr. Jameson's death. The bill would have the effect of waiving this requirement. The memorandum accompanying the report of the Department of Health, Education, and Welfare states:

"Before the death of Albert E. Jameson, Jr. (which occurred on November 1, 1964) Mrs. Jameson telephoned the Roxbury, Mass., Social Security district office about the possibility of claiming disability insurance benefits for him. The specific date of the telephone inquiry cannot be established, but it occurred during October 1964. Mrs. Johnson apparently could not go on to the Social Security office to file an application on behalf of her husband. Under the Social Security Administration procedures effective at that time, in such situations a representative of the Social Security office would go to the disabled worker's home and the application for disability insurance benefits was not obtained before Mr. Jameson's death. (Social Security regulations in effect since November 10, 1964, permit the filing of a prescribed application form on behalf of a deceased individual, provided that the deceased individual or a proper person on his behalf filed with the Social Security Administration prior to his death, a signed written statement indicating an intent to claim benefits.)"

Mrs. Jameson attempted to assert a claim to the disability benefits by filing an application on January 11, 1966; however, since that application was not filed while the disabled worker was alive, the claim for benefits had to be denied. This action was reconsidered and the denial was affirmed on May 19, 1966. As has been noted, the bill, H.R. 5337, would remedy this defect with the result that disability insurance benefits could be paid on Mr. Jameson's behalf to his widow. If it is acknowledged that Mr. Jameson met the definition of disability contained in the social security law from December 8, 1963, which is the date he stopped work, as stated by Mrs. Jameson, until his death, 4 months of benefits would be payable to Mr. Jameson. The memorandum of the Department states that, under applicable law, benefits payable to a disabled insured worker cannot begin until the worker has been disabled throughout a waiting period of 6 full calendar months; therefore, the first month's benefit is paid for the seventh full calendar month of disability. As a result, the 4 months for which benefits could be paid would be July through October of 1964.

The memorandum accompanying the departmental report also points out that, assuming that the duration of the dis-
ability is as stated by Mrs. Jameson, the bill would permit the establishment of a “disability freeze” with respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings on which the amount of any survivor's benefits that might be payable later would be based. The Department noted that in view of the relatively short duration of the period of disability, a disability freeze would have no significant effect in this instance.

The report of the Department of Health, Education, and Welfare states that as a general proposition, special legislation involving the application of social security law as in this instance is viewed as undesirable and ordinarily the Department would recommend against enactment of a private bill. In this connection the committee would note that the rules of Subcommittee No. 2, the Claims Subcommittee, bar the consideration of such bills unless adequate basis is shown for a waiver of the rule. It has been concluded in this instance that the facts outlined in the departmental report justify the consideration of this matter and, in this connection, the departmental report stated facts which show that actual notice was given to the Social Security Administration of the existence of disability prior to Mr. Jameson's death. The committee feels that the following quotation from the departmental report outlines the basis for legislative relief in this instance and reflects the equities which justify an exception in this case:

"However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application, and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Administration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson's death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid."

In agreement with the views of both the House of Representatives and the Department of Health, Education, and Welfare, the committee recommends the proposed legislation favorably.

Attached hereto and made a part hereof is the persuasive aforementioned report of the Department of Health, Education, and Welfare.

S.R. 1056
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

Dear Mr. Chairman: This letter is in response to your request of June 7, 1967, for a report on H.R. 10450, a bill for the relief of the late Albert E. Jameson, Jr.

The bill provides that the late Albert E. Jameson, Jr., be deemed to have filed, prior to his death on November 1, 1964, an application for social security disability benefits. Based on the time of onset of Mr. Jameson's disability as stated by Mrs. Jameson, enactment of this bill would enable her to receive 4 months' retroactive benefits on the basis of her deceased husband's disability. The facts upon which this private relief bill is based are stated in the accompanying memorandum.

The enactment of H.R. 10450 would make inapplicable in this instance a generally applicable requirement of present law—namely that an application for disability benefits must be filed before the death of the disabled worker. We believe that special legislation of this kind is generally undesirable, and would ordinarily recommend against the enactment of a bill of this kind. However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application, and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Administration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson's death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid.

In view of this, we would not oppose the enactment of H.R. 10450.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

WILBUR J. COHEN, Secretary.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

As a condition for entitlement to social security disability insurance benefits, the law requires that an application for the benefits must be filed by or on behalf of the disabled worker while he is alive.

Before the death of Albert E. Jameson, Jr. (which occurred on November 1, 1964), Mrs. Jameson telephoned the Roxbury, Mass., social security district office about the pos-
sibility of claiming disability insurance benefits for him. The specific date of the telephone inquiry cannot be established, but it occurred during October 1964. Mrs. Jameson apparently could not go to the social security office to file an application on behalf of her husband. Under the Social Security Administration procedures effective at that time, in such situations a representative of the social security office would go to the disabled worker as soon as practicable to obtain the required application. In this instance, there was some delay in making a visit to the disabled worker's home, and the application for disability insurance benefits was not obtained before Mr. Jameson's death. (Social security regulations in effect since November 10, 1964, permit the filing of a prescribed application form on behalf of a deceased individual, provided that the deceased individual or a proper person on his behalf filed with the Social Security Administration prior to his death, a signed written statement indicating an intent to claim benefits.)

On January 11, 1966, Mrs. Jameson filed a disability application on behalf of her deceased husband. However, since the application was not filed while the disabled worker was alive, the claim for benefits had to be denied. A reconsideration of the claim was requested, and on May 19, 1966, the denial was affirmed.

Under H.R. 10450, Mr. Jameson would be deemed to have filed an application for disability insurance benefits prior to his death, and as a result disability insurance benefits could be paid on his behalf to Mrs. Jameson. Assuming that Mr. Jameson met the definition of disability in the law from December 8, 1963 (the date he stopped work as stated by Mrs. Jameson), until his death, 4 months of benefits (July through October 1964) would be payable to Mrs. Jameson. (Under the law, benefits payable to a disabled insured worker cannot begin until after the worker has been disabled throughout a waiting period of 6 full calendar months. The first month's benefits is for the seventh full calendar month of disability.)

The enactment of H.R. 10450 would also permit (assuming that the duration of disability is as stated by Mrs. Jameson) the establishment of a "disability freeze" in respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings, on which the amount of any survivors benefits that might be payable later on would be based. However, in view of the relatively short duration of the period of disability, a disability freeze would have no significant effect in this instance.

In view of the facts outlined in this report and in the report and memorandum of the Department of Health, Education, and Welfare, the committee has concluded that this is a proper subject for legislative relief and accordingly recommends that the bill be considered favorably.

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S.R. 1056
ALBERT E. JAMESON, JR.

The bill (H.R. 5337) for the relief of the late Albert E. Jameson, Jr., was considered, ordered to a third reading, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 91-1056), explaining the purposes of the measure.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

The purpose of the proposed legislation is to entitle Albert E. Jameson, Jr. to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216(l) of such act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such act (and for the establishment of a period of disability required by section 216(I)(B) of such act) immediately before his death on November 1, 1964.

STATEMENT

The proposed legislation passed the House of Representatives June 17, 1969. The Department of Health, Education, and Welfare, the administrative agency most directly affected, is in favor of enactment of this legislation. The facts of the case as stated in the accompanying House Report No. 91-299 are as follows:

The Department of Health, Education, and Welfare, in a report dated August 19, 1969 states that the enactment of the bill would permit the consideration of the claim which involves the right of the widow of Mr. Jameson to receive 4 months' retroactive benefits on the basis of the disability of the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such act (and for the establishment of a period of disability required by section 216(I)(2)(B) of such act) immediately before his death on November 1, 1964.

The memorandum accompanying the departmental report states that, under applicable law, benefits payable to a disabled insured worker cannot begin until the worker has been disabled throughout a waiting period of 6 full calendar months; therefore, the first month's benefit is paid for the seventh full calendar month of disability. As a result, the 4 months for which benefits could be paid would be July through October of 1964.

The memorandum accompanying the departmental report points out that, assuming that the duration of the disability is as stated by Mrs. Jameson, the bill would permit the establishment of a "disability freeze" with respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings on which the amount of any survivor's benefits might be payable later would be based. The Department notes that in view of the relatively short duration of the period of disability, a disability freeze would have no significant effect in this instance.

The report of the Department of Health, Education, and Welfare states that as a general proposition, special legislation involving the application of social security law as in this instance is viewed as undesirable and ordinarily the Department would recommend against enactment of a private bill. In this connection the committee would note that the rules of Subcommittee No. 2, the Committee, Subcommittee, for the consideration of private bills unless adequate basis is shown for a waiver of the rule. It has been concluded in this instance that the facts outlined in the departmental report justify the consideration of this matter and, in connection with the departure of Mr. Jameson's death. The committee notes that the following quotation from the departmental report outlines the basis for legislative relief in this instance:
instance and reflects the equities which justify an exception in this case:

"However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Administration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson's death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid."

In agreement with the views of both the House of Representatives and the Department of Health, Education, and Welfare, the committee recommends the proposed legislation favorably.
An Act

For the relief of the late Albert E. Jameson, Junior.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Albert E. Jameson, Junior (Social Security Account Number 011-09-9887), of Hyde Park, Massachusetts, to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216(i) of such Act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such Act (and for the establishment of a period of disability as required by section 216(i)(2)(B) of such Act) immediately before his death on November 1, 1964.

Approved August 14, 1970.
ENRICO DeMONTE

MARCH 12, 1969.—Committed to the Committee of the Whole House and ordered to be printed

Mr. DONOHUE, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 2335]

The Committee on the Judiciary, to whom was referred the bill (H.R. 2335) for the relief of Enrico DeMonte, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

An identical bill was favorably reported and passed the House during the 90th Congress, but no action was taken in the Senate. The facts concerning the matter are set forth in House Report No. 1353 which is appended hereto and made a part of this report. The committee concurs with its previous recommendation.

[H. Rept. 1353, 90th Cong., second sess.]

PURPOSE

The purpose of the proposed legislation is to provide that in the determination of the right of Enrico DeMonte, of Niagara Falls, N.Y. to widower's insurance benefits under section 202(f) (1) of the Social Security Act, as amended (42 U.S.C. 402(f) (1), as amended), he is held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1962.

STATEMENT

Mr. Enrico DeMonte was completely disabled from performing gainful employment in an industrial accident in 1928. The accident caused an injury to Mr. DeMonte's eyes with the result that his eyesight was so impaired that he has been held to be functionally blind for purposes of earning a living and his own support. His sole
personal source of income, except for a small amount of interest upon a savings account, is and has been the meager monthly sum of $100. This represents a disability payment which is made out of the New York State insurance fund. Considering that Mr. and Mrs. DeMonte were the parents of three children, this amount was inadequate for the purposes of providing the minimal support necessary for their subsistence. His wife was, therefore, forced to obtain employment in 1930 or 1931 in order to properly support themselves and their three minor children. Prior to that time, she was unable to obtain any employment because of the economic depression which existed.

Mrs. DeMonte was forced to continue full-time employment, as and when she was able to obtain it, and in 1941 or 1942, she obtained a full-time job at the Chisholm-Rider Co., Inc., in Niagara Falls, N.Y., where she continued her employment until the year 1959 when a plantwide strike caused her employer to discontinue normal operation and go into a minimal operation under a skeleton crew.

Mrs. DeMonte was then forced to seek new employment whenever and wherever available and of any type available to her. For a period of approximately 3 months, she collected unemployment insurance benefits, but thereafter she obtained part-time employment with the Board of Education in Niagara Falls, N.Y., where she worked during the years 1959 through the time of her accidental death on October 15, 1963. Unfortunately, Mrs. DeMonte was killed in an automobile accident which occurred on that date. Mrs. DeMonte, while laid off during the years 1959 through 1963, fully expected to be recalled to the Chisholm-Rider Co. plant and as a union member with 17 years seniority at the time of the layoff, she would have been recalled. This belief is strengthened by the fact that some time in the year 1964 the Chisholm-Rider plant reopened production and commenced the recall of former employees released because of the plant shutdown.

Mr. DeMonte made application for widower’s insurance benefits under the Social Security Act following his wife’s death. He applied for these benefits because his wife was and had been the main support of the family for many years.

Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower’s insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of her death.

As is noted in the memorandum accompanying the Health, Education, and Welfare report, the information furnished to the Social Security Administration showed that in the 12-month period before she died, on October 15, 1963, Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen’s compensation payments. (Mr. DeMonte had been receiving such payments since 1928, when he became disabled.) Mrs. DeMonte had a net income of $1,674.50
in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple for that period was $2,974.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,974.50 or $1,487.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 15, 1963. He therefore upheld the Social Security Administration's determination that Mr. DeMonte was not entitled to widower's insurance benefits.

The committee has determined that the unusual circumstances of this case have served to deny social security benefits to a dependent individual, who is clearly of a class of individuals who were intended to be benefited by the Social Security Act.

The beneficiary of this bill is a man who, according to the information supplied to the committee, was not gainfully employed since 1928. As has been noted in this report and as outlined in the departmental memorandum, the law only permitted a consideration of a 12-month period immediately preceding Mrs. DeMonte's death and did not make it possible to examine the history prior to that time when the actual facts show that she was the main support of the family and had she died in that period, Mr. DeMonte would have been eligible for the benefits he now seeks. The Department has questioned relief on the grounds that it would be preferential in this instance. However, the committee feels the facts are sufficiently unique that legislative relief should be extended in this instance and accordingly recommends that the bill be considered favorably.

DEPARTMENTAL REPORT

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,

Hon. Emanuel Celler,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

Dear Mr. Chairman: This letter is in response to your request of January 27, 1965, for a report on H.R. 2761, a bill for the relief of Enrico DeMonte.

This private relief bill would provide that for the purpose of qualifying for social security benefits, Mr. Enrico DeMonte is to be considered to have been receiving at least one-half of his support from his deceased wife, Rose DeMonte, at the time of her death on October 15, 1963 (as the result of a typographical error the bill indicates she died in 1962). If this bill were enacted, Mr. DeMonte would be
eligible for widower's benefits based on his deceased wife's social security account.

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mr. Enrico DeMonte filed an application for widower's insurance benefits under the social security program on November 12, 1963. In order to qualify for these benefits he would have to have been receiving at least one-half of his support from his wife at the time of her death. His claim was disallowed because he did not meet this requirement.

Enactment of the bill, then, would extend to Mr. DeMonte a special advantage that under the law must be denied to other people in similar situations. We believe that special legislation providing an advantage to one person under conditions identical to those in which others are denied similar treatment is undesirable. We therefore recommend against enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

Wilbur J. Cohen,
Under Secretary.

Enclosure.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON H.R. 2761

Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower's insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of her death. If H.R. 2761 were enacted, widower's benefits would be payable to Mr. DeMonte even though he was not receiving one-half of his support from his wife at the time of her death.

The information furnished to the Social Security Administration showed that in the 12-month period before she died, on October 15, 1963, Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen's compensation payments. (Mr. DeMonte had been receiving such payments since 1928, when he became disabled.) Mrs. DeMonte had a net income of $1,674.50 in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple for that period was $2,974.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,974.50 or $1,487.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support.
from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 15, 1963. He therefore upheld the Social Security Administration's determination that Mr. DeMonte was not entitled to widower's insurance benefits.

A request for a review of the hearing examiner's decision by the Appeals Council of the Bureau of Hearings and Appeals, Social Security Administration, was denied because a review of the decision would have resulted in no advantage to Mr. DeMonte.
IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1969

Mr. Smith of New York introduced the following bill: which was referred to the Committee on the Judiciary

MARCH 12, 1969

Committed to the Committee of the Whole House and ordered to be printed

A BILL

For the relief of Enrico DeMonte.

1  Be it enacted by the Senate and House of Representa-
2  tives of the United States of America in Congress assembled,
3  That in the determination of the right of Enrico DeMonte,
4  of Niagara Falls, New York, to widower's insurance benef-
5  its under section 202 (f) (1) of the Social Security Act,
6  as amended (42 U.S.C. 402 (f) (1), as amended), the said
7  Enrico DeMonte shall be held and considered to have been
8  receiving at least one-half of his support from his late wife,
9  Rose DeMonte, at the time of her death on October 15, 1962.
A BILL

For the relief of Enrico DeMonte.

By Mr. Smith of New York

JANUARY 6, 1969
Referred to the Committee on the Judiciary

MARCH 12, 1969
Committed to the Committee of the Whole House and ordered to be printed
The Clerk called the bill (H.R. 2335) for the relief of Enrico DeMonte.

There being no objection, the Clerk read the bill, as follows:

H.R. 2335

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in the determination of the right of Enrico DeMonte, of Niagara Falls, New York, to widower's insurance benefits under section 202(f)(1) of the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), the said Enrico DeMonte shall be held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1962.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.
Mr. EASTLAND, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H. R. 2335]

The Committee on the Judiciary, to which was referred the bill (H. R. 2335) for the relief of Enrico DeMonte, having considered the same, reports favorably thereon, without amendment, and recommends that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to provide that in the determination of the right of Enrico DeMonte, of Niagara Falls, N.Y. to widower's insurance benefits under section 202(f)(1) of the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), he is held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1963.

STATEMENT

In its favorable report on the proposed legislation, the Committee on the Judiciary of the House of Representatives said:

Mr. Enrico DeMonte was completely disabled from performing gainful employment in an industrial accident in 1928. The accident caused an injury to Mr. DeMonte's eyes with the result that his eyesight was so impaired that he has been held to be functionally blind for purposes of earning a living and his own support. His sole personal source of income, except for a small amount of interest upon a savings account, is and has been the meager monthly sum of $100. This
represents a disability payment which is made out of the New York State insurance fund. Considering that Mr. and Mrs. DeMonte were the parents of three children, this amount was inadequate for the purposes of providing the minimal support necessary for their subsistence. His wife was, therefore, forced to obtain employment in 1930 or 1931 in order to properly support themselves and their three minor children. Prior to that time, she was unable to obtain any employment because of the economic depression which existed.

Mrs. DeMonte was forced to continue full-time employment, as and when she was able to obtain it, and in 1941 or 1942, she obtained a full-time job at the Chisholm-Rider Co., Inc., in Niagara Falls, N.Y., where she continued her employment until the year 1959 when a plantwide strike caused her employer to discontinue normal operation and go into a minimal operation under a skeleton crew.

Mrs. DeMonte was forced to seek new employment whenever and wherever available and of any type available to her. For a period of approximately 3 months, she collected unemployment insurance benefits, but thereafter she obtained part-time employment with the board of education in Niagara Falls, N.Y., where she worked during the years 1959 through the time of her accidental death on October 15, 1963. Unfortunately, Mrs. DeMonte was killed in an automobile accident which occurred on that date. Mrs. DeMonte, while laid off during the years 1959 through 1963, fully expected to be recalled to the Chisholm-Rider Co. plant and as a union member with 17 years seniority at the time of the layoff, she would have been recalled. This belief is strengthened by the fact that some time in the year 1964 the Chisholm-Rider plant reopened production and commenced the recall of former employees released because of the plant shutdown.

Mr. DeMonte made application for widower's insurance benefits under the Social Security Act following his wife's death. He applied for these benefits because his wife was and had been the main support of the family for many years.

Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower's insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of her death.

As is noted in the memorandum accompanying the Health, Education, and Welfare report, the information furnished to the Social Security Administration showed that in the 12-
month period before she died, on October 15, 1963, Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen's compensation payments. (Mr. DeMonte had been receiving such payments since 1928, when he became disabled.) Mrs. DeMonte had a net income of $1,674.50 in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple for that period was $2,974.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,974.50 or $1,487.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 15, 1963. He therefore upheld the Social Security Administration's determination that Mr. DeMonte was not entitled to widower's insurance benefits.

The committee has determined that the unusual circumstances of this case have served to deny social security benefits to a dependent individual, who is clearly of a class of individuals who were intended to be benefited by the Social Security Act.

The beneficiary of this bill is a man who, according to the information supplied to the committee, was not gainfully employed since 1928. As has been noted in this report and as outlined in the departmental memorandum, the law only permitted a consideration of a 12-month period immediately preceding Mrs. DeMonte's death and did not make it possible to examine the history prior to that time when the actual facts show that she was the main support of the family and had she died in that period, Mr. DeMonte would have been eligible for the benefits he now seeks. The Department has questioned relief on the grounds that it would be preferential in this instance. However, the committee feels the facts are sufficiently unique that legislative relief should be extended in this instance and accordingly recommends that the bill be considered favorably.

The committee believes that the bill is meritorious and recommends it favorably.

Attached and made a part of this report is a letter dated October 21, 1965, from the Department of Health, Education, and Welfare.
DEPARTMENTAL REPORT

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,

Hon. Emanuel Celler,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

Dear Mr. Chairman: This letter is in response to your request of January 27, 1965, for a report on H.R. 2761, a bill for the relief of Enrico DeMonte.

This private relief bill would provide that for the purpose of qualifying for social security benefits, Mr. Enrico DeMonte is to be considered to have been receiving at least one-half of his support from his deceased wife, Rose DeMonte, at the time of her death on October 15, 1963 (as the result of a typographical error the bill indicates she died in 1962). If this bill were enacted, Mr. DeMonte would be eligible for widower's benefits based on his deceased wife's social security account.

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mr. Enrico DeMonte filed an application for widower's insurance benefits under the social security program on November 12, 1963. In order to qualify for these benefits he would have to have been receiving at least one-half of his support from his wife at the time of her death. His claim was disallowed because he did not meet this requirement.

Enactment of the bill, then, would extend to Mr. DeMonte a special advantage that under the law must be denied to other people in similar situations. We believe that special legislation providing an advantage to one person under conditions identical to those in which others are denied similar treatment is undesirable. We therefore recommend against enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

Wilbur J. Cohen,
Under Secretary.

Enclosure.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON H.R. 2761

Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower's insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of
her death. If H.R. 2761 were enacted, widower's benefits would be payable to Mr. DeMonte even though he was not receiving one-half of his support from his wife at the time of her death.

The information furnished to the Social Security Administration showed that in the 12-month period before she died, on October 15, 1963, Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen's compensation payments. (Mr. DeMonte had been receiving such payments since 1928, when he became disabled.) Mrs. DeMonte had a net income of $1,674.50 in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple for that period was $2,974.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,974.50 or $1,487.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 15, 1963. He therefore upheld the Social Security Administration's determination that Mr. DeMonte was not entitled to widower's insurance benefits.

A request for a review of the hearing examiner's decision by the Appeals Council of the Bureau of Hearings and Appeals, Social Security Administration, was denied because a review of the decision would have resulted in no advantage to Mr. DeMonte.
The bill (H.R. 2335) for the relief of Enrico DeMonte, of Niagara Falls, N.Y., to widower's insurance benefits under section 202(f)(1) of the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), was ordered to be printed in the Record, an excerpt from the report (No. 91—1394), explaining the purposes of the measure.

There being no objection, the excerpt was ordered to be printed in the Record, as follows:

PURPOSE

The purpose of the proposed legislation is to provide that in the determination of the right of Enrico DeMonte to widower's insurance benefits under the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), he is held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 16, 1963.

STATEMENT

In its favorable report on the proposed legislation, the Committee on the Judiciary of the House of Representatives said:

"Mr. Enrico DeMonte was completely disabled from performing gainful employment in an industrial accident in 1928. The accident caused an injury to Mr. DeMonte's eyes with the result that his eyesight was so impaired that he has been held to be functionally blind for purposes of earning a living and his own support. His sole personal source of income, except for a small amount of interest upon a savings account, is and has been the meager monthly sum of $100. This represents a disability payment which is made out of the New York State Insurance Fund. Considering that Mr. and Mrs. DeMonte were the parents of three children, this amount was inadequate for the purposes of providing the minimal support necessary for their subsistence. His wife was, therefore, forced to obtain employment in 1930 or 1931 in order to properly support themselves and their three minor children. Prior to that time, she was unable to obtain any employment because of the economic depression which existed.

"Mrs. DeMonte was forced to continue part-time employment, as and when she was able to obtain it, and in 1941 or 1942, she obtained a full-time job at the Chisholm-Rider Co., Inc., in Niagara Falls, N.Y., where she continued her employment until the year 1959 when a plantwide strike caused her employer to discontinue normal operation and go into a minimal operation under a skeleton crew.

"Mrs. DeMonte was then forced to seek new employment whenever and wherever available and of any type available to her. For a period of approximately 3 months, she obtained unemployment insurance benefits, but thereafter she obtained part-time employment with the board of education in Niagara Falls, N.Y., where she worked during the years 1960 through the time of her accidental death on October 15, 1963. Unfortunately, Mr. Enrico DeMonte was killed in an automobile accident which occurred on that date. Mrs. DeMonte, while laid off during the years 1959 through 1963, fully expected to be recalled to the Chisholm-Rider Co. plant and as a union member with 17 years seniority at the time of the layoff, she would have been recalled. This belief is strengthened by the fact that some time in the year 1964 the Chisholm-Rider plant reopened production and commenced the recall of former employees released because of the plant shutdown.

"Mr. DeMonte made application for widower's insurance benefits under the Social Security Act following his wife's death. He applied for these benefits because his wife was and had been the main support of the family for many years.

"Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower's insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of her death.

"As is noted in the memorandum accompanying the Health, Education, and Welfare report, the information furnished to the Social Security Administration showed that in the 12-month period before she died, on October 16, 1963, Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen's compensation payments, since he became disabled. Mrs. DeMonte had a net income of $1,074.50 in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple for that period was $2,374.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,374.50 or $1,187.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

"On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 16, 1963. He therefore upheld the Social Security Administration's
determination that Mr. DeMonte was not entitled to widower's insurance benefits.

"The committee has determined that the unusual circumstances of this case have served to deny social security benefits to a dependent individual, who is clearly of a class of individuals who were intended to be benefited by the Social Security Act.

"The beneficiary of this bill is a man who, according to the information supplied to the committee, was not gainfully employed since 1935. As has been noted in this report and as outlined in the departmental memorandum, the law only permitted a consideration of a 12-month period immediately preceding Mrs. DeMonte's death and did not make it possible to examine the history prior to that time when the actual facts show that she was the main support of the family and had she died in that period, Mr. DeMonte would have been eligible for the benefits he now seeks. The Department has questioned relief on the grounds that it would be preferential in this instance. However, the committee feels the facts are sufficiently unique that legislative relief should be extended in this instance and accordingly recommends that the bill be considered favorably."

The committee believes that the bill is meritorious and recommends it favorably.
An Act

For the relief of Enrico DeMonte.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in the determination of the right of Enrico DeMonte, of Niagara Falls, New York, to widower's insurance benefits under section 202(f)(1) of the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), the said Enrico DeMonte shall be held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1962.

Approved December 21, 1970.
MRS. PEARL C. DAVIS

November 12.—Committed to the Committee of the Whole House and ordered to be printed.

Mr. RAILSBACK, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 7264]

The Committee on the Judiciary, to whom was referred the bill (H.R. 7264) for the relief of Mrs. Pearl C. Davis, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to provide that for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Conn., to widow's insurance benefits under section 202(e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Elver C. Davis (social security account No. 044-12-3912), the said Mrs. Pearl C. Davis shall be deemed to have satisfactorily established her marital relationship with the said Elver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this act) which are payable to her by reason of the preceding sentence.

STATEMENT

The bill, H.R. 7264, would make it possible for Mrs. Pearl C. Davis to be deemed to have established that she was the legal widow of Elbert C. Davis at the time she first applied for widow's benefits in April 1954. The bill would further make it possible to pay Mrs.
Davis an amount equal to the widow's benefits she would have received from the period April 1955 to November 1962. The information supplied to the committee indicates that Mrs. Pearl C. Davis is advanced in years and her understanding of matters such as this is limited so that her comprehension of the formal requirement of claims and appeals inhibited her attempts to secure widow's benefits. It appears that it was not until she received the assistance of an attorney that the relatively simple proof required in this case were submitted and her entitlement to benefits was confirmed.

The attempts by Mrs. Davis to secure widow's benefits date back to April 1954 when she reached age 65 and applied for social security widow's benefits based on the earnings record of Alver Davis (account No. 044—12—3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

On both of these occasions she was advised of her right to appeal the decision made in her case, but she did not avail herself of this right. Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1963, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claim not be pressed any further, and accordingly her claim was disallowed.

Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stating that Mrs. Pearl C. Davis was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1962.

H. Rept. 91–622
The committee has carefully reviewed the history of this case as outlined above and has concluded that it is a proper subject for legislative relief. The issue in this case is not Mrs. Davis' right to benefits for it has been established that she was, in fact, a widow eligible to benefits under the Social Security Act. She was just as eligible at the date of her first application as she was when benefits began to be paid to her. These benefits were intended to aid and protect widows like Mrs. Davis. Accordingly, it is recommended that the bill be considered favorably.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,

Hon. Emanuel Celler,
Chairman, Committee on the Judiciary, House of Representatives,
Washington, D.C.

Dear Mr. Chairman: This letter is in response to your request of May 2, 1967, for a report on H.R. 9082, a bill "for the relief of Mrs. Pearl C. Davis."

The facts on which this private relief bill is based are stated in the accompanying memorandum. In substance, in 1954 Mrs. Pearl C. Davis reached age 65 and applied for widow's insurance benefits based on the social security account of Mr. Alver C. Davis. However, because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954. Mrs. Davis again filed application in September 1954. In June of 1954, and again in January 1955, when she was notified of the denial of her claims for benefits, Mrs. Davis was advised of her right to appeal the determination if she did not agree with it. Mrs. Davis failed to do so on both occasions.

Mrs. Davis again filed application for benefits in November 1963. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, she asked that her claim not be pressed any further, and accordingly her claim was disallowed. On July 15, 1964, however, the decision on the claim of November 1963 was appealed by Mrs. Davis and her attorney, who submitted further evidence which established that she was the legal widow of Mr. Davis. On the basis of this evidence, it was determined that Mrs. Davis was entitled to social security benefits on the basis of her application of November 1963. Since the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied, it was determined that the first month for which she was entitled to benefits was November 1962.

The bill provides that Mrs. Davis would be deemed to have established that she was the legal widow of Alver C. Davis at the time she first applied for widow’s benefits in April 1954. The bill further requires that Mrs. Davis be paid an amount equal to the widow’s benefits she would have received for the period from April 1955 to November 1962.

Present law and regulations of the Social Security Administration state that initial determinations of the Social Security Administration
are final and binding unless they are reconsidered at the claimant's request within 6 months of the date of the notice of the initial determination or are revised within 12 months from the date of the notice of the initial determination to the claimant, or, upon a finding of good cause for reopening the determination or decision, within 4 years after the date of the notice of the initial determination. In this case the 4-year period has expired. There is no authority for the Administration to reopen or revise the initial determination.

Enactment of the bill would extend to Mrs. Pearl C. Davis a special advantage that under the law must be denied to others in similar situations. We believe that special legislation providing an advantage to some people under conditions identical to those in which others are denied similar treatment is generally undesirable. We therefore recommend against enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

William J. Cohen.

Under Secretary.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON H.R. 3082

In April 1954, Mrs. Pearl C. Davis reached age 65 and applied for social security widow's benefits based on the earnings record of Alver Davis (account No. 044-12-3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

On both of these occasions she was advised of her right to appeal the decision made in her case, but she did not avail herself of this right. Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1962, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claim not be pressed any further, and accordingly her claim was disallowed.

Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stating that Mrs. Pearl C. Davis

H. Rept. 91-622
was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1962. (There is no indication why the date of April 1955 was selected; Mrs. Davis reached age 65 and first applied for widows' benefits in April 1954.)
A BILL

For the relief of Mrs. Pearl C. Davis.

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

That, for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Connecticut, to widow’s insurance benefits under section 202 (e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis (Social Security Account Numbered 044–12–3912), the said Mrs. Pearl C. Davis shall be deemed to have satisfactorily established her marital relationship with the said Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid
to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this Act) which are payable to her by reason of the preceding sentence.
A BILL

For the relief of Mrs. Pearl C. Davis.

By Mr. Giaimo

February 19, 1969
Referred to the Committee on the Judiciary

November 12, 1969
Committed to the Committee of the Whole House and ordered to be printed
marital relationship with the said Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this Act) which are payable to her by reason of the preceding sentence.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MRS. PEARL C. DAVIS

The Clerk called the bill (H.R. 7264) for the relief of Mrs. Pearl C. Davis.

There being no objection, the Clerk read the bill as follows:

H. R. 7264

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Connecticut, to widow's insurance benefits under section 202(e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis (Social Security Account Numbered 044-12-3912), the said Mrs. Pearl C. Davis shall be deemed to have satisfactorily established her
MRS. PEARL C. DAVIS

DECEMBER 17 (legislative day, DECEMBER 15), 1970.—Ordered to be printed

Mr. EASTLAND, from the Committee on the Judiciary,
submitted the following

REPORT

[To accompany H.R. 7264]

The Committee on the Judiciary, to which was referred the bill (H.R. 7264), for the relief of Mrs. Pearl C. Davis, having considered the same, reports favorably thereon, without amendment, and recommends that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to provide that for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Conn., to widow’s insurance benefits under section 202(e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow’s insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this act (which are payable to her by reason of the preceding sentence.
STATEMENT

The bill, H.R. 7264, would make it possible for Mrs. Pearl C. Davis, to be deemed to have established that she was the legal widow of Alver C. Davis at the time she first applied for widow's benefits in April 1954. The bill would further make it possible to pay Mrs. Davis an amount equal to the widow's benefits she would have received from the period April 1955 to November 1962. The information supplied to the committee indicates that Mrs. Pearl C. Davis is advanced in years and her understanding of matters such as this is limited so that her comprehension of the formal requirement of claims and appeals inhibited her attempts to secure widow's benefits. It appears that it was not until she received the assistance of an attorney that the relatively simple proof required in his case were submitted and her entitlement to benefits was confirmed.

The attempts by Mrs. Davis to secure widow's benefits date back to April 1954 when she reached age 65 and applied for social security widow's benefits based on the earnings record of Alver Davis (account No. 044-12-3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

On both of these occasions she was advised of her right to appeal the decision made in her case, but she did not avail herself of this right. The most apparent and truthful answer seems to be that she simply did not understand the meaning of the word and had considerable difficulty even appreciating the reason for her denial. In lieu of any appeal, she persisted in making applications on a somewhat rapid-fire basis.

Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1963, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claim not be pressed any further, and accordingly her claim was disallowed.

Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stated that Mrs. Pearl C. Davis was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

S. Rept. 1485
that Mrs. Davis was entitled to social security benefits on the basis of her application of November 1963. Since the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied, it was determined that the first month for which she was entitled to benefits was November 1962.

The bill provides that Mrs. Davis would be deemed to have established that she was the legal widow of Alver C. Davis at the time she first applied for widow's benefits in April 1954. The bill further requires that Mrs. Davis be paid an amount equal to the widow's benefits she would have received for the period from April 1955 to November 1962.

Present law and regulations of the Social Security Administration state that initial determinations of the Social Security Administration are final and binding unless they are reconsidered at the claimant's request within 6 months of the date of the notice of the initial determination or are revised within 12 months from the date of the notice of the initial determination to the claimant, or, upon a finding of good cause for reopening the determination or decision, within 4 years after the date of the notice of the initial determination. In this case the 4-year period has expired. There is no authority for the Administration to reopen or revise the initial determination.

Enactment of the bill would extend to Mrs. Pearl C. Davis a special advantage that under the law must be denied to others in similar situations. We believe that special legislation providing an advantage to some people under conditions identical to those in which others are denied similar treatment is generally undesirable. We therefore recommend against enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

WILLIAM J. COHEN,
Under Secretary.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON H.R. 9082

In April 1954, Mrs. Pearl C. Davis reached age 65 and applied for social security widow's benefits based on the earnings record of Alver Davis (account No. 044-12-3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

On both of these occasions she was advised of her right to appeal the decision made in her case, but she did not avail herself of this right.
On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1962.

The House Committee reviewed the history of this case and concluded that it is a proper subject for legislative relief. The issue in this case is not Mrs. Davis' right to benefits for it has been established that she was, in fact, a widow eligible to benefits under the Social Security Act. She was just as eligible at the date of her first application as she was when benefits began to be paid to her. These benefits were intended to aid and protect widows like Mrs. Davis. The committee is in agreement with the House Committee that this bill is meritorious and accordingly recommends favorable consideration of H.R. 7264 without amendment.

Attached hereto and made a part hereof is the report of the Department of Health, Education, and Welfare.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,

Hon. Emanuel Celler,
Chairman, Committee on the Judiciary, House of Representatives,
Washington, D.C.

Dear Mr. Chairman: This letter is in response to your request of May 2, 1967, for a report on H.R. 9082, a bill “for the relief of Mrs. Pearl C. Davis.”

The facts on which this private relief bill is based are stated in the accompanying memorandum. In substance, in 1954 Mrs. Pearl C. Davis reached age 65 and applied for widow’s insurance benefits, based on the social security account of Mr. Alver C. Davis. However, because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954. Mrs. Davis again filed application in September 1954. In June of 1954, and again in January 1955, when she was notified of the denial of her claims for benefits, Mrs. Davis was advised of her right to appeal the determination if she did not agree with it. Mrs. Davis failed to do so on both occasions.

Mrs. Davis again filed application for benefits in November 1963. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, she asked that her claim not be pressed any further, and accordingly her claim was disallowed. On July 15, 1964, however, the decision on the claim of November 1963 was appealed by Mrs. Davis and her attorney, who submitted further evidence which established that she was the legal widow of Mr. Davis. On the basis of this evidence, it was determined
Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1963, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claim not be pressed any further, and accordingly her claim was disallowed.

Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stating that Mrs. Pearl C. Davis was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1962. (There is no indication why the date of April 1955 was selected; Mrs. Davis reached age 65 and first applied for widows' benefits in April 1954.)
Mrs. Pearl C. Davis

The bill (H.R. 7264) for the relief of Mrs. Pearl C. Davis was considered, ordered to a third reading, read the third time, and passed.

Mr. Kennedy. Mr. President, I ask unanimous consent to have printed in the Record an excerpt from the report (No. 91-1485), explaining the purposes of the measure.

There being no objection, the excerpt was ordered to be printed in the Record, as follows:

PurposE

The purpose of the proposed legislation is to provide that for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Conn., to widow's insurance benefits under section 202(e) of the Social Security Act on the basis of the earnings record of Alver C. Davis (account No. 044-12-3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

On both of these occasions she was advised of her right to appeal the decision made in her case, but she did not avail herself of this right.

The most apparent and truthful answer seems to be that she simply did not understand the meaning of the word and had considerable difficulty even appreciating the reason for her denial. In lieu of any appeal, she persisted in making applications on a somewhat rapid-fire basis.

Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1963, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claim be dismissed. Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stated that Mrs. Pearl C. Davis was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1963.

The House Committee reviewed the history of this case and concluded that it is a proper subject for legislative relief. The issue in this case is not Mrs. Davis' right to benefits for it has been established that she was, in fact, a widow eligible to benefits under the Social Security Act. She was just as eligible at the date of her first application as she was when benefits began to be paid to her. These benefits were intended to aid and protect widows like Mrs. Davis. The committee is in agreement with the House Committee that this bill is meritorious and accordingly recommends favorable consideration of H.R. 7264 without amendment.
For the relief of Mrs. Pearl C. Davis.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Connecticut, to widow's insurance benefits under section 202 (e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis (Social Security Account Numbered 044-12-3912), the said Mrs. Pearl C. Davis shall be deemed to have satisfactorily established her marital relationship with the said Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this Act) which are payable to her by reason of the preceding sentence.

Approved December 31, 1970.