

Social Security Act of 1960 Volume 1

TABLE OF CONTENTS

- I. Reported to House
 - A. Committee on Ways and Means Report — *June 13, 1960*
 - B. Committee Bill Reported to the House — *June 13, 1960*
- II. Passed House
 - A. House Debate—Congressional Record — *June 22-23, 1960*
 - B. House-Passed Bill — *June 23, 1960*
- III. Reported to Senate
 - A. Committee on Finance Report — *August 19, 1960*
 - B. Committee Bill Reported to the Senate — *August 19, 1960*

Social Security Act of 1960 Volume 2

TABLE OF CONTENTS

- IV. Passed Senate
 - A. Senate Debate—Congressional Record — *August 15-24, 1960*
 - B. Senate-Passed Bill with Numbered Amendments — *August 23, 1960*
- V. Conference Report
 - A. Conference Report (reconciling differences in the Senate-passed and House-passed bills) —*August 25, 1960*
 - B. House Debate—Congressional Record — *August 26, 1960*
 - C. Senate Debate—Congressional Record — *August 26-29, 1960*
- VI. Public Law 86-778 — *September 13, 1960*
- VII. Senate Publications
 - A. Major differences in the present Social Security Law and H.R. 12580 as passed by the House of Representatives — *June 24, 1960*
 - B. Major differences in the present Social Security Law and H.R. 12580 as reported by the Committee on Finance — *August 19, 1960*
 - C. Old-Age, Survivors, and Disability Insurance; Medical Assistance for the Aged; Public Assistance; Maternal and Child Welfare Services; and Unemployment Compensation—showing changes made by the Social Security Amendments of 1960 (P.L. 86-778)
- VIII. Social Security Administration Publications A.
 - BOASI Director's Bulletins
 - 1. No. 309, Secretary Flemming's testimony before House Committee on Ways and Means — *March 31, 1960*
 - 2. No. 314, provisions of bill as expected to be reported out by Committee on Ways and Means — *June 3, 1960*
 - 3. No. 316, differences in bill expected to be reported out by Committee on Ways and Means and bill as reported out — *June 13, 1960*
 - 4. No. 318, House of Representatives passes H.R. 12580 — *June 23, 1960*
 - 5. No. 322, H.R. 12580 amended by Senate Committee on Finance — *August 15, 1960*
 - 6. No. 324, Senate passes H.R. 12580 with Amendments—*August 25, 1960*
 - 7. No. 325, House and Senate passage of H.R. 12580 as reported by Conference Committee — *August 26, 1960*
 - 8. No. 326, President signs Social Security Amendments of 1960 — *September 13, 1960*
 - B. Summary of the Social Security Amendments of 1960, Title II
 - C. Social Security Legislation in the Eighty-sixth Congress, by William L. Mitchell, Commissioner of Social Security — *November 1960*
 - D. Old-Age, Survivors, and Disability Insurance: Financing Basis and Policy Under the 1960 Amendments, by Robert J. Myers, Chief Actuary, Social Security Administration — *November 1960*
- IX. Department of Health, Education, and Welfare Testimony
 - 1. See Director's Bulletin No. 309, Secretary Flemming's testimony before House Committee on Ways and Means — *March 31, 1960*
 - 2. Secretary Flemming's testimony before Senate Committee on Finance — *June 29, 1960*

SOCIAL SECURITY AMENDMENTS OF 1960

REPORT

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H.R. 12580

A BILL TO EXTEND AND IMPROVE COVERAGE UNDER THE FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AND TO REMOVE HARDSHIPS AND INEQUITIES, IMPROVE THE FINANCING OF THE TRUST FUNDS, AND PROVIDE DISABILITY BENEFITS TO ADDITIONAL INDIVIDUALS UNDER SUCH SYSTEM; TO PROVIDE GRANTS TO STATES FOR MEDICAL CARE FOR AGED INDIVIDUALS OF LOW INCOME; TO AMEND THE PUBLIC ASSISTANCE AND MATERNAL AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT; TO IMPROVE THE UNEMPLOYMENT COMPENSATION PROVISIONS OF SUCH ACT; AND FOR OTHER PURPOSES



JUNE 13, 1960.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE

CONTENTS

	Page
I. Scope of the bill.....	1
II. Summary of principal provisions of the bill.....	2
A. Medical care for the aged.....	2
1. Medical services for the aged (title XVI).....	2
2. Improvement of medical care for old-age assistance recipients.....	3
B. The old-age, survivors and disability insurance (OASDI) provisions.....	3
1. The disability insurance program.....	3
2. Insured status requirement.....	4
3. Improved benefit protection for dependents and survivors of insured workers—wives, widows, children, husbands, and widowers.....	4
4. Increased coverage.....	4
5. Investment of the trust funds.....	5
6. Technical and minor substantive changes.....	5
7. Financing of the bill and actuarial status of the trust funds.....	5
C. The maternal and child welfare programs.....	5
D. The unemployment compensation program.....	5
III. General discussion of medical care provisions.....	6
A. Medical services for the aged.....	6
1. Eligibility.....	7
2. Services provided.....	7
3. Plan requirements.....	7
4. Financing.....	8
B. Improvement of medical care for old-age assistance recipients.....	9
C. Cost estimates of medical provisions (State-by-State breakdown).....	10
IV. General discussion of the old-age, survivors, and disability insurance provisions.....	12
A. Improving the disability provisions of the program.....	12
1. Benefits for disabled workers under age 50 and their families.....	12
2. Trial period of work for disability beneficiaries.....	12
3. Modification of the requirement for a waiting period for benefits for persons whose disabilities recur.....	13
4. Alternative work requirements for disability protection.....	14
B. Liberalization of the insured status requirements for people now approaching retirement age.....	14
C. Improvements in the benefit protection for widows, children, etc.....	15
1. An increase in the benefits payable to certain children of deceased workers to three-fourths of worker's benefit.....	15
2. Benefits for survivors of workers who died before 1940.....	16
3. Benefits in certain situations where a marriage is legally invalid.....	16
4. Benefits for a child based on his father's earnings record.....	16
5. A reduction in the length of time needed to acquire the status of wife, child, or husband for benefit purposes.....	17
D. Extension of coverage.....	17
1. Coverage of self-employed doctors of medicine.....	17
2. Coverage of additional domestic workers in private homes and others who perform work not in the course of the employer's business.....	17
3. Coverage of certain services of parents in the employ of their sons or daughters.....	18

IV. General discussion of the old-age, etc.—Continued	
D. Extension of coverage—Continued	Page
4. Coverage of workers in Guam and American Samoa	18
5. Facilitating coverage of additional employees of nonprofit organizations and validation of erroneous returns already filed	20
6. Coverage of American citizen employees of certain labor organizations in the Panama Canal Zone	21
7. Provision of an additional opportunity for ministers to obtain coverage	21
8. Coverage of American citizens employed in the United States by foreign government and international organizations	22
9. Facilitating the coverage of employees of State and local governments	22
(a) Retroactive coverage	22
(b) Employees transferred from one retirement system to another	23
(c) Policemen and firemen under retirement systems in Virginia	24
(d) Delegation by Governor of certification functions	24
(e) Validation of coverage for certain Mississippi school personnel	25
(f) Facilitating coverage of employees of municipal and county hospitals	25
(g) Limitation on States' liability for employer (and employee) contributions in certain cases	25
(h) Statute of limitations for State and local coverage	25
E. Investment of the trust funds	26
F. Miscellaneous provisions	28
1. Improving the method of computing benefits	28
2. Changing the provisions governing payment of the lump-sum death benefit	30
3. Eliminating certain obsolete recomputations	31
4. Modifying the provisions relating to advisory councils on social security financing	31
5. Continuing court actions when a new Secretary is appointed	32
6. Extending a deadline where the ending date for an action falls on a non-work-day	32
7. Crediting quarters of coverage for years before 1951	32
8. Correcting technical flaws in the law	33
V. Actuarial cost estimates for the old-age, survivors, and disability insurance program	34
VI. Maternal and child welfare provisions	34
VII. Employment security	50
VIII. Extension of time with respect to aid-to-the-blind programs in Missouri and Pennsylvania	57
IX. Special studies	58
A. Study of medical resources available to the needy	58
B. Study of problems related to Federal employees	58
X. Section-by-section analysis	58
Title I—Coverage	59
Title II—Eligibility for benefits	84
Title III—Benefit amounts	93
Title IV—Disability insurance benefits and the disability freeze	102
Title V—Employment security	107
Title VI—Medical services for the aged	129
Title VII—Miscellaneous	137
XI. Changes in existing law	140
XII. Statement of Hon. Hale Boggs	325
XIII. Supplemental views on health benefits for the aged	326
XIV. Separate views of Messrs. Mason, Curtis, Utt, Alger, and Lafore	332
XV. Further separate views of Messrs. Mason, Utt, and Alger	334

SOCIAL SECURITY AMENDMENTS OF 1960

JUNE 13, 1960.—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

R E P O R T

[To accompany H.R. 12580]

The Committee on Ways and Means, to whom was referred the bill (H.R. 12580) to extend and improve coverage under the Federal old-age, survivors, and disability insurance system and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such act; and for other purposes, having considered the bill, report favorably thereon without amendment and recommend that the bill do pass.

I. SCOPE OF THE BILL

The soundness and effectiveness of the programs encompassed in the Social Security Act are extremely important to every American family. Your committee believes it has an obligation to determine, from time to time, whether in a diverse and changing economy these programs are fulfilling their objectives within a framework of fiscal and actuarial soundness.

During this Congress your committee has given careful consideration to existing programs under the Social Security Act, and to changes which have been suggested.

As a result of this review and consideration, your committee is proposing in this bill a number of improvements in the programs contained in the Social Security Act, including old-age and survivors insurance, disability insurance, unemployment compensation, public assistance, and maternal and child welfare. In addition, the com-

mittee is recommending that a new title be added to the Social Security Act which will initiate a Federal-State grants-in-aid program of medical services to the low-income aged.

II. SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. MEDICAL CARE FOR THE AGED

1. *Medical services for the aged (title XVI)*

Purpose.—A new title of the Social Security Act would be established (title XVI) which would initiate a new Federal-State grants-in-aid program to help the States assist low-income aged individuals who need assistance in meeting their medical expenses. Participation in the program can begin after June 1961, upon the submittal of a plan which meets the general requirements specified in the bill. This effective date is necessary in order to give many State legislatures time to consider and act on a program. Participation in the Federal-State program will be completely optional with the States, with each State determining the extent and character of its own program, including (within broad limits) standards of eligibility and scope of benefits. The limits of Federal participation are discussed later in this report.

Eligibility.—Persons 65 years of age and over, whose income and resources—taking into account their other living requirements as determined by a State—are insufficient to meet the cost of their medical services, will be eligible under the program. Persons eligible to participate under this program will not include those persons participating under the other Federal-State public assistance program.

Scope of benefits.—The scope of medical benefits and services provided will be determined by the States. The Federal Government, however, will participate under the matching formula in any program which provides any or all of the following services (where limits are applicable they are specified), provided both institutional and non-institutional services are available:

- (A) Inpatient hospital services up to 120 days per year;
- (B) Skilled nursing-home services;
- (C) Physicians' services;
- (D) Outpatient hospital services;
- (E) Organized home care services;
- (F) Private duty nursing services;
- (G) Therapeutic services;
- (H) Major dental treatment;
- (I) Laboratory and X-ray services up to \$200 per year;
- (J) Prescribed drugs up to \$200 per year.

Federal matching.—The Federal Government will provide funds for payments for medical benefits under an approved State plan in accordance with an equalization formula under which the Federal share will be between 50 percent and 65 percent of the costs depending upon the per capita income of the State. This is the same matching formula which applies now on that part of the average old-age assistance payments between \$30 and \$65 a month. A State's program under the new title cannot be more liberal than the medical program under the State's old-age assistance program, and there can be no reduction in existing public assistance programs to finance this new title.

The payments under this program will be made directly to providers of the medical services.

Number of persons affected and cost.—Under this new title State plans (with Federal matching funds) could provide potential protection to as many as 10 million persons age 65 and over whose financial resources are such that if they have extensive medical expenses, they will qualify. Each year an estimated one-half to 1 million persons among these 10 million become ill and require medical services such as are provided under this title.

An estimated \$325 million in medical services will be provided in a full year of operation, after the States have had opportunity to develop these programs. The estimated Federal share is \$165 million and the estimated State share is \$160 million. (See table A in part III for State-by-State breakdown.)

2. *Improvement of medical care for old-age assistance recipients*

Contingent upon a showing of a significant improvement in their medical payment programs for old-age assistance recipients, States would get somewhat more favorable Federal matching, effective October 1960, for additional expenditures up to an average of \$5 per recipient in medical payments. Over 2 million persons could be affected by this change. The cost in a full year of operation would total \$16 million in additional medical payments. This would represent about \$10½ million to the Federal Government and about \$5½ million to the States.

As recommended by the Advisory Council on Public Assistance, appointed pursuant to the Social Security Amendments of 1958, the bill instructs the Secretary of Health, Education, and Welfare to develop guides or recommended standards for the information of the States as to the level, content, and quality of medical care for the public assistance medical programs. He would also prepare such guides and standards for use in the new programs of medical services for the low-income aged.

B. THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE (OASDI) PROVISIONS

1. *The disability insurance program*

(a) *Removal of age 50 eligibility requirement.*—An estimated 250,000 people—disabled insured workers under age 50 and their dependents—would qualify for benefits for the second month following the month of enactment of the bill through removal of the age 50 qualification for benefits in present law.

(b) *Trial work period.*—The bill would strengthen the rehabilitation aspects of the disability program by providing a 12-month period of trial work, during which benefits are continued for all disabled workers who attempt to return to work, rather than limiting this trial work period to those under the formal Federal-State vocational rehabilitation plan, as in existing law.

(c) *Waiting period.*—The bill would provide that the disabled worker who regains his ability to work and then within 5 years again becomes disabled will not be required to wait through a second 6-month waiting period before his benefits will be resumed, as is now required.

2. *Insured status requirement*

The bill would liberalize the insured status requirement by making eligible for benefits persons who have one quarter of coverage for every four calendar quarters elapsing after 1950 (or age 21) and before retirement age (65 for men, 62 for women), disability or death. Present law requires one quarter of coverage for each two quarters so elapsing. (No change would be made in the requirement that a person must have a minimum of 6 quarters of coverage or the provision giving permanent insured status to persons with 40 quarters of coverage.) The change makes the requirement in the short run comparable to that which will prevail in the long run (permanent insured status with 40 quarters of coverage in a working life). For example, a person reaching retirement age this year would need to have only 9 quarters of coverage to be insured, whereas under present law, he would need 18 or 19 quarters of coverage. About 600,000 people—workers, dependents, and survivors—would be eligible for benefits the month after the month of enactment as a result of this change.

3. *Improved benefit protection for dependents and survivors of insured workers—wives, widows, children, husbands, and widowers*

The committee's bill would increase the benefits payable to children in certain cases and would provide benefits for certain wives, widows, widowers, and children of insured workers who are not now eligible for benefits. Other than as noted below, these changes would be effective for benefits for the month following the month of enactment.

(a) *Survivors of workers who died before 1940.*—Survivors of workers who died before 1940, and who had at least six quarters of coverage, would qualify for benefit payments. About 25,000 people, most of them widows aged 75 or over, would be made eligible for benefits for the first time by this change.

(b) *Increase in children's benefits.*—The benefits payable to the children of deceased workers, which now can be somewhat less than 75 percent of the worker's benefit depending on the number of children in the family, would be made 75 percent for all children, subject to the family maximum of \$254 a month, or 80 percent of the worker's average monthly wage if less. About 400,000 children would get some increase in benefits as a result of this change, effective for benefits for the third month after the month of enactment.

(c) *Other changes affecting wives, widows, children, husbands, and widowers.*—Certain dependents and survivors of insured workers would also benefit by provisions included in the bill which (1) authorize benefits on the basis of certain invalid ceremonial marriages contracted in good faith; (2) reduce from 3 years to 1 year the period required for marriage for a wife, husband, or stepchild of a retired or disabled worker to qualify for benefits; and (3) assure continuation of a child's right to a benefit based on the wage record of his father, which is now voided if a stepfather was supporting him at the time his father died or retired.

4. *Increased coverage*

The coverage of the program would be extended to about 300,000 additional people—self-employed physicians, domestic workers earning at least \$25 but not as much as \$50 in a calendar quarter from a single employer, parents who work for their sons and daughters in a trade or business, workers in Guam and American Samoa, American

citizens employed in the United States by foreign governments and international organizations, and certain policemen and firemen under retirement systems in Virginia.

Another opportunity would be provided for an estimated 60,000 ministers to be covered under the program. If the States take advantage of the opportunity offered them, nearly 2½ million employees of State and local governments could obtain coverage for certain past years on a retroactive basis. Other provisions would facilitate coverage for some of the noncovered people employed in positions covered by State or local retirement systems and for the 100,000 noncovered employees of certain nonprofit organizations.

5. Investment of the trust funds

The bill would make certain changes in the investment provisions relating to the Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund so as to make interest earnings on the Government obligations held by the trust funds more nearly equivalent to the rate of return being received by people who buy Government obligations in the open market.

These changes would make for more equitable treatment of the trust funds and are generally in line with the recommendations of the Advisory Council on Social Security Financing.

6. Technical and minor substantive changes

The bill would provide a number of amendments of a technical nature. These provisions will correct several technical flaws in the law, make for more equitable treatment of people, and simplify and improve the operation of the program.

7. Financing of the bill and actuarial status of the trust funds

These improvements provided under your committee's bill in the old-age, survivors, and disability insurance program will not necessitate an increase in social security taxes to keep the program actuarially sound. Both trust funds will remain in approximate actuarial balance. A detailed actuarial analysis is set forth in part V of this report.

C. THE MATERNAL AND CHILD WELFARE PROGRAMS

The bill would provide that the authorization for annual appropriations for the maternal and child health services program be increased from \$21.5 million to \$25 million; the services for crippled children program from \$20 million to \$25 million; and the child welfare program from \$17 million to \$20 million. A new authorization for research and demonstration projects in the child welfare services program permits grants to public and other nonprofit institutions and agencies for this purpose.

D. THE UNEMPLOYMENT COMPENSATION PROGRAM

Your committee's bill contains provisions to improve and extend the existing Federal-State program of employment security.

Title V (1) raises the net Federal unemployment tax (the tax that may not be offset by a credit for taxes paid under a State program) from three-tenths to four-tenths of 1 percent on the first \$3,000 of covered wages; (2) provides that the proceeds of this higher Federal tax after covering the administrative expenses of the employment

security program will be available to build up a larger fund for advances to States whose reserves have been depleted; (3) makes additional improvements in the arrangements for administrative financing; and (4) improves the operation of the Federal unemployment account by tightening the conditions pertaining to eligibility for and repayment of advances.

Title V also extends the coverage of the unemployment compensation programs to several groups not presently covered. It is estimated that from 60,000 to 70,000 additional employees would be brought under the unemployment compensation system by this extension.

Title V, in addition, provides that Puerto Rico will be treated as a State for the purposes of the unemployment compensation program.

III. GENERAL DISCUSSION OF MEDICAL CARE PROVISIONS

Your committee has given careful consideration to the subject of medical care for the aged. This has included not only public hearings on certain health care proposals which have been advanced, but also study and consideration in executive session of a great deal of information which has been brought to the attention of the committee. As a result, your committee is cognizant of many problems which exist in the area of health care for the aged. Your committee is also cognizant of difficulties attendant upon various approaches which have been advanced.

As a result, your committee has designed a Federal-State program, based upon historic principles of Federal-State cooperation.

The medical care proposal in your committee's bill would create a new program designed to assist aged persons who are not eligible for public assistance but do not have the means to pay their medical bills when illness occurs or continues. It accomplishes this objective within the framework of a Federal-State program with broad discretion allowed to the States as to the programs they will institute and administer in meeting the health needs of this aged group. In addition, your committee's bill includes provisions that are designed to provide the States with an additional incentive to improve their medical care programs for old-age assistance recipients.

A. MEDICAL SERVICES FOR THE AGED

Under the provisions of the new title XVI, a State desiring to establish a program for assisting low income individuals in meeting their medical expenses would submit a plan which, if found by the Secretary of Health, Education, and Welfare to fulfill the requirements specified in this title, would be approved for Federal matching. A number of the plan requirements are substantially the same as those in the present public assistance titles. Other plan requirements are directed specifically to accomplishing the purposes of the new title, to assist aged persons who are able to meet their expenses other than their medical needs.

A State would have broad latitude in determining eligibility for benefits under the program as well as the scope and nature of the services to be provided within the limitations prescribed. Thus, each State would determine the tests for eligibility and the medical services to be provided under the State program within the limitations described below. Federal financial participation would be governed by

the establishment of an approved plan subject to the criteria and limitations prescribed in the law.

1. Eligibility

Benefits under a State program may be provided only for persons 65 years of age or over to the extent they are unable to pay the cost of their medical expenses and meet their other living requirements as determined by the State. Under this title, it will be possible for States to provide medical services to individuals who are found to be in need on the basis of an eligibility requirement that is more liberal than that in effect for the State's public assistance programs. This is based on the grounds that an aged individual who has adjusted his living standard to a low income, but who still has income and resources above the level applicable for old-age assistance, might be unable to deal with his medical expenses. Your committee intends that States should set reasonable outer limits on the resources an individual may hold and still be found eligible for medical services. Individuals who are recipients of public assistance in any month would not be eligible for participation in the new title in that month.

2. Services provided

Medical services eligible for Federal participation are defined in the new title to include, when determined by a physician to be medically necessary, inpatient hospital services with Federal participation in the costs for 120 days in a benefit year; skilled nursing-home services; physicians' services; outpatient hospital services; organized home-care services; private duty nursing services; therapeutic services; major dental treatment; laboratory and X-ray services with Federal participation in the costs up to \$200 in a benefit year; and prescribed drugs with Federal participation in the costs up to \$200 in a benefit year.

A State may include under its program any or all of these services; except that the State program may not be confined to hospital and nursing-home care since to be approved under the new title XVI the State plan must provide for both institutional and noninstitutional services. If the State program provides for other medical services than those provided specifically under section 1606, no Federal matching will be available with respect to the cost of these other services.

Persons in mental and tuberculosis hospitals will not be eligible for medical assistance with Federal sharing (a provision comparable to that which is now in titles I (old-age assistance), X (aid to the blind), and XIV (aid to the permanently and totally disabled)). It is provided that Federal matching funds will be available for State expenditures for an individual who is a patient in a general hospital as a result of a diagnosis of tuberculosis or psychosis for a period up to 42 days. Title I (old-age assistance) is also amended so as to permit medical assistance for up to 42 days in a general hospital as a result of a diagnosis of tuberculosis or mental disease. This will provide the same treatment in both programs.

3. Plan requirements

Although the requirements for the approval of a State plan are generally comparable to those in the public assistance titles of the Social Security Act, your committee concluded that some changes are needed to carry out the intent of this new title.

A State would not be permitted to impose a lien on the property of a recipient during his lifetime. However, the bill would permit the recovery from an individual's estate after the death of his spouse if one survives him. This provision was inserted in order to protect the individual and his spouse from the loss of their property, usually the home, during their lifetime. Your committee concluded also that in order to meet the practicalities of providing an effective medical benefit program for this low income group, a State should not be permitted to have as an eligibility requirement a durational residence requirement which excludes any individual who resides in the State. An enrollment fee for recipients would not be permitted.

Your committee was concerned that the efforts States make to develop a program under the new title should not result in any reduction in the level of assistance provided under the four federally aided public assistance programs. These public assistance recipients are the most needy. To give assurance that funds now available to meet their needs are not diverted by the States to help finance the new program, the Secretary is directed, in the new title XVI, not to approve any State plan unless it has been established to his satisfaction that the State will not finance the new plan through a reduction in any of the four assistance programs. This is a continuing requirement.

To insure that the most needy—those qualified under title I (old-age assistance)—are provided medical benefits at least equal to the less needy aged qualified under title XVI, your committee has included in the bill a provision requiring the Secretary, before he approves a plan under new title XVI, to make certain that the provision for medical care under the State's old age assistance plan is in all respects at least as broad and comprehensive as the State is proposing under title XVI.

Titles I (old-age assistance), X (aid to the blind), and XIV (aid to the permanently and totally disabled) contain a plan requirement to the effect that the State, if its plan includes assistance to persons in institutions, must have a State authority or authorities to establish and maintain standards for such institutions. A comparable provision has been inserted in title XVI, applicable specifically to hospitals and skilled nursing homes undertaking to provide services under the State plan and also to public and nonprofit agencies undertaking to provide organized home care services.

4. Financing

The Federal Government will share with the States in the cost of the program under new title XVI in accordance with the matching formula prescribed by the bill. The Federal share of the cost will be determined in the same manner as now provided for the portion of the old-age assistance payments between \$30 and \$65 per month: that is, the Federal share will range from 50 to 65 percent, depending upon the per capita income of the State as related to the national average. There is no maximum upon the dollar amount of Federal participation in the new program, although there are limitations on number of days and dollar amounts referred to above on inpatient hospital services, laboratory and X-ray services and prescribed drugs. Appropriation requirements, therefore, would depend upon the programs developed by the States, as is now true in the case of the other public assistance titles. Thus, the total cost would depend upon the

scope of services offered and the number of persons found eligible by the States under the respective State plans.

The Federal Government will participate in the cost of administering these programs on a dollar-for-dollar basis, as is now true in the case of the four public assistance programs.

Your committee, in recognition of the fact that States will need time to develop plans for the new program and that such planning will involve additional costs to the States, has set the effective date for the new program as July 1, 1961. This will afford time for the majority of State legislatures to meet and give consideration to the requirements for participation in the event the State desires to undertake a program. In the meantime, planning grants will be available to States over a 2-year period. Such Federal grants to any State may not exceed 50 percent of costs of planning with the further limitation that aggregate payments to a State may not exceed \$50,000.

B. IMPROVEMENT OF MEDICAL CARE FOR OLD-AGE ASSISTANCE RECIPIENTS

In order to further encourage the States, particularly those which have made but limited efforts in the medical area, to increase their effort, the bill includes a provision giving each State an additional amount of Federal funds for old-age assistance where its expenditures are increased through vendor payments for medical care. This would be accomplished by an increase of 5 percentage points in the Federal share of the additional expenditures up to an average of \$5 a month per recipient. The effect of this provision is to increase the Federal share of the additional expenditures, within the Federal matching (average) maximum of \$65 per month, from a maximum of 65 to 70 percent in the lowest income States. The highest income States, in making up to the \$5 average expenditure in accordance with the provisions of the bill, would have an increase from 50 to 55 percent in Federal sharing on such additional expenditures within the \$65 Federal matching maximum. (Above the \$65 per month maximum on the average payment, the Federal share would be 5 percent of the additional amount up to \$5.) The additional Federal funds would become available for the quarter beginning October 1, 1960.

As previously noted, the medical provisions of a State plan approved under title I must be at least as broad as those of the State plan approved under title XVI. States with no medical care plan in their old-age assistance program, accordingly, will need to develop such a plan before they can have a plan approved under title XVI. The incentive provisions contained in the bill are intended to encourage this development.

Medical care guides and reports

As indicated earlier, the bill (sec. 705) instructs the Secretary of Health, Education, and Welfare to develop guides or recommended standards as to the level, content, and quality of medical care for the use of the States in evaluating and improving their public assistance medical care programs and their title XVI programs. The Secretary is also required to secure periodic reports from the States on items included in, and quantity of, medical care for which expenditures are made under these programs.

While this section is of a continuing nature, your committee requests the Secretary to submit to the Congress, by March 15, 1962, a report as to the information obtained, the steps taken, and the progress made by that time in carrying out the purposes of this section. Such reports shall also indicate whether the States have utilized the additional funds made available by the Social Security Amendments of 1960 to extend and improve their medical program for needy individuals and the Secretary's recommendations for obtaining the proper level, content, and quality of medical care in those States which he feels have not done so.

C. COST ESTIMATES OF MEDICAL PROVISIONS (STATE-BY-STATE BREAK-DOWN)

The new title XVI cost estimates

Total Federal and State expenditures under the new title XVI will of course depend upon a number of factors. For example, actual Federal and State expenditures under title XVI will, in the long run, depend on the number of people found to be eligible and on the kind and volume of medical services that will be provided under the plans to be developed by the States. In the near future a very important factor in estimating costs will be the timing involved in the adoption and development of these plans by the various States.

The estimates shown in table A were prepared by the Department of Health, Education, and Welfare on the basis of what the experience might be in the first full year of operation if all States developed plans and put them into full effect. Because of the obvious difficulties in estimating what the experience will be in each State under the flexible plans that can be developed under the provisions of proposed title XVI and in projecting exactly when each State will take the necessary action and begin operations, it should be understood that the figures in the table as to what the expenditures would be in individual States of necessity may vary considerably from what may be actual results. The estimates are based on assumptions related to objective factors for each State such as per capita income, existing medical services under old-age assistance, number of persons aged 65 and over, and number of recipients of old-age assistance.

Cost estimates under old-age assistance amendments

In developing the estimates of the cost of improvement in existing medical services and additional services and programs under the old-age assistance program, shown in table A, it was not possible to estimate precisely just which States will increase their expenditures and by what amount. It was assumed that States with average monthly old-age assistance payments of less than \$65 would improve their medical services by an average of \$1.25 per recipient per month and that States with average monthly old-age assistance payments of \$65 or more would as a group make a change in total expenditures of roughly half that amount. Accordingly, individual figures for the latter group of States are not shown because it is difficult to tell which of the States will improve their programs and which will not. Because the actual increase in expenditures in any individual State is a matter for State decision and action, the estimates may be wide of the mark for individual States and yet be reasonably reliable for the country as a whole.

TABLE A

Estimated annual costs under proposed medical services for the aged (title XVI) program and for improvement in medical services under the old-age assistance program

[All figures in thousands]

State	Medical services for the aged (title XVI)		Additional OAA medical costs in H.R. 12580		Additional costs—both programs	
	Federal cost	State and local cost	Federal cost	State and local cost	Federal cost	State and local cost
United States.....	\$165,450	\$159,550	¹ \$10,623	¹ \$5,411	¹ \$176,073	¹ \$164,961
Alabama.....	39	21	1,044	447	1,083	468
Alaska.....	1	1	9	13	10	14
Arizona.....	13	7	143	67	156	74
Arkansas.....	29	16	586	251	615	267
California.....	7,956	7,956	(1)	(1)	7,956	7,956
Colorado.....	477	415	(1)	(1)	477	415
Connecticut.....	7,992	7,992	(1)	(1)	7,992	7,992
Delaware.....	38	38	11	9	49	47
District of Columbia.....	144	144	26	21	170	165
Florida.....	386	260	681	372	1,067	632
Georgia.....	15	8	1,027	440	1,042	448
Hawaii.....	59	59	12	10	71	69
Idaho.....	36	20	(1)	(1)	36	20
Illinois.....	19,008	19,008	(1)	(1)	19,008	19,008
Indiana.....	6,699	6,699	235	193	6,934	6,892
Iowa.....	241	140	(1)	(1)	241	140
Kansas.....	1,684	1,086	(1)	(1)	1,684	1,086
Kentucky.....	16	9	598	256	614	265
Louisiana.....	141	76	(1)	(1)	141	76
Maine.....	488	262	124	56	612	318
Maryland.....	1,196	1,196	79	65	1,275	1,261
Massachusetts.....	14,077	14,077	(1)	(1)	14,077	14,077
Michigan.....	3,227	3,227	(1)	(1)	3,227	3,227
Minnesota.....	4,999	3,536	(1)	(1)	4,999	3,536
Mississippi.....	6	4	752	456	758	460
Missouri.....	567	494	1,035	737	1,602	1,231
Montana.....	35	30	61	45	96	75
Nebraska.....	1,455	840	(1)	(1)	1,455	840
Nevada.....	62	62	(1)	(1)	62	62
New Hampshire.....	1,264	918	(1)	(1)	1,264	918
New Jersey.....	14,624	14,624	(1)	(1)	14,624	14,624
New Mexico.....	10	5	(1)	(1)	10	5
New York.....	50,885	50,885	(1)	(1)	50,885	50,885
North Carolina.....	95	51	519	223	614	274
North Dakota.....	314	169	(1)	(1)	314	169
Ohio.....	5,501	5,501	(1)	(1)	5,501	5,501
Oklahoma.....	102	55	(1)	(1)	102	55
Oregon.....	3,101	2,797	(1)	(1)	3,101	2,797
Pennsylvania.....	4,655	4,655	(1)	(1)	4,655	4,655
Rhode Island.....	1,355	1,355	(1)	(1)	1,355	1,355
South Carolina.....	6	4	349	149	355	153
South Dakota.....	8	4	96	41	104	45
Tennessee.....	23	13	589	252	612	265
Texas.....	161	102	2,218	1,124	2,379	1,226
Utah.....	39	21	(1)	(1)	39	21
Vermont.....	55	29	61	26	116	55
Virginia.....	679	364	158	68	837	432
Washington.....	4,718	4,718	(1)	(1)	4,718	4,718
West Virginia.....	144	78	210	90	354	168
Wisconsin.....	6,552	5,448	(1)	(1)	6,552	5,448
Wyoming.....	73	71	(1)	(1)	73	71

¹ These States now have average monthly payment in excess of \$65 so that any improvement in medical care under the OAA program would involve Federal matching of only 5 percent. Although some of these States may, nevertheless, make such improvements, it is not possible to estimate which ones will do so. At most, the total improvement is estimated to amount to \$10 million per year, of which \$500,000 would be Federal funds (these figures are not included in the U.S. totals).

NOTE.—It is assumed that States with average monthly payments of less than \$65 will improve their medical services for OAA recipients by an average of \$1.25 per capita. Because of the many variations possible in State plans and participation, the above figures should not be considered to be as precise as they appear to be.

Source: Department of the Health, Education, and Welfare.

IV. GENERAL DISCUSSION OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROVISIONS

A. IMPROVING THE DISABILITY PROVISIONS OF THE PROGRAM

In providing cash benefit protection in 1956 to workers against the contingency of retirement because of severe disability, your committee designed a conservative program. At that time it was believed prudent to move cautiously because of the limited experience under the disability "freeze" provision (waiver of premium) which was passed in 1954 and the lack of definitive information on the costs of disability benefits. With more operating experience, your committee, recommended and the Congress approved the payment of benefits to dependents of disabled workers in 1958, thus eliminating this distinction between the disability insurance program and the retirement and survivor insurance programs.

Your committee's present proposals take into account the additional administrative experience gained since 1958 and the findings of the recent study of all aspects of the disability program by the Subcommittee on the Administration of the Social Security Laws. As noted elsewhere in this report, the latest cost estimates show an actuarial surplus in the disability insurance trust fund. The changes recommended in your committee's bill can be made and the disability fund will still be in actuarial balance without a change in the tax rate.

1. Benefits for disabled workers under age 50 and their families

Under present law the disability "freeze" is applicable to disabled workers at any age but disability benefits are payable only to workers between the age of 50 and 65 and their dependents. Although the age 50 restriction was appropriate as part of the conservative approach used when disability benefits were first provided, your committee believes that sufficient experience has now been gained with the administration of the program to warrant the elimination of the age 50 requirement as we are recommending.

An estimated 125,000 disabled workers and an equal number of their dependents would qualify for benefits immediately upon removal of the age 50 restriction.

The need of younger disabled workers and their families for disability protection is, in some respects, greater than that of older workers. They are more likely to have families dependent upon them than is the case with respect to workers aged 50 and over. Many who would be eligible for disability benefits except for the age limitation are now receiving payments under the public assistance programs. With insurance benefits available to them and their dependents, some of these individuals would be no longer need assistance payments. As a result, the first-year saving in public assistance funds is estimated at \$28 million and it is expected that more would be saved in later years. More important, as time goes on fewer people who become disabled before age 50 will need to have recourse to assistance. Benefits through the insurance program will be based on the person's work and earnings and paid without investigation of his financial situation.

2. Trial period of work for disability beneficiaries

Under present law disabled persons who return to work pursuant to a State-approved vocational rehabilitation plan may continue to draw

benefits for as many as 12 months even though they are engaged in work activity which is such that, without this provision, they would have their benefits terminated. Your committee's bill would broaden this provision so that disability beneficiaries who work under other rehabilitation plans—such as programs conducted by the Veterans' Administration, State mental and tuberculosis hospitals, sheltered workshops, and insurance companies—or are rehabilitating themselves, would also be allowed a similar trial work period during which their benefits would be continued. Your committee's bill would thus eliminate the distinction in existing law between persons who are undergoing rehabilitation under State-approved plans and those who are rehabilitating themselves or being rehabilitated under other programs.

Your committee believes that the broadening of the trial work period will be an incentive to greater rehabilitation efforts.

Under the trial-work provision of your committee's bill, a disability beneficiary could perform services in each of 12 months, so long as he does not medically recover from his disability, before his benefits would be terminated as a result of such services. After 9 months of the trial period, however, any services he performed during the period would be considered in determining whether he has demonstrated an ability to engage in substantial gainful activity. If he demonstrates such ability, 3 months later his benefits would be terminated. Your committee intends that any month in which a disabled person works for gain, or does work of a nature generally performed for gain, be counted as a month of trial work. Thus the services rendered in a month need not constitute substantial gainful activity in order for the month to be counted as part of a trial-work effort. Work performed, for example, under sheltered workshop conditions would count, but only if it is work of a type for which remuneration is to be expected—that is, if it is not performed merely as a therapeutic measure or purely as a matter of training. Work usually performed by a person in daily routine around the home or in self-care would not be counted for purposes of this provision.

The bill also provides a continuation of benefits for 3 months for any person, irrespective of attempts to work, whose medical condition improves to the extent that he is no longer disabled within the meaning of the law. A person who recovers from his disability, especially if he has spent a long period in a hospital or sanitarium, may require benefits for a brief interval during which he is becoming self-supporting.

3. Modification of the requirement for a waiting period for benefits for persons whose disabilities recur

Under present law, a disabled worker cannot receive disability insurance benefits until after his disability has continued through a waiting period of 6 months. Your committee's bill provides that a person whose disability recurs relatively soon after the termination of a prior period of disability will not be required to undergo another waiting period before benefits can be paid. This will encourage disabled persons to return to work even though there may be question as to whether their work attempts will be successful.

Most disability insurance beneficiaries who return to work do so despite severe impairments. Where a disabled person becomes employed without any improvement of his condition, a more or less slight

change in his situation can result in the loss of his job and make him once again eligible for disability insurance benefits. Other disabled persons, whose medical conditions may improve sufficiently to require termination of benefits, may subsequently grow worse again and become reentitled to benefits. A new 6-month qualifying period during which they receive neither earnings nor benefits imposes a hardship on them and their families, and may be a real bar to any further work attempts.

The bill provides that people who become disabled within 5 years after termination of a period of disability would not be required to serve another 6-month waiting period before they are again eligible to receive disability benefits. The 5-year period is intended to restrict the group aided to those for whom it is reasonable to assume that the second disability is the same as or related to the first disability.

4. Alternative work requirements for disability protection

Under present law, to qualify for disability benefits or the disability freeze a disabled worker must be fully insured and must have 20 quarters of coverage out of the 40 calendar quarters ending with the quarter in which he meets the definition of disability. These requirements are designed to limit disability protection to persons whose coverage has been long enough and recent enough to indicate that they have been dependent upon their earnings.

It has come to your committee's attention that some few people who have worked long periods in employment or self-employment that is now covered under the old-age, survivors, and disability insurance program and who have had covered work immediately preceding their disablement are not able to meet the work requirements for disability protection because a substantial part of their quarters of coverage occurred more than 10 years before the onset of their disability. To alleviate this problem your committee is recommending that a disabled worker who cannot meet the disability work requirements under present law should be deemed to have met those requirements if he had a total of at least 20 quarters of coverage and if he had quarters of coverage in all calendar quarters elapsing after 1950 up to the quarter of disablement, provided that there were no fewer than 6 quarters so elapsing. Those who would benefit under this alternative work requirement would still have to meet the same requirements for duration of employment as under present law—20 quarters of coverage. The alternative requirement would have no effect for workers who became disabled after 1955.

B. LIBERALIZATION OF THE INSURED STATUS REQUIREMENTS FOR PEOPLE NOW APPROACHING RETIREMENT AGE

A person acquires a permanent fully insured status for old-age and survivors insurance benefits with 40 quarters of coverage, the equivalent of 10 years of work. This means, in effect, that a worker who was young when the program started or a young worker who began working after that date will need about 1 year of work for every 4 years elapsing after age 21 (10 years of coverage out of a possible 40 years or more in a usual working lifetime) in order to be insured at retirement age. On the other hand, workers who were old when the program began or when coverage was extended to their jobs must have one quarter of coverage for each 2 quarters elapsing after 1950

and before the quarter of retirement age or death. Workers who will attain age 65 in the first quarter of 1961, for example, will need to have worked in covered employment or self-employment for 5 years in order to be eligible for benefits. The insured status requirement is even stricter for people whose jobs were first covered by the social security amendments enacted in 1954 and 1956. People whose coverage began in 1955 and who will attain age 65 in the first quarter of 1961, for example, must have 5 years of covered work out of the 6 years since their jobs were first covered.

Your committee recommends that the requirements for fully insured status be changed so that a person would need one quarter of coverage for every 4 calendar quarters elapsing after 1950 (or after the year in which he attained the age of 21, if that was later) and before the beginning of the year in which he reached retirement age or died or became disabled, instead of one quarter of coverage for every 2 calendar quarters elapsing, as required under present law. (The minimum requirement of 6 quarters of coverage would be retained.) The change would make the short-run requirement for fully insured status (one quarter of coverage for each four quarters after 1950) comparable to the long-term requirements (10 years out of an approximately 40-year working life).

As a result of the amendment about 600,000 people—older workers, dependents, and survivors—would be able to qualify for benefits immediately, and by January 1, 1966, about 1.4 million people who would not otherwise be eligible for benefits would be able to qualify. The amendment would be of particular importance to the 600,000 people whose jobs would be covered for the first time under the committee's recommendations, since it would enable them to become insured much sooner than they could under present law. It would also be important for people for whom coverage is possible under the law but who have not yet been brought under the program. Some 2½ million employees of State and local governments, and additional employees in several smaller groups, would be able to attain fully insured status under the program in a relatively short time if they now come under the program.

C. IMPROVEMENTS IN THE BENEFIT PROTECTION FOR WIDOWS, CHILDREN, ETC.

Your committee believes there are several respects in which the protection available to dependents and survivors of insured workers should be improved, and the committee's bill would make these improvements.

1. *An increase in the benefits payable to certain children of deceased workers to three-fourths of worker's benefit*

Under present law, the amount payable to a child of a deceased worker is equal to one-half of the benefit amount the worker would have been paid if he had lived, plus one-fourth of that benefit amount divided by the number of entitled children. For example, if there are two surviving children, each child is eligible for a benefit equal to one-half plus one-eighth—five-eighths—of the worker's benefit amount. And even though one child goes to work and gets no benefits, the other child is still not eligible for the full three-quarter benefit. All other survivor beneficiaries now receive benefits equal to three-fourths of the

deceased worker's benefit amount. Your committee's bill would make the benefit for each child of a deceased worker three-fourths of the amount the worker would have been paid had he lived, subject, of course, to the maximum limitation on the amount of family benefits payable on the worker's earnings record. About 400,000 children would get some immediate increase in benefits as a result of this change.

2. Benefits for survivors of workers who died before 1940

Your committee is recommending that benefits be paid to the survivors of a worker who acquired six quarters of coverage and died before 1940. (Under the 1939 amendments, survivors' monthly benefits were payable only to the survivors of workers who died after 1939.) About 25,000 people—most of them widows aged 75 or over—would be made eligible for benefits by this change. Benefits would be payable only for months beginning with the month of enactment.

3. Benefits in certain situations where a marriage is legally invalid

The bill provides that a valid marriage will be deemed to exist for purposes of eligibility for mother's, wife's, husband's, widow's, widower's, and child's benefits in certain situations where the marriage was not in fact valid under the law of the State where the insured person lived. Since the State laws governing marriage and divorce are sometimes complex and subject to differing interpretations, a person may believe that he is validly married when he is not. The bill provides that a person could qualify for benefits as the spouse of an insured individual, even though there was an impediment (as defined) that prevented a valid marriage from being contracted, if he had gone through a marriage ceremony in the belief that it would create a valid marriage and if the couple had been living together at the time of the worker's death (or, if the worker is still living, at the time the spouse applies for benefits). The bill defines the term "impediment" to include only an impediment that results from the dissolution or lack of dissolution of a prior marriage of the insured person or the person applying for benefits as his spouse or an impediment that results from a defect in the procedure followed in connection with the marriage ceremony. In addition, the bill would make eligible for benefits the child or stepchild of a couple who had gone through a marriage ceremony that because of such an impediment could not result in a valid marriage.

4. Benefits for a child based on his father's earnings record

Under present law, a child is deemed dependent on his father or adopting father, and therefore eligible for benefits on his father's earnings record, unless the father is not contributing to the child's support and the child is living with and being supported by his stepfather (or has been adopted by someone else). The bill provides for paying benefits to a child on his father's earnings record even though the child is supported by his stepfather. In most States there is no obligation for a stepfather to support his stepchild. If a child has been denied benefits based on his father's earnings because of the support provided by his stepfather and the stepfather stops supporting him, the child cannot get benefits based on the earnings of either. This change would extend to the child living with his stepfather the protection now provided for other children, including children living with and being supported by other relatives.

5. *A reduction in the length of time needed to acquire the status of wife, child, or husband for benefit purposes*

In order to prevent the payment of benefits where a marriage has been entered into for the primary purpose of qualifying for benefits, the law contains provisions requiring that the marriage must have lasted for a specified length of time. A wife, a husband, or a stepchild cannot become entitled to benefits based on the earnings of a retired or disabled worker unless the relationship to the worker has existed for at least 3 years. A spouse or stepchild of a deceased worker, on the other hand, can get benefits based on the worker's earnings record if the relationship has existed for 1 year. In the opinion of your committee a 1-year requirement is sufficient in both situations. The committee's bill would reduce the time requirement to 1 year for retirement and disability cases and thus would make the duration-of-relationship requirements in cases where the worker is alive the same as the requirements that apply when the worker is deceased.

D. EXTENSION OF COVERAGE

Your committee's bill would make several further extensions of coverage. The change made by the bill in the insured status requirements for benefits, and discussed earlier in this report, would facilitate the achievement of fully insured status for the newly covered workers.

1. *Coverage of self-employed doctors of medicine*

The old-age, survivors, and disability insurance program now covers members of all self-employed professional groups except doctors of medicine. Large numbers of doctors have requested coverage. Your committee believes that the need of doctors for social security protection is comparable to that of other self-employed professional groups. Many self-employed physicians have acquired some old-age, survivors, and disability insurance credits on the basis of past covered employment or self-employment, or as the result of their military service, but will be entitled to little or no benefits because only a small part of their lifetime earnings has been covered.

Your committee's bill covers the approximately 150,000 self-employed doctors of medicine on the same basis as other self-employed professional groups, effective for taxable years ending on or after December 31, 1960.

Coverage would also be extended to services performed by medical and dental interns. The coverage of services as an intern would give young doctors an earlier start in building up social insurance protection and would help many of them to become insured under the program at the time when they need the family survivor protection it provides. This protection is important for physicians who, like members of other professions, in the early years of their practice, may not otherwise have the means to provide adequate survivorship and disability protection for themselves and their families.

2. *Coverage of additional domestic workers in private homes and others who perform work not in the course of the employer's business*

Under present law, earnings of domestic workers in private households (other than those on farms operated for profit) are covered only when they amount to at least \$50 in a calendar quarter from one employer. Your committee's bill would cover such earnings if they

amount to at least \$25 from one employer. The new \$25 coverage test would cover virtually all persons who depend on earnings from domestic work for their livelihood.

At the same time the bill would exclude from coverage all earnings of domestic workers who are under age 16.

This amendment would extend protection to about 100,000 domestic employees who earn \$25 or more from at least one employer but not as much as \$50 from any single employer in a calendar quarter. It would also cover additional earnings of other domestic workers who have some earnings covered under the present law but whose additional earnings from other employers are not covered. Coverage of these additional earnings would result in higher benefit amounts, more closely related to actual lifetime earnings of the domestic worker, than is the case under present law.

Persons below age 16 would be excluded because most of them who perform some domestic work for pay are casual or intermittent workers who are employed, for example, as lawn cutters or baby-sitters, and who do not depend on their earnings for a livelihood. This exclusion should not have any adverse effect on such workers' ultimate earnings records, since an individual's starting date for benefit computation purposes does not occur until he is 22 years old and periods of noncoverage before that time do not count against him. With exclusion from coverage of domestic workers under age 16, young workers will not have to pay social security taxes on their earnings and employers will not be required to report relatively small amounts of earnings.

Persons age 16 or over who perform other types of services not in the course of the employer's trade or business would, like domestic workers, be covered under the bill if they are paid \$25 in cash wages by an employer in a calendar quarter. Some 5,000 additional persons would be affected. This provision will improve and simplify the coverage of such services and retain the principle underlying the present law of applying the same coverage test to these nonbusiness services as is applied to domestic service performed in private homes. Uniform tests of these two types of work are desirable because certain kinds of nonbusiness services are not, strictly speaking, domestic service in private homes but are similar to domestic service.

3. Coverage of certain services of parents in the employ of their sons or daughters

Under present law, work performed by certain members of a family for other members of the same family is excluded from coverage. The chief purpose of this exclusion has been to preclude the necessity of making determinations regarding bona fide employment relationships in an area where it is difficult to ascertain the facts. Your committee has concluded that in the light of operating experience with the program, valid determinations can now be made as to whether actual employment relationships exist with respect to the services performed by parents working as employees in businesses owned by adult sons or daughters. Your committee's bill would therefore modify the family employment exclusion to cover certain services performed after 1960 by parents in the employ of their adult children.

The services covered would be those performed only in the course of the employer's trade or business and then only prospectively, that is effective with respect to services performed after 1960. They would

not include domestic services performed in or about the home or other work not in the course of the employer's business.

Many of the workers whose employment will be covered under this provision have already earned credits under the program in other work, and the change in the law will fill the gap which would otherwise exist in their coverage. Others who are engaged in such an actual employment relationship will have for the first time an opportunity to build up credits toward their retirement, survivors and disability protection under the program.

4. Coverage of workers in Guam and American Samoa

The old-age, survivors, and disability insurance program now covers the 50 States, Puerto Rico, the Virgin Islands, and the District of Columbia. Under your committee's bill the coverage of the program would be extended to Guam and American Samoa. The Governments of Guam and American Samoa have expressly requested that the program be extended to these territories. This extension of coverage would apply to about 8,000 workers in Guam and to about 2,000 in American Samoa.

With the exception of employees and officers of the Government of Guam, the Government of American Samoa, any political subdivision of either, or any instrumentality wholly owned thereby, the bill provides that coverage would be effective for employees on January 1, 1961, and for self-employed persons for taxable years beginning after 1960. Coverage of employees and officers of the Governments of Guam and American Samoa (including members of the legislatures), their political subdivisions, and their wholly owned instrumentalities would be on a mandatory basis, rather than under the State-Federal agreement method which applies to the employees of States and localities. The Government of Guam has indicated that it may need a period of time to amend the provisions of the Government of Guam retirement program to adjust contributions and benefits under that program to take into account the extension of old-age, survivors, and disability insurance coverage. Accordingly, the bill provides that coverage for employees of the Guamanian Government, its political subdivisions, and wholly-owned instrumentalities will not become effective until the calendar quarter following the quarter in which the Governor of Guam certifies to the Secretary of the Treasury that the Guamanian Government has enacted legislation expressing its desire that old-age, survivors, and disability insurance coverage be extended to these employees (and in no event before 1961). A comparable effective date provision is included for employees of the Government of American Samoa.

Under your committee's bill, Filipino workers who come to Guam under contracts to work temporarily would be excluded from coverage. Your committee has been informed that even if these Filipino workers should be covered, practically none of them would acquire sufficient credits to qualify for benefits. Your committee also has been informed that the Philippine Government favors this exclusion.

The taxes to be collected by reason of this extension of the old-age, survivors, and disability insurance program to Guam and American Samoa will be administered by the Secretary of the Treasury or his delegate. Under present law, a delegate of the Secretary of the Treasury must, as a general rule, be an officer, employee, or agency

of the Treasury Department. Since the Treasury has no tax-collection officers in Guam or American Samoa at present, the Secretary is given the authority, under your committee's bill, to delegate administration of these taxes to any officer or employee of another Department or agency of the United States, or of any possession, should he find it desirable to do so.

5. Facilitating coverage of additional employees of nonprofit organizations and validation of erroneous returns already filed

Present law requires that two-thirds of the employees of a nonprofit organization must consent to coverage before the organization can cover the employees who desire coverage and future employees of the organization. Your committee's bill modifies this requirement so that a nonprofit organization could, if it so desired, file a certificate electing to provide coverage for all employees hired in the future and such current employees, if any, as consent to be covered. An organization could provide coverage for new employees even though none of its current employees desire coverage.

The present requirement is unfair to employees who want to be covered but are not eligible because some of their fellow employees do not desire old-age, survivors, and disability insurance protection. Under your committee's bill, a nonprofit employer would, in effect, be able to establish as a condition of employment a rule that new employees must be covered while offering its present employees an option.

There are about 100,000 employees of nonprofit organizations not now protected under old-age, survivors, and disability insurance for whom coverage would be facilitated by these changes. In the long run all employees of organizations that have elected to cover any of their employees would be covered since all new employees are mandatorily covered.

Your committee's bill would retain the requirement of present law that if some of a nonprofit organization's employees are in jobs covered by a public retirement system and some are not, the employer must divide his employees into two coverage groups for purposes of this provision. The employees who are in positions covered by the public retirement system would be in one coverage group; those who are not would be in the other. Under the bill, the employer may extend coverage to consenting and future employees in either or both groups, without the necessity for concurrence by two-thirds of the current employees.

The bill would also permit the validation of erroneous self-employment returns filed by certain lay missionaries in the belief that they were covered under present law as ministers, if requested by April 15, 1962.

Your committee has been informed that a number of nonprofit organizations have been erroneously reporting and paying taxes on remuneration paid to their employees without first complying with requirements in the law for obtaining old-age, survivors, and disability, insurance protection for their employees. For example, some organizations have reported their employees without realizing it was necessary to file waiver certificates. In some instances, the nonprofit organization later filed a certificate in accordance with the law, but by that time one or more of the employees whom the organization had previously reported had left its employ. There is no way under present law for such employees to have their services covered under

the organization's certificate. In other instances, nonprofit organizations began to report their employees after the organizations filed certificates without realizing that it was also necessary to obtain the signatures of all of the employees whom they wished to cover on lists of concurring employees. Your committee's bill would, under specified circumstances, permit social security credit for remuneration for services performed before July 1, 1960, erroneously reported as wages, upon appropriate action by the nonprofit organizations and employees involved.

6. Coverage of American citizen employees of certain labor organizations in the Panama Canal Zone

Social security coverage would be extended to service performed after 1960 by a small group of American citizens in the employ of certain labor organizations outside the United States. Coverage would be accomplished by modifying the definition of "American employer" in present law to include labor organizations in the Panama Canal Zone which are chartered by labor organizations created or organized in the United States.

This provision of your committee's bill would affect only a relatively few workers but would assure coverage of all service they perform for such employers, whether within or outside the United States.

Your committee also recommends that social security credit be given for the remuneration, with respect to which taxes were erroneously paid, for service performed after 1954 and before 1961, by American citizens in the employ of labor organizations which constitute "American employers" under this provision.

7. Provision of an additional opportunity for ministers to obtain coverage

Coverage was made available to ministers, under the Social Security Amendments of 1954, on an individual voluntary basis because of considerations relating to the separation of church and state. The 1954 legislation provided that ministers and Christian Science practitioners already in practice who desired coverage had to file waiver certificates by April 15, 1957. In 1957, when it appeared that many clergymen who desired coverage had, through lack of knowledge or misunderstanding of the provisions, failed to file timely certificates electing coverage, legislation was enacted to extend the time for electing coverage to April 15, 1959. Under present law, in general, only newly ordained ministers (and ministers who have not had net earnings from self-employment of \$400 or more, some part of which was from the exercise of the ministry, for as many as 2 taxable years after 1954) may still file certificates electing coverage.

Your committee is informed that of some 200,000 full-time ministers who could have elected coverage, about 140,000 have come under the program up to this time. Your committee has been advised that there are many ministers who want coverage but are no longer eligible. In some cases, such ministers failed to file timely waiver certificates because they misunderstood the provision or were unaware of the deadline. Other ministers erroneously believe that they met the requirements for electing coverage by filing tax returns, while still others believe they met the requirements by filing waiver certificates although actually they did not because the certificates were defective in some respects.

Your committee is mindful of the need to maintain reasonable restrictions on the time within which a choice must be made under the provision for individual voluntary coverage of ministers. However, your committee recommends that ministers and Christian Science practitioners who under present law are no longer eligible to elect coverage be given additional opportunity to obtain this protection. To this end, persons who have already entered the ministry would be given until April 15, 1962, to file waiver certificates. Certificates filed under this amendment (like those filed under present law by a newly ordained minister) would be effective with the year preceding the latest year for which the tax return due date has not passed.

In addition, the bill would permit the validation of coverage of certain clergymen who filed tax returns reporting self-employment earnings from the ministry for certain years after 1954 and before 1960 even though, through error, they had not filed waiver certificates effective for those years. These ministers or their representatives would be given the opportunity until April 15, 1962, to file waiver certificates or supplemental certificates effective with the first taxable year for which they had filed such a tax return and for all succeeding years. In order for the benefits of this amendment to be secured, taxes due by reason of the validation of the coverage would have to be paid by April 15, 1962.

8. Coverage of American citizens employed in the United States by foreign governments and international organizations

Under present law, service performed in the employ of a foreign government, an instrumentality wholly owned by a foreign government, or an international organization is generally excluded from old-age, survivors, and disability insurance coverage. Your committee believes that such service, if performed by a citizen of the United States within the United States, should be covered. Coverage of their employment would enable these citizens to build the same basic protection under old-age, survivors, and disability insurance that other Americans possess and would prevent gaps in protection for those citizens who work for a limited period of time for a foreign government or international organization.

This employment has heretofore not been covered because the United States cannot levy the employer tax of the program upon foreign governments or international organizations. Your committee believes that the most feasible way to provide coverage for United States citizens working for these employers would be to treat them as self-employed individuals. Although your committee believes it is generally undesirable to cover as self-employment the services of persons who are actually employees, such coverage offers a practical solution to the unique problem of covering American citizens employed by such governments and organizations. Under your committee's bill, compulsory coverage would be provided for these employees on the same basis as that provided for self-employed persons.

9. Facilitating the coverage of employees of State and local governments

Your committee recommends several changes designed to facilitate the coverage of State and local government employees, as follows:

(a) *Retroactive coverage.*—The provision of the Social Security Act which permitted State and local governmental employee groups to

obtain extended retroactive social security coverage beginning as early as January 1, 1956, expired at the end of 1959. Under existing law, coverage for employees of States and localities who are brought under the program after 1959 may be effective no earlier than the first day of the year in which it is obtained. Your committee's bill would permit coverage—on the regular contributory basis—for any employee group brought under the program after 1959 to begin as early as 5 years before the year in which coverage for the group is agreed to, but no earlier than January 1, 1956.

The provision of the present law that permitted employee groups to obtain an extended period of retroactive coverage recognized that in many instances the States would require considerable time to enter into coverage agreements with the Department and to make the necessary arrangements for providing coverage for the groups desiring it. Although some 3½ million of these public employees have been brought under social security, there still remain about 2½ million, mostly persons covered under retirement systems of States or localities, who have not been covered, and it is to be expected that for some time into the future significant numbers of public employees will continue to come under the program. Your committee's bill would enable public employee groups who come under coverage in the future to avoid being unduly handicapped because of their late entry into coverage.

Your committee's bill would also provide a measure of flexibility in determining the beginning date for coverage for different political subdivisions. Under present law, where a retirement system covering positions of more than one political entity is covered as a single retirement system coverage group (without being broken down into "deemed" retirement systems for the various entities), coverage must begin on the same date for all persons in the retirement system. If the retirement system is divided on a political subdivision basis for coverage purposes, coverage may begin on different dates for the different subdivision. A State may wish to bring in a retirement system as a single-coverage group, in order to facilitate coordination of the State system with old-age, survivors, and disability insurance, or for some other reason. At the same time, some political subdivisions, for financial or other reasons, may wish coverage to start at an earlier date than do other political subdivisions. Under the bill, when a retirement system is covered as a single retirement system coverage group, the State may, if it wishes, provide different beginning dates for coverage for the employees of different political subdivisions.

(b) *Employees transferred from one retirement system to another.*—Under present law, in some cases a retirement system covering more than one political subdivision has been divided into retirement systems on a political subdivision basis and coverage has been extended only to those members of the various retirement systems who desire such coverage. An individual who is in a division of one of these retirement systems which is composed of positions of members of that system who do not desire coverage may later become a member of another one of these retirement systems which has also provided coverage for only those members who desire it. If so, he is covered compulsorily as a new member of the second group. Your committee believes that the compulsory coverage of new members, where coverage has been extended under the divided retirement system provision, is

essential as a means of protecting the trust funds, over the long run, against drains due to the election of coverage mainly by persons who may expect to receive substantially more in benefits than is contributed to the program.

Problems have arisen in a very limited area, however, where persons become members of a different retirement system through an action of a political subdivision (such as the annexation of one political subdivision by another) rather than an action by the individual (such as a change in jobs). The bill provides that in this type of situation an individual who has elected not to be covered would continue to be excluded from coverage but only if the "retirement system" to which he originally belonged and the new "retirement system" were in reality parts of the same retirement system which was divided on a political subdivision basis by the State prior to further division of the two parts between those who desired and those who did not desire old-age, survivors, and disability insurance coverage. Individuals who were placed in another retirement system group by an action of a political subdivision taken before enactment of the bill would continue to be covered unless the State, before July 1, 1961, requests that they be excluded from coverage. Such a request would apply only to the wages that these individuals are paid on and after the date on which the request is filed.

(c) *Policemen and firemen under retirement systems in Virginia.*—The bill would make applicable to the State of Virginia the provision in present law which permits 16 specified States and all interstate instrumentalities to extend coverage (under their agreements with the Secretary of Health, Education, and Welfare) to services performed by employees of any such State (or of any political subdivision thereof) in any policeman's or fireman's position covered by a retirement system of a State or local government, provided the members of the system vote in favor of coverage. The 16 States in which policemen and firemen covered by a State or local retirement system are now permitted to come under the old-age, survivors, and disability insurance program are: Alabama, California, Florida, Georgia, Hawaii, Kansas, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Vermont, and Washington.

(d) *Delegation by Governor of certification functions.*—When coverage is extended to State or local retirement system groups under the referendum provisions of existing law, all persons in a retirement system group are covered upon a favorable vote by the majority of the members. Under present law, the Governor must personally certify that the referendum has been conducted in accordance with the requirements of the Social Security Act and that the result was favorable. Also, when a retirement system group is divided into two parts to extend coverage to only those members of the group who desire coverage and the procedure is used which permits coverage without a referendum provided specified procedures are followed, the Governor must personally certify that such procedures were followed. Your committee recognizes that the requirement that the Governor personally make the certifications in question sometimes imposes an unnecessary burden on the Governor. The committee's bill would permit the Governor of a State to designate an official of the State for the purpose of making these two types of certifications.

(e) *Validation of coverage for certain Mississippi school personnel.*—Your committee's bill would validate, for the period from March 1, 1951, to October 1, 1959, the coverage of certain teachers and school administrative personnel in Mississippi who during this period were reported under old-age, survivors, and disability insurance as State employees. The employees in question had been included under the Mississippi coverage agreement with the Secretary of Health, Education, and Welfare as employees of the State rather than as employees of the various school districts in Mississippi. Since 1951, Mississippi has filed wage reports and paid contributions for these employees on the basis that they were State employees.

(f) *Facilitating coverage of employees of municipal and county hospitals.*—Your committee's bill would permit municipal and county hospitals to be treated as separate retirement system coverage groups, on the same basis provided under present law for institutions of higher learning. Under this amendment, such hospitals could obtain coverage for their employees where the city or county does not wish to provide coverage for all employees of the city or county.

(g) *Limitation on States' liability for employer (and employee) contributions in certain cases.*—Where an individual performs services that are covered by a State's social security coverage agreement, the State is required to pay up to the maximum employer contribution with respect to the wages paid to him by each separate employing entity. Accordingly, where an individual works in a year as an employee of the State and one or more political subdivisions, or as the employee of two or more political subdivisions, the State's total liability for employer contributions may exceed the maximum employer tax which may be imposed on an employer who is subject to the social security taxing provisions of the Internal Revenue Code of 1954. Under your committee's bill a State could, beginning as early as 1961, limit its liability for employer contributions to the maximum employer tax liability of a single employer in these cases where the employer contributions are paid from the State's own funds, without the State being reimbursed by the employing localities. The limitation could be applied by a State only to the extent that the State complies with such regulations as the Secretary may prescribe relative to this subject.

This provision of your committee's bill is intended to recognize the special financial obligation assumed by States that, in addition to being responsible under Federal law for the social security payments and reports of their political subdivisions, actually bear the cost of the employer contributions for political subdivisions. Your committee believes that a State's liability for employer contributions which are paid out of the State's own funds should be computed as though individuals working for the State and its political subdivisions were working for only one employer.

(h) *Statute of limitations for State and local coverage. (1) Time limitation on the correction of contribution payments.*—Under existing law, there is no limitation on the period within which the Secretary of Health, Education, and Welfare may assess contributions which are due under a coverage agreement with a State, or on the period within which the Secretary must refund contributions which a State has erroneously paid. Accordingly, it is necessary for the Secretary and a State to investigate the correctness of contribution payments

made many years in the past whenever that correctness is questioned, and it is necessary for the States to maintain detailed records of the employment and wages of covered public employees for an indefinite period of time. The assessment and refunding of old-age, survivors, and disability insurance taxes based on nongovernmental employment are subject to the statute of limitations of the Internal Revenue Code of 1954. Your committee's bill would make a comparable statute of limitations applicable to the States beginning January 1, 1962.

Under the bill, the liability of a State for unpaid contributions would expire in the usual case at the end of the 3-year, 3-month, and 15-day period following the year for which the contributions are due unless the Secretary makes an assessment by notifying the State of the underpayment before the end of that period. Also, a State that pays more than the correct amount of contributions could not ordinarily claim a credit for the overpayment after the end of the 3-year, 3-month, and 15-day period following the year for which the overpayment was made. These time limitations could be extended by mutual agreement and in certain other cases.

(2) *Judicial review of Federal determinations affecting a State's contribution liability.*—The present law does not provide a specific procedure by which a State may seek review by the courts of determinations made by the Secretary of Health, Education, and Welfare which result in an assessment of contributions or in the disallowance of a claim for the refund of contributions. Your committee's bill would afford States a court review procedure which is comparable to the procedure available to nongovernmental employers subject to the social security taxing provisions of the Internal Revenue Code of 1954.

Your committee's bill provides a 90-day period within which a State could request the Secretary to review determinations which affect its contribution liability. If the State is not satisfied with the Secretary's decision upon review, it could file a civil action against the Secretary in a U.S. district court within the 2-year period following the mailing of the Secretary's decision. Your committee believes this provision for judicial review will afford the States an orderly and equitable procedure for the expeditious settlement of the relatively few coverage questions and other issues which cannot be settled through negotiations between the States and the Secretary.

E. INVESTMENT OF THE TRUST FUNDS

The bill would provide for putting into effect certain recommendations made by the Advisory Council on Social Security Financing. This Council was established by the 1956 amendments to the Social Security Act to study and report on the status of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds in relation to the long-term commitments of the funds. The Federal Council, a distinguished group of representatives of employers, employees, the self-employed, and the general public, made a year-long study of the financing of the program. As a result of its deliberations the Council made a number of recommendations for changes in the law to make the provisions relating to the method of financing the old-age, survivors, and disability insurance program more equitable. Some of the Council's recommendations are embodied in your committee's bill.

Under present law, the interest on special obligations issued for purchase by the trust funds is related to the average coupon rates on outstanding marketable obligations of the United States that are neither due nor callable until after the expiration of 5 years from the date of original issue. Thus the interest rate on new special obligations is related to the coupon rate that prevailed at some time in the past rather than to the market yield prevailing at the time the special obligation is issued. As a result of the formula in the law, the average interest rate on special obligations issued to the trust funds is now about 2½ percent, while the average yield on outstanding marketable obligations is above 4 percent.

The Advisory Council thought that the rate of return on trust fund investments in special issues should be more nearly equivalent to what the Treasury has to pay for the long-term money it borrows from other investors. This, the Council believed, would avoid both special advantages and special disadvantages to the trust funds. To bring about this result the Council recommended that two changes be made in the law: The interest rate on special obligations should be made equal to the average market yield rather than to the average coupon rate on outstanding long-term marketable obligations, and this interest rate should be based on the average rate of return on outstanding bonds that will mature more than 5 years after the date of the special issue rather than on all bonds that are neither due nor callable until after 5 years from original issue.

In making its proposal that the interest rate on special obligations should be equal to the average market yield on outstanding long-term marketable Federal obligations that will mature more than 5 years after the date the special obligation is issued, the Council recognized that there might be a need for a different interest rate to meet current and near future benefit obligations on a minor part of the funds being held in short-term obligation. This proposal was studied by the trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, who agreed that the interest-rate formula should be changed. The trustees thought, however, that the need to determine what part of the funds should be invested in short-term securities would create an unnecessary burden and that much the same result could be obtained by adopting an interest-rate formula that would be based on the yield of outstanding marketable Federal obligations that would mature more than 3 years after the date of the special issue.

Your committee recognizes the need to give the investments of the old-age, survivors, and disability insurance program more equitable treatment by relating the interest earnings of the funds to the average yield on outstanding long-term obligations. Your committee believes that at the present time, however, an equitable return can be provided for the trust funds with a single formula and interest rate. Accordingly, the bill would relate the interest received on future obligations issued exclusively to the trust funds to the average market yield of all marketable obligations of the United States that are not due or callable for 4 or more years from the time at which the special obligations are issued. Current actuarial cost estimates indicate that this change would, over the long range, provide additional income to the trust funds equivalent to 0.02 percent of payroll on a level-premium basis.

The bill substitutes for the present requirement that the managing trustee purchase marketable obligations unless it is not in the public interest to do so a requirement that he purchase obligations issued exclusively to the trust funds unless it is in the public interest to purchase obligations in the open market.

The bill also provides that the board of trustees as a whole shall have responsibility for reviewing the general policies followed in managing the trust funds and that in keeping with its responsibilities the trustees shall meet at least every 6 months.

F. MISCELLANEOUS PROVISIONS

1. Improving the method of computing benefits

Under the present law a person's average monthly wage, on which his benefit is based, is computed over a span of time that may vary with the time when he files an application for benefits or for a benefit recomputation (and may vary also depending on whether he was in covered work before the year in which he attained age 22). A person who does not understand the rather complicated provisions of the law, or does not know what his earnings will be in future years, may find that he has not applied for benefits at the most advantageous time.

Under present law, for any person who is over "retirement age" (65 for men, 62 for women) when he applies for benefits, the period over which the average monthly wage is computed may end with any one of three "closing dates": (1) The first day of the year in which the insured person was first eligible for old-age insurance benefits (generally the year when he attained retirement age), or (2) the first day of the year in which he filed his application for benefits, or (3) the first day of the following year. If he applies for a recomputation to take account of earnings after entitlement to benefits, the computation period will end, generally, with the first day of the year in which he applies for the recomputation. The present law specifies the use of whichever of these dates yields the largest benefit amount. It is possible, however, that where a worker continued in covered work for some years after he first became eligible for old-age insurance benefits, the use of a "closing date" (not available under the present law) between the beginning of the year in which the worker was first eligible for benefits and any of the other applicable dates would have yielded a higher average monthly wage and a higher benefit amount.

The amendment proposed by your committee would substitute for the present complicated provision, with its sometimes capricious results, a provision for computing the average monthly wage, in retirement cases, on the basis of a constant number of years regardless of when, before age 22, the person started to work or when, after age 65 (age 62 in the case of a woman), he files application for benefits. (The amendment would apply also in death and disability cases.) The number of years, in the retirement case, would be equal to five less than the number of years elapsing after 1950 or after the year in which the individual attained age 21, whichever is later (these are the starting points for computation of the average monthly wage that are generally applicable under the present law), and up to the year in which the person was first eligible for old-age insurance benefits (generally the year in which he attained age 65 (or age 62 in the case

of a woman)). In death and disability cases the number of years would be determined by the date of death or disability. In those cases where a larger benefit would result (because the individual's best earnings were in years before 1951), the number of years would be those elapsing after 1936, rather than after 1950; this alternative is similar to the 1936 alternative "starting date" that is available under present law in such cases. The subtraction of five from the number of elapsed years is the equivalent of the present dropout of the 5 years during which the individual's earnings were the lowest. For persons in the future who will have been under the program for their full working life, the benefit computation in retirement cases will generally be over the highest 38 years for men and the highest 35 years for women (the number of years that would be applicable in the mature program under the present law for people who come on the benefit rolls when they reach retirement age).

The earnings used in the computation would be the earnings in the highest years. Earnings in years prior to attainment of age 22 or after attainment of retirement age could be used if they were higher than earnings in intervening years. The change would thus eliminate, for future cases, the problem that can arise at present when a person does not apply for benefits at the most advantageous time. Moreover, people who continued to work beyond age 65 (age 62 for women) could, by using earnings in later years, get benefits that would be more closely related to their earnings just before actual retirement than are benefits under the present law. The amendment would also make the computation simpler and easier to understand than it is now.

The amendment would, in general, take effect on January 1, 1961. Generally, the span of years to be used for the benefit computation in retirement cases could not be less than five—the number of years that would have to be used under the present law by people who attain retirement age in 1961. (In death and disability cases the number of years could not be less than two.) In those relatively few cases—all of them cases of people eligible for old-age insurance benefits before 1961—where the present type of computation using the year of first eligibility for old-age insurance benefits as a closing date would increase the benefit amount, the present provisions would still be used.

The bill would also make two other technical changes in the computation provisions. The first of these is a change in the method of recomputing benefits. Under the present law a worker's benefit amount may be recomputed, on application, to include earnings in the year in which he filed application for benefits or died (whichever is applicable). This recomputation is restricted to the methods for figuring average earnings and benefit amounts for which the worker qualified at the time of the original determination of his benefit amount, even though the individual, at the time he applies for the recomputation, may meet the basic requirements for the use of a different method that would yield a considerably higher benefit amount. Your committee is recommending a change to permit the use of the most favorable method of figuring average earnings and benefit amounts for which the individual is eligible at the time he applies for the recomputation.

The second of these technical changes would eliminate an unnecessary waiting period now required by law. Under the present law a beneficiary can have his benefit recomputed if he has earnings of more

than \$1,200 in a year after the year in which he became entitled to benefits or in which he filed his last previous application for a work recomputation. The application for the work recomputation may not be filed earlier than 6 months after the close of the year in which the qualifying earnings were received. The 6-month limitation was enacted in 1954 in order to decrease the number of applications to be processed during the first half of the year, when a number of other workloads are at seasonal peaks.

Under the present provisions, beneficiaries who come to district offices of the Social Security Administration during the first half of the year to inquire about work recomputations must come in again at a later time to file the application for the recomputation. It would, of course, be easier for them to file when they first come in. Experience has shown that making such a person come in a second time does not result in an overall saving of work sufficient to overcome the disadvantages to some beneficiaries. Accordingly, the committee's bill would remove the requirement that a beneficiary wait at least 6 months to file an application for the recomputation.

2. Changing the provisions governing payment of the lump-sum death benefit

Under present law, if there is a surviving spouse who was living in the same household with the insured person at the time of the latter's death, the lump-sum death payment is paid to that spouse. About two-thirds of all lump-sum cases are settled in this manner.

If there is no such spouse, the lump-sum death payment is paid as reimbursement to the person (or persons) "equitably entitled thereto to the extent and in the proportions that he or they" paid the total burial expenses. Many families do not have sufficient funds to pay the burial costs; in order to claim the lump sum they must borrow the money to pay the burial expenses.

Your committee's bill would make the lump sum available for meeting the expenses incurred through the funeral home—the major part of the burial expenses—without requiring that the expenses first have been paid. On application of the person who assumed responsibility for the expenses, payment would be made to the funeral home for any part of the funeral home expenses that have not been paid, within the limits of the lump-sum benefits. In the few cases where no one assumes responsibility for the burial expenses within 90 days after the date of the insured person's death, payment would be made on application by the funeral home. If, in addition, part of the funeral home expenses were paid by some person associated with the deceased insured worker, any part of the lump sum that remained (after payment directly to the funeral home for the expenses not otherwise paid) would be paid as reimbursement to the person or persons who paid the funeral home for part of the expenses.

In most cases the total amount of the lump sum will be used up in meeting the funeral home expenses (the maximum on the lump sum is \$255, and the average payment is somewhat less). In the case where the expenses incurred through the funeral home were less than the amount of the lump sum, the remainder of the lump sum would be paid to any person, to the extent and in the proportion that he paid any other expenses of the burial not incurred through the funeral home, as reimbursement for his payment of those expenses, in accord-

ance with the following order of priority: The expense of opening and closing the grave, the expense of the cemetery lot, and other expenses.

The new provisions would eliminate the delays in paying the lump sum that arise under present law from the facts that all of the burial expenses must be known before any of the lump-sum payment can be made, and that only as much of the lump sum can be paid at any time as is equivalent to the portion of the burial expenses that has been paid at that time.

3. Eliminating of certain obsolete recomputations

The bill would simplify the provisions for recomputation of benefits by limiting the use of a number of recomputations that have virtually served their purpose and are now seldom if ever applicable. Under the bill any of these recomputation provisions could be used only if the insured person filed application for it, or died, before 1961. Recomputations that would be affected are:

(a) The recomputation to include self-employment income in a taxable year beginning or ending in 1952 for a person who retired or died in 1952.

(b) The "work" recomputation provided for in 1950 to allow a beneficiary to have included, in the computation of his benefit, earnings he had after he became entitled to benefits. This recomputation has been superseded by the work recomputation in the 1954 amendments; the 1950 provision can apply only where an aged worker was eligible for the work recomputation before 1955.

(c) The recomputation provided for in 1950 to include in the benefit computation the earnings the worker had in the 6 months immediately prior to his death or entitlement to benefits. Such earnings were not available in the record at the time of the worker's initial computation because of the lag in reporting and recording earnings. This "lag" recomputation can apply only to people who came on the benefit rolls or died before September 1, 1954, and have not yet had their earnings in the 6 months prior to entitlement to benefits considered in the benefit computation.

(d) The recomputation to include wage credits for post-World-War-II military service (provided for by the 1952 amendments) where such credits could not have been used at the time of the original computation. It applies only to people (insured workers and survivors) who were on the benefit rolls before September 1952.

4. Modifying the provisions relating to advisory councils on social security financing

Under the present law, an Advisory Council on Social Security Financing is required to study and report on the status of the trust funds prior to each increase in the tax rates. When the law providing for advisory councils on financing was enacted in 1956, the tax increases were scheduled at 5-year intervals. The 1958 amendments accelerated the schedule of tax increases so that the tax rate is to be increased at 3-year intervals, with the next increase scheduled for 1963. This means that under present law an advisory council would have to be appointed this year and issue its report by January 1962.

The first advisory council on financing, which made its report in January 1959, considered the present tax schedule and concluded that the 1963 tax increase should go into effect. Since the council issued its report there has been no significant change in the condition of the

trust funds nor is there any other reason to reexamine the need for the 1963 increase to go into effect. It would therefore be desirable to eliminate the requirement for a review of the status of the trust funds by the end of next year. On the other hand, it does seem desirable that the need for the increases scheduled for 1966 and 1969 be reviewed, and under your committee's bill the provision for an advisory council to be appointed in 1963 and another in 1966 would be retained. Moreover, your committee believes that when the ultimate tax rate is reached there should continue to be periodic reviews of the financing of the program, and the bill therefore provides for additional councils to be appointed every 5 years after 1966.

Your committee's bill would also expand the function of the council that would be appointed in 1963 so that in addition to reviewing the status of the trust funds the council would review and report on the overall status of the old-age, survivors, and disability insurance program, including the coverage of the program, the adequacy of benefits, and all other aspects of the program.

5. Continuing court actions when a new Secretary is appointed

Whenever a new Secretary of Health, Education, and Welfare is appointed, it is necessary, within 6 months of his appointment, to substitute his name on pending court actions in which his predecessor was a party if such actions are to be continued. The requirement for substituting the name of a new Secretary on pending court actions within the time requirement causes inconvenience to claimants, and failure by claimants to take the required action has resulted in the abatement of court actions without consideration by the court of the merits of the case. Your committee's bill would allow pending court actions to continue even though there is a successor to a Secretary or a vacancy in that office. The bill would thus remove a source of irritation to claimants and would remove the harsh effect of abatement of court actions solely because of the failure to substitute on pending actions the name of a successor to a Secretary.

6. Extending a deadline where the ending date for an action falls on a nonwork day

The law provides that certain actions, such as applying for a lump-sum death payment, filing proof of support, or requesting a review in the U.S. district court of a decision of the Secretary, must be taken within a specified period of time in order to be valid. People sometimes try to meet a deadline of this sort by taking the appropriate action on the last day of the period in which it can be done, and if the deadline date falls on a nonwork day, the claimant then finds that he cannot meet the deadline because the offices are closed. Your committee's bill would eliminate this problem by extending any deadline date that falls on a day that is not officially a full workday to the first official full workday immediately following the deadline date.

7. Crediting quarters of coverage for years before 1951

The bill would change the rule for crediting quarters of coverage on the basis of maximum creditable wages paid in years before 1951 to conform to the rule applied in the case of maximum creditable earnings in years after 1950. Generally, under present law, a person who was paid the maximum amount of creditable wages in a calendar year before 1951 is deemed to have a quarter of coverage in each

quarter following his first quarter of coverage in such year. Under the bill, a person who was paid the maximum amount of creditable wages in a calendar year before 1951 would be deemed to have a quarter of coverage in each quarter of such year without regard to when he received his first quarter of coverage. As a result of this change, a small number of people who do not have enough quarters of coverage to be fully insured under the present provisions of law would be credited with additional quarters of coverage. In some of these cases they would become insured for benefits on the basis of these additional quarters of coverage. In addition, the law would be simplified because the same rules for crediting quarters of coverage would apply to all years in which a person had maximum creditable earnings, whether those years occurred before 1951 or after 1950.

8. Correcting technical flaws in the law

(a) Because of a technical defect in the law, benefits cannot now be paid in cases where a child of a disabled person is born or adopted after the worker becomes disabled, or where a child becomes a stepchild through a marriage occurring after the worker becomes disabled. The bill would correct this defect by providing for the payment of child's benefits to a child who is born, or who becomes a worker's stepchild, after the worker becomes entitled to disability insurance benefits, and to a child who is adopted by a worker within 2 years after the worker becomes entitled to disability insurance benefits.

(b) Because of a technical flaw in the law, families of disabled workers at certain levels of average monthly wage where the disabled worker had a period of disability that started before 1959 can get as much as \$7.50 a month more in benefits than survivors of a worker who died before 1959 and who was at the same average monthly earnings levels. The bill would amend the provisions relating to maximum family benefits to eliminate this unintended advantage for those families coming on the benefit rolls after enactment. Since some of the families on the rolls have been getting benefits in the larger amounts for well over a year and have come to depend on the amounts they are getting, it seems desirable not to have the corrective amendment apply to families on the rolls prior to enactment but to let the present provisions continue to apply to them.

(c) Under the foreign work test, a month's benefit must be withheld from an old-age insurance beneficiary (and his dependents) for any month in which he works in noncovered work outside the United States on more than 6 days. If the old-age insurance beneficiary fails to report such employment within a specified time, he may be penalized by the loss of an additional month's benefit. As a general rule, when an old-age insurance beneficiary has such a penalty imposed upon him, his dependents are not also penalized. Because of an oversight, however, a person entitled to a childhood disability benefit or to a mother's insurance benefit who is married to an old-age insurance beneficiary does have a penalty imposed if the old-age insurance beneficiary's work outside the United States is not reported. Your committee's bill would eliminate this additional penalty.

(d) The 1956 amendments made a number of changes in section 201 of the Social Security Act (relating to the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds). As part of these changes, references to "special obligations" were deleted and the words "public debt obligations" were inserted in

their place. Inadvertently this change was not made in subsection (e). The bill would correct this oversight.

V. ACTUARIAL COST ESTIMATES FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

VI. MATERNAL AND CHILD HEALTH AND WELFARE PROVISIONS

Your committee's bill would—

1. Increase the amounts authorized to be appropriated for maternal and child health services, crippled children's services, and child welfare services under title V of the Social Security Act;
2. Improve the maternal and child health and crippled children's provisions of the present law by providing that grants may be made to public or other nonprofit institutions of higher learning for special projects of regional or national significance; and
3. Encourage experimentation and research directed toward new or improved methods in child welfare, through providing that grants may be made for research and demonstration projects in the field of child welfare.

The committee has reviewed developments in the three programs under title V of the Social Security Act, namely, maternal and child health services, crippled children's services, and child welfare services. The continued high birth rate and the increase in the child population, the rising costs of providing services, and the inequality of distribution of the basic child health and child welfare services indicate, in the judgment of your committee, the desirability of further expansion of all three of these programs.

The committee is recommending an increase in the amounts authorized for annual appropriation for each of these programs as follows:

(1) *Financing policy*

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

The concept of actuarial soundness as it applies to the old-age, survivors, and disability insurance system differs considerably from this concept as it applies to private insurance although there are certain points of similarity—especially as concerns private pension plans. In a private insurance program, the insurance company or other administering institution must have sufficient funds on hand so that, if operations are terminated, the plan will be in a position to pay off all the accrued liabilities. This, however, is not a necessary basis for a national compulsory social insurance system. It can

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

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

(2) Actuarial balance of program in past years

The actuarial balance under the 1952 act was estimated, at the time of enactment, to be virtually the same as in the estimates made at the time the 1950 act was enacted, as shown in table 1. This was the case because the estimates for the 1952 act took into consideration the rise in earnings levels in the 3 years preceding the enactment of that act. This factor virtually offset the increased cost due to the benefit liberalizations made. New cost estimates made 2 years after the enactment of the 1952 act indicated that the level-premium cost (i.e., the average long-range cost, based on discounting at interest, relative to taxable payroll) of the benefit disbursements and administrative expenses was somewhat more than 0.5 percent of payroll higher than the level-premium equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

The 1954 amendments as passed by the House of Representatives contained an adjusted contribution schedule that not only met the increased cost of the benefit changes in the bill, but also reduced the aforementioned lack of actuarial balance to the point where, for all practical purposes, it was sufficiently provided for. The bill as it passed the Senate, however, contained several additional liberalized benefit provisions without any offsetting increase in contribution income. Accordingly, although the increased cost of the new benefit provisions was met, the "actuarial insufficiency" as then estimated for the 1952 act was left substantially unchanged under the Senate-approved bill. The benefit costs for the 1954 amendments as finally enacted fell between those of the House- and Senate-approved bills. Accordingly, it may be said that under the 1954 act, the increase in the contribution schedule met all the additional cost of the benefit changes proposed and at the same time reduced substantially the

actuarial insufficiency that the then-current estimates had indicated in regard to the financing of the 1952 act.

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

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

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

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

At the beginning of 1960, the cost estimates for the old-age, survivors, and disability insurance system were reexamined and were modified in certain respects. The earnings assumption had previously been based on the 1956 level, and this was changed to reflect the 1959 level. Also, data first became available on the detailed operations of the disability provisions for 1956, which was the first full year of operation that did not involve picking up “backlog” cases. It was found that the number of persons who meet the insured-status conditions to be eligible for these benefits had been significantly overestimated. It was also found that the disability experience in respect to eligible women was considerably lower than had been originally

estimated, although the experience for men was very close to the intermediate estimate. Accordingly, revised assumptions were made in regard to the disability-insurance portion of the program.

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

(3) Basic assumptions for cost estimates

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

The cost estimates are presented here on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors. Both the low- and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1959. In addition to the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low- and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions.

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

The cost estimates have been prepared on the basis of the same assumptions and methodology as those contained in the "Twentieth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" (H. Doc. No. 352, 86th Cong.).

The previous estimates made as to the cost of the disability insurance program were based on the same general assumptions that were used in the estimates prepared at the time of the 1956 amendments. Now there are sufficient data available from the actual operation

of the program to suggest that some changes should be made in these assumptions.

The 1956 experience on disability incidence rates for men fell practically midway between the low- and high-cost assumptions. For women, however, the actual experience was about 25 percent lower than for men instead of 50 to 100 percent higher, as had been assumed. Accordingly, the incidence rates for men used previously are continued, and those for women are lowered to the same values as the male rates (a small margin of safety or conservatism). It is, of course, recognized that in many disability benefit programs the experience of the early years is much lower than in later years. In adopting these assumptions for the long-range estimates, however, account is taken of the fact that it is not within the jurisdiction of the Department of Health, Education, and Welfare to liberalize the definition of disability by administrative action. Furthermore, it is assumed that there will be no court decisions that will have the general effect of liberalizing the definition of disability. Moreover, as indicated earlier, the estimates presuppose a continued high level of employment.

In the high-cost estimates, disability incidence rates for men are based on the so-called 165 percent modification of class 3 rates (which includes increasingly higher percentages for ages above 45). This 165 percent modification corresponds roughly to life insurance company experience during the early 1930's. Incidence rates assumed for women are the same as those for men (instead of 100 percent higher, as previously). Termination rates are class 3 rates (relatively high, to be consistent with the high incidence rates assumed).

For the low-cost estimates, disability incidence rates for men are based on 25 percent of those used in the high-cost estimates, or, in other words, on the average, about 45 to 50 percent of the class 3 rates, considering the larger adjustments above age 45. Incidence rates assumed for women are the same as those for men (instead of 50 percent higher, as previously). Termination rates are based on German social security experience for 1924-27, which is the best available experience as to relatively low disability termination rates to be anticipated in conjunction with low incidence rates.

The incidence rates actually used for both estimates are 10 percent below the above rates because, unlike the general definition in insurance company policies, disability is not presumed to be total and of expected long-continued duration after 6 months' duration, but rather long-continued duration must be proved at that time.

It will be noted that the low-cost estimate includes low incidence rates (which, taken by themselves, produce low costs) and also low termination rates (which taken by themselves produce higher costs, but which are considered necessary since with low incidence rates there would tend to be few recoveries). On the other hand, the high-cost estimate contains high incidence rates that are somewhat offset by high termination rates.

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

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

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

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

An important element affecting old-age, survivors, and disability insurance costs arose through amendments made to the Railroad Retirement Act in 1951. These provide for a combination of railroad retirement compensation and social security covered earnings in determining benefits for those with less than 10 years of railroad service (and also for all survivor cases).

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

Another important element affecting the financing of the program arose through legislation in 1956 that provided for reimbursement

from general revenues for past and future expenditures in respect to the noncontributory credits that had been granted for persons in military service before 1957. The cost estimates contained here reflect the effect of these reimbursements (which are included as contributions), based on the assumption that the required appropriations will be made in 1961 and thereafter.

(4) *Results of intermediate-cost estimates*

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

The Congress, in enacting the 1950 act and subsequent legislation, was of the belief that the old-age, survivors, and disability insurance program should be on a completely self-supporting basis or, in other words, actuarially sound. Therefore, a single estimate is necessary in the development of a tax schedule intended to make the system self-supporting. Any specific schedule will necessarily be somewhat different from what will actually be required to obtain exact balance between contributions and benefits. This procedure, however, does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, exact self-support cannot be obtained from a specific set of integral or rounded fractional tax rates increasing in orderly intervals, but rather this principle of self-support should be aimed at as closely as possible.

The contribution schedules contained in the present law and in the bill are the same, as is also the annual maximum earnings base to which these tax rates are applied, namely, \$4,800. These schedules are as follows:

Calendar year	Employee rate (same for employer)	Self-employed rate
	<i>Percent</i>	<i>Percent</i>
1960 to 1962.....	3	4½
1963 to 1965.....	3½	5¼
1966 to 1968.....	4	6
1969 and after.....	4½	6¾

A change made by the bill that has the effect of increasing the income to the system is the revised basis for determining the interest rate on public-debt obligations issued for purchase by the trust funds (special issues), which constitute a major portion of the investments of the trust funds. This basis has previously been discussed in detail. It would have the immediate effect of gradually increasing the interest income of the trust funds as compared with the present basis. The ultimate effect of the new basis would probably be only a slight increase in the interest income of the system since, over the long run, the market rates and the coupon rates on long-term Government obligations tend to be about the same.

The gain over the immediate-future years and the small possible long-run advantage of the new interest basis are reflected in the cost

estimates for the bill by using a level interest rate of 3.02 percent for the level-premium calculations. This rate is the overall equivalent of the varying interest rates, developed on a year-by-year basis, used in the development of the progress of the trust funds. These varying interest rates have been estimated from the existing maturity schedule of special issues and from assumed average market rates on long-term Government obligations, running from their present level of over 4 percent down to about 3 percent ultimately. The interest rate used in the cost estimates for the 1958 act was 3 percent (except that in developing the progress of the trust funds, a slightly lower rate was used for the first few years).

Table 1 has shown that the bill would slightly increase the lack of actuarial balance of the old-age and survivors insurance system, from 0.20 percent of payroll to 0.23 percent of payroll. The disability insurance system would have a lack of actuarial balance of 0.06 percent of payroll under the bill, as compared with the 0.15 percent actuarial surplus under the provisions of the 1958 act. The effect of the bill on the combined old-age, survivors, and disability insurance system would be an actuarial deficit of 0.29 percent of payroll, which is well within the margin of variation possible in actuarial cost estimates, and which is about the same as has generally prevailed in the past when the system has been considered to be in substantial actuarial balance. If the cost estimates had been based on a higher interest rate than 3.02 percent (which is somewhat above the current level being earned by the trust funds although considerably below the prevailing market rate of interest on long-term Government obligations), the lack of actuarial balance would have been considerably less than 0.29 percent of payroll. In fact, if an interest rate of 3½ percent had been hypothesized, the cost estimates would show no actuarial deficit.

Table 2 traces through the change in the actuarial balance of the system from its situation under the 1958 act, according to the latest estimate, to that under the bill, by type of the major changes proposed:

It should be emphasized that in 1950 and in subsequent amendments, the Congress did not recommend that the old-age and survivors insurance 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 the level-premium rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will develop, although not as large as would arise under a level-premium tax rate. This fund 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.

The level-premium cost of the old-age and survivors insurance benefits (without considering administrative expenses and the effect of interest earnings on the existing trust fund) under the 1958 act, according to the latest intermediate-cost estimate, is about 8.5 percent of payroll, and the corresponding figure for the bill is about the same. Similarly, the corresponding figures for the disability benefits are 0.35 percent for the 1958 act and 0.56 percent for the bill.

Table 3 presents the benefit costs under the bill separately for each of the various types of benefits.

The level-premium contribution rates equivalent to the graded schedules in the 1958 act and in the bill may be computed in the same manner as level-premium benefit costs. These are shown in table 1 for income and disbursements after 1959. Figures for the net actuarial balances are also shown in table 1.

If the bill were to become law in 1960, old-age and survivors insurance benefit disbursements for the calendar year 1960 would not be increased significantly (perhaps by about \$60 million) since the effective date for the liberalized insured status provisions is the month after the month of enactment, and that for the increased child survivor benefits is the third month after the month of enactment. There would, of course, be virtually no additional income during 1960 since the coverage extensions are generally effective on January 1, 1961 (or else the contributions therefor are not due until 1961).

In calendar year 1961, old-age and survivors insurance benefit disbursements under the bill would total about \$11.4 billion, or an increase of about \$250 million over present law. At the same time, contribution income for old-age and survivors insurance for 1961—taking into account the administrative lag in collecting the taxes—would amount to about \$11.1 billion under the bill, or \$50 million more than under present law. Thus, the excess of benefit outgo over contribution income would be increased from an estimated \$50 million under present law to about \$250 million under the bill. The old-age and survivors insurance trust fund, on the basis of this estimate, would not decrease as much as this, but rather by about \$175 million, because the interest receipts would exceed outgo for administrative expenses and transfers to the railroad retirement account.

In 1962, old-age and survivors insurance benefit disbursements under the bill would, according to the intermediate-cost estimate, be \$11.8 billion, or an increase of \$300 million over the present law. At the same time, contribution income for old-age and survivors insurance for 1962 would be \$11.4 billion under the bill, or \$50 million more than under present law. Accordingly, in 1962, there would be an excess of benefit outgo over contribution income of about \$450 million under the bill, whereas under present law there would be a corresponding figure of \$200 million. Under the bill, the situation would reverse in 1963 (as a result of the scheduled increase in the tax rate), and there would be an excess of contributions over benefit outgo of \$1.1 billion in 1963 and about \$1.3 billion in 1964.

The old-age and survivors insurance trust fund will thus decrease slightly in 1961–62 from its estimated size of \$20.1 billion at the end of 1960, declining to \$20.0 billion at the end of 1961 and \$19.6 billion at the end of 1962. At the end of 1963, however, it is estimated to rise to \$20.8 billion and to over \$22 billion at the end of 1964.

The foregoing figures are based on the assumption of the continuation of the 1959 earnings level. If earnings continue to rise in the future as they have in the past, then the near-future situation—if the law remains unchanged—will be that both contribution income and benefit outgo will be increased. However, contributions will rise more rapidly than benefits so that the financial status of the trust fund will be somewhat more favorable than as is stated above. Thus, under these assumptions, the balance in the trust fund at the end of 1961 would be about \$100 million higher than indicated above (but still about \$75 million lower than the estimate for the end of 1960).

Similarly, the situation in 1962 would be somewhat more favorable, but nonetheless the trust fund would probably decline by at least \$300 million that year.

As to the disability insurance system, benefit disbursements for the calendar year 1960 would be increased by about \$50 million since the elimination of the age-50 limitation would be effective for benefits for the second month after the month of enactment. There would be virtually no additional contribution income to the trust fund during the year. In calendar year 1961, such benefit disbursements under the bill would total about \$800 million, or an increase of about \$200 million over present law. At the same time, contribution income for the disability insurance system for 1961 would show only a small increase over present law. Nonetheless, in 1961 there would be an excess of contribution income over benefit outgo of about \$225 million. Similarly, in 1962 and the years immediately following, contribution income would be well in excess of benefit outgo.

Under an assumption of rising earnings in the near future, the disability insurance trust fund would increase somewhat more rapidly than as indicated above. Thus, the growth in 1961 would be about \$260 million instead of \$248 million based on a level earnings assumption.

Table 4 gives the estimated operation of the old-age and survivors insurance trust fund under the bill for the long-range future, based on the intermediate-cost estimate. It will, of course, be recognized that the figures for the next two or three decades are the most reliable (under the assumption of level-earnings trends in the future) since the populations concerned—both covered workers and beneficiaries—are already born. As the estimates proceed further into the future, there is, of course, much more uncertainty—if for no reason other than the relative difficulty in predicting future birth trends—but it is desirable and necessary nonetheless to consider these long-range possibilities under a social-insurance program that is intended to operate in perpetuity.

In every year after 1962 for almost the next 30 years, contribution income 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, reaching \$43 billion in 1970, \$86 billion in 1980, and \$153 billion at the end of this century. In the very far distant future, namely, in about the year 2030, the trust fund is estimated to reach a maximum of about \$315 billion, and then decrease slowly. Nevertheless, even 90 years from now, this estimate would show a trust fund of about \$230 billion.

The fact that the old-age and survivors insurance trust fund would not become exhausted until somewhat more than a century hence, indicates that the tax schedule contained in the present law (not changed by the bill) is not quite self-supporting although it is, for all practical purposes, sufficiently close so that the system may be said to be actuarially sound. This general situation was also true for the 1950 act and for subsequent amendments, according to the estimates made when they were being considered.

The disability insurance trust fund grows steadily for the next 10 years and then decreases slowly, according to the intermediate-cost estimate, as shown by table 5. In 1970, it is shown as being \$3.4 billion, while in 1980 and 1990, the corresponding figures are \$2.6 and \$0.9 billion, respectively. There is an excess of contribution income over benefit disbursements for every year up to about 1968, and even thereafter the trust fund continues to grow because of its interest earnings. This trust fund is shown to decline after 1970, which is to be expected since the level-premium cost of the disability benefits according to the intermediate-cost estimate is slightly higher than the level-premium income, 0.50 percent of payroll. As the experience develops, it will be necessary to study it very carefully to determine whether the actuarial cost factors used are appropriate or if the financing basis needs to be modified. The use of slightly less conservative cost factors would result in the cost estimates for the disability insurance system probably showing it to be completely in actuarial balance, with a trust fund that would grow steadily and level off rather than declining.

(5) Results of cost estimates on range basis

Table 6 shows the estimated operations of the old-age and survivors insurance trust fund for the low- and high-cost estimates, while table 7 gives corresponding figures for the disability insurance trust fund. Under the low-cost estimate, the old-age and survivors insurance trust fund builds up quite rapidly and in the year 2000 is shown as being about \$270 billion and is then growing at a rate of about \$15 billion a year. Likewise, the disability insurance trust fund grows steadily under the low-cost estimate, reaching about \$10 billion in 1980 and \$26 billion in the year 2000, at which time its annual rate of growth is about \$1 billion. For both trust funds, under these estimates, after 1962, benefit disbursements do not exceed contribution income in any year in the foreseeable future.

On the other hand, under the high-cost estimate, the old-age and survivors insurance trust fund builds up to a maximum of about \$72 billion in about 25 years, but decreases thereafter until it is exhausted in the year 2008. Under this estimate, benefit disbursements from the old-age and survivors insurance trust fund are less than contribution income during all years after 1962 and before 1980.

As to the disability insurance trust fund, under the high-cost estimate, in the early years of operation the contribution income is about the same as the benefit outgo. Accordingly, the disability insurance trust fund, as shown by this estimate, would be about \$2.5 billion during 1961-64 and would then slowly decrease until being exhausted in 1973.

The foregoing results are consistent and reasonable, since the system on an intermediate-cost-estimate basis is intended to be approximately self-supporting, as indicated previously. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice, under the philosophy in the 1950 and subsequent acts, as set forth in the committee reports therefor, the tax schedule would be adjusted in future years so that none of the developments of the trust funds shown in tables 6 and 7 would ever eventuate. Thus, if experience followed the low-cost estimate, and if

the benefit provisions were not changed, the contribution rates would probably be adjusted downward—or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled. At any rate, the high-cost estimate does indicate that, under the tax schedule adopted, there would be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience.

Table 8 shows the estimated costs of the old-age and survivors insurance benefits and of the disability insurance benefits under the bill as a percentage of payroll through the year 2050 and also the level-premium cost of the two programs for the low-, high-, and intermediate-cost estimates (as was previously shown in tables 1 and 3 for the intermediate-cost estimate).

(6) *Summary of actuarial cost estimates*

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

The old-age and survivors insurance system as modified by the bill is about as close to actuarial balance, according to the intermediate-cost estimate, as is the present law. The system as modified by the bill, and the system as it was modified by the previous amendments, has been shown to be not quite self-supporting under the intermediate-cost estimate. Nevertheless, there is close to an exact balance, especially considering that a range of variation is necessarily present in the long-range actuarial cost estimates and that rounded tax rates are used in actual practice. Accordingly, the old-age and survivors insurance program, as it would be amended by this bill, is actuarially sound. The cost of the liberalized benefits is, for all practical purposes, met by the financing provided.

The separate disability insurance trust fund established under the 1956 act shows a small lack of actuarial balance because the contribution rate allocated to this fund is slightly less than the cost for the disability benefits, based on the intermediate-cost estimate. Considering the variability of cost estimates for disability benefits and certain elements of conservatism believed to be present in these estimates, this small actuarial deficit is not significant.

TABLE 1.—Actuarial balance of old-age, survivors, and disability insurance program under various acts for various estimates on an intermediate-cost basis

[Percent]

Legislation	Date of estimate	Level-premium equivalent ¹		
		Benefit costs ²	Contributions	Actuarial balance ³
Old-age, survivors, and disability insurance ⁴				
1950 act.....	1950	6.05	5.95	-0.10
1952 act.....	1952	5.85	5.75	-.10
1952 act.....	1954	6.62	6.05	-.57
1954 bill (House).....	1954	7.34	7.12	-.22
1954 act.....	1954	7.50	7.12	-.38
1954 act.....	1956	7.45	7.29	-.16
1956 act.....	1956	7.85	7.72	-.13
1956 act.....	1958	8.25	7.83	-.42
1958 act.....	1958	8.76	8.52	-.24
1958 act.....	1960	8.73	8.68	-.05
1960 bill (House).....	1960	8.97	8.68	-.29
Old-age and survivors insurance ⁴				
1956 act.....	1956	7.43	7.23	-0.20
1956 act.....	1958	7.90	7.33	-.57
1958 act.....	1958	8.27	8.02	-.25
1958 act.....	1960	8.38	8.18	-.20
1960 bill (House).....	1960	8.41	8.18	-.23
Disability insurance ⁴				
1956 act.....	1956	0.42	0.49	+0.07
1956 act.....	1958	.35	.50	+.15
1958 act.....	1958	.49	.50	+.01
1958 act.....	1960	.35	.50	+.15
1960 bill (House).....	1960	.56	.50	-.06

¹ Expressed as a percentage of taxable payroll.

² Including adjustments (a) to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate, (b) for the interest earnings on the existing trust fund, and (c) for administrative expense costs.

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

⁴ The disability insurance program was inaugurated in the 1956 act so that all figures for previous legislation are for the old-age and survivors insurance program only.

TABLE 2.—Changes in estimated level-premium cost of benefit payments as percentage of taxable payroll, by type of change, intermediate-cost estimate, 1958 act and 1960 bill

[Percent]

Item	Old-age and survivors insurance	Disability insurance
Lack of balance (-) or surplus (+) under 1958 act.....	-0.20	+0.15
Elimination of age-50 requirement for disability benefits.....		-.20
Other disability benefit changes ¹		-.01
Increase in child survivor benefits.....	-.02	
Liberalization of fully insured status.....	-.04	
Extension of coverage.....	+.01	
Improved yield of trust fund investments.....	+.02	
Lack of balance (-) or surplus (+) under bill.....	-.23	-.06

¹ Elimination of 2d waiting period for recurrence of disability and liberalization of trial work period.

TABLE 3.—Estimated level-premium cost of benefit payments, administrative expenses, and interest earnings on existing trust fund under bill as percentage of taxable payroll,¹ by type of benefit, intermediate-cost estimate at 3.02 percent interest

[Percent]

Item	Old-age and survivors insurance	Disability insurance
Primary benefits.....	5.97	0.44
Wife's benefits.....	.58	.05
Widow's benefits.....	1.25	(2)
Parent's benefits.....	.02	(2)
Child's benefits.....	.45	.07
Mother's benefits.....	.11	(2)
Lump-sum death payments.....	.12	(2)
Total benefits.....	8.50	.56
Administrative expenses.....	.10	.02
Interest on existing trust fund ³	-.19	-.02
Net total level-premium cost.....	8.41	.56

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

² This type of benefit not payable under this program.

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

TABLE 4.—Progress of old-age and survivors insurance trust fund under bill, high-employment assumptions, intermediate cost estimate at 3.02 percent interest¹

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial inter-change ²	Interest on fund ¹	Balance in fund ³
Actual data						
1951.....	\$3,367	\$1,885	\$81	-----	\$417	\$15,540
1952.....	3,819	2,194	88	-----	365	17,442
1953.....	3,945	3,006	88	-----	414	18,707
1954.....	5,163	3,670	92	-----	468	20,576
1955.....	5,713	4,968	119	-----	461	21,663
1956.....	6,172	5,715	132	-----	531	22,519
1957.....	6,825	7,347	4162	-----	557	22,393
1958.....	7,566	8,327	4194	-\$121	549	21,864
1959.....	8,052	9,842	184	-275	525	20,141
Estimated data						
1960.....	\$10,747	\$10,770	\$203	-\$278	\$506	\$20,143
1961.....	11,096	11,352	206	-237	523	19,967
1962.....	11,378	11,825	212	-263	533	19,578
1963.....	13,381	12,270	218	-247	571	20,795
1964.....	14,046	12,715	224	-223	648	22,327
1965.....	14,356	13,162	230	-236	717	23,772
1970.....	20,253	16,213	245	-147	1,333	42,699
1975.....	21,904	19,086	260	-101	1,922	65,947
1980.....	23,561	22,129	270	-9	2,494	85,638
2000.....	31,759	30,789	356	76	4,468	152,767
2020.....	38,610	42,236	456	76	8,610	291,704

¹ An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

² A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse. Interest payment adjustments between the 2 systems are included in the "Interest" column.

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

⁴ These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

TABLE 5.—Progress of disability insurance trust fund under bill, high-employment assumptions, intermediate cost estimate at 3.02 percent interest ¹

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund ¹	Balance in fund
Actual data					
1957.....	\$702	\$57	² \$3	\$7	\$649
1958.....	966	249	² 12	25	1,379
1959.....	891	457	50	41	1,825
Estimated data					
1960.....	\$1,007	\$590	\$47	\$53	\$2,253
1961.....	1,031	799	46	62	2,501
1962.....	1,047	872	47	70	2,699
1963.....	1,063	922	48	79	2,871
1964.....	1,079	972	49	88	3,017
1965.....	1,093	1,020	50	196	3,136
1970.....	1,186	1,230	53	114	3,438
1975.....	1,285	1,404	58	99	3,248
1980.....	1,383	1,553	62	81	2,640
2000.....	1,866	2,058	80	(³)	(³)
2020.....	2,270	2,715	103	(³)	(³)

¹ An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

² These figures are artificially low because of the method of reimbursements between this trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

³ Fund exhausted in 1996.

NOTE.—No figures are shown for the railroad retirement financial interchange provisions since, for this trust fund, it is estimated that the payments involved (in whichever direction) will be relatively small.

TABLE 6.—Estimated progress of old-age and survivors insurance trust fund under bill, high-employment assumptions, low- and high-cost estimates

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange ¹	Interest on fund	Balance in fund
Low-cost estimate						
1965.....	\$14,393	\$12,892	\$220	-\$207	\$763	\$25,434
1970.....	20,308	15,871	230	-87	1,460	46,841
1975.....	22,106	18,599	240	-46	2,158	74,278
1980.....	24,059	21,202	250	37	2,943	101,728
2000.....	34,370	27,871	332	113	7,879	271,902
High-cost estimate						
1965.....	\$14,319	\$13,435	\$240	-\$265	\$674	\$22,201
1970.....	20,198	16,557	260	-207	1,208	38,645
1975.....	21,703	19,637	280	-156	1,683	57,514
1980.....	23,063	23,054	290	-55	2,036	69,294
2000.....	29,149	33,709	379	39	1,044	² 33,151

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

² Fund exhausted in 2008.

TABLE 7.—Estimated progress of disability insurance trust fund under bill, high-employment assumptions, low-cost and high-cost estimates

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund
Low-cost estimate					
1965.....	\$1,096	\$820	\$47	\$116	\$3,909
1970.....	1,189	935	51	185	5,771
1975.....	1,297	1,051	55	229	7,818
1980.....	1,412	1,162	58	293	10,104
2000.....	2,020	1,581	78	766	26,316
High-cost estimate					
1965.....	\$1,090	\$1,231	\$52	\$78	\$2,436
1970.....	1,183	1,527	55	45	1,166
1975.....	1,273	1,756	62	(1)	(1)
1980.....	1,354	1,947	66	(1)	(1)
2000.....	1,713	2,535	82	(1)	(1)

¹ Fund exhausted in 1973.

NOTE.—No figures are shown for the railroad retirement financial interchange provisions since, for this trust fund, it is estimated that the payments involved (in whichever direction) will be relatively small.

TABLE 8.—Estimated cost of benefits of old-age, survivors, and disability insurance system as percent of payroll,¹ under bill

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate ²
Old-age and survivors insurance benefits			
1970.....	6.67	6.99	6.83
1980.....	7.51	8.52	8.00
1990.....	7.69	9.73	8.66
2000.....	6.90	9.84	8.25
2025.....	7.77	12.95	9.92
2050.....	9.84	14.78	11.76
Level-premium cost ³	7.39	9.64	8.41
Disability insurance benefits			
1970.....	0.39	0.65	0.52
1980.....	.41	.72	.56
1990.....	.39	.71	.54
2000.....	.39	.74	.55
2025.....	.45	.82	.60
2050.....	.49	.85	.63
Level-premium cost ³.....	.43	.72	.56
		Current authorization	Recommended authorization
Maternal and child health services.....		\$21,500,000	\$25,000,000
Crippled children's services.....		20,000,000	25,000,000
Child welfare services.....		17,000,000	20,000,000

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

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

³ Level-premium contribution rate, at 3.02 percent interest rate, for benefits after 1959, taking into account interest on the Dec. 31, 1959 trust fund, future administrative expenses, and the lower contribution rates payable by the self-employed.

Not to exceed 25 percent of the amounts appropriated under section 502(b) and section 512(b) are currently reserved each year for special project grants to State agencies administering grants for maternal and child health and crippled children's services. While the present statute does not permit making grants directly to institutions of higher learning, State agencies are in some instances contracting with them for special projects. In order to simplify and improve the present procedures the committee's bill authorizes making such grants directly to public and nonprofit institutions of higher learning as well as to the State agencies, on such conditions as the Secretary finds necessary for carrying out the purposes of the grants.

The committee has considered the report of the Advisory Council on Child Welfare Services, submitted pursuant to the Social Security Amendments of 1958. One of the recommendations made by the Council was that—

Federal legislation provide for grants to research organizations, institutions of higher learning, and public and voluntary social agencies for demonstration and research projects in child welfare.

The committee believes that grants for these projects would encourage discovery of the fundamental factors that contribute to the incidence of family disruption, neglect, and emotional instability of children. These grants would also stimulate experimentation and research focused on new and improved methods for child welfare programs, and give direction to the effective use of public and voluntary agency resources. Effective demonstration of improved program methods will help States to strengthen their child welfare programs in ways most suited to the changing needs of today's society.

Accordingly, the bill reported by your committee provides for a new section under the child welfare provisions of the act which would permit implementation of the recommendation of the Advisory Council on Child Welfare Services through authorizing grants for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare.

VII. EMPLOYMENT SECURITY

A. PURPOSE AND SUMMARY

The purpose of title V of your committee's bill is to improve and extend the existing Federal-State program of employment security.

Title V of the bill (1) raises the net Federal unemployment tax (the tax that may not be offset by a credit for taxes paid under a State program) from three-tenths to four-tenths of 1 percent on the first \$3,000 of covered wages; (2) provides that the proceeds of this higher Federal tax after covering the administrative expenses of the employment security program will be available to build up a larger fund for advances to States whose reserves have been depleted; (3) makes additional improvements in the arrangements for administrative financing; and (4) improves the operation of the Federal unemploy-

ment account by tightening the conditions pertaining to eligibility for and repayment of advances.

Title V also extends the coverage of the unemployment compensation programs to several groups not presently covered. It is estimated that from 60,000 to 70,000 additional employees would be brought under the unemployment compensation system by this extension.

Title V, in addition, provides that Puerto Rico will be treated as a State for the purposes of the unemployment compensation program.

B. GENERAL EXPLANATION

Title V of the bill contains four parts. Part 1 provides that this title may be cited as the "Employment Security Act of 1960." Part 2 deals with the increased Federal unemployment tax, with provisions for an increased "loan" fund, and for improved administrative financing. Part 3 extends the coverage of the unemployment compensation program to service performed by additional groups of employees. Part 4 extends the Federal-State unemployment compensation program to Puerto Rico.

Part 2. Employment security administrative financing amendments

Part 2 amends titles IX and XII of the Social Security Act and chapter 23 of the Internal Revenue Code of 1954. Broadly, the purpose of these amendments is to provide adequate funds for administration and for advances to States whose unemployment reserves have been depleted by heavy unemployment. The amendments will improve the operation of the present "loan" fund in several particulars. The amendments also authorize annual appropriations to cover the expenses of administration of the State unemployment insurance programs and the State public employment offices in amounts more consistent with the current levels of expenditure in this area.

As under present law, funds collected through the Federal and State unemployment tax will be held in the Unemployment Trust Fund and invested in Government securities. Part 2 of title V contains provisions relating to the various accounts within the Unemployment Trust Fund. State unemployment taxes will, as now, be credited to the State's account in the Unemployment Trust Fund. The entire proceeds of the Federal unemployment tax will be credited initially to a new account, the employment security administration account. Part 2 authorizes appropriations for transfer from the employment security administration account of amounts covering the administrative expenses of the employment security program. The amount that may be appropriated for transfer from the employment security administration account to the States for administering their unemployment compensation laws and for the maintenance of public employment offices is limited to \$350 million a year. The actual expenditure for these items in fiscal year 1959 was \$310 million and the estimated expenditure for fiscal year 1960 is \$324 million.

Part 2 also authorizes payment from the employment security administration account for expenses incurred by the Departments of Labor and Treasury in connection with the employment security program (other than the Temporary Unemployment Compensation Act of 1958). The Treasury is permitted to charge against the employment security administration account the expenses of banks

for servicing unemployment benefit and clearing accounts which are offset by the maintenance of balances of Treasury funds with such banks. This latter expense is not now treated as an administrative expense of the unemployment compensation program. Historically, the Treasury has maintained deposits in commercial banks, on which the Treasury obtains no interest, in order to offset the costs incurred by such banks in handling Government business.

The additional payments by employers through reduction in tax credits in particular States (1) to repay advances made to the State under title XII, or (2) to restore to the Treasury amounts expended in such States under the Temporary Unemployment Compensation Act of 1958, will also be received in the employment security administration account. These amounts will be appropriately transferred and will not be taken into account in the various provisions described below involving the net balance in the employment security administration account.

It is expected that as a result of the increase in the Federal tax to 0.4 percent there will be an excess in the employment security administration account at the end of fiscal year 1962. This will result from the tax receipts being in larger amounts than necessary to pay for the administrative expenses connected with the employment security program.

The new section 902 provides that any excess in the employment security administration account at the end of any fiscal year will be transferred to the Federal unemployment account, the account out of which advances to States are made. These transfers to the Federal unemployment account will be continued until such account reaches a level of \$550 million or four-tenths of 1 percent of total wages subject to State unemployment taxes, whichever is higher. The four-tenths of 1 percent of covered payroll will exceed \$550 million when the covered payroll exceeds \$137.5 billion. For fiscal year 1960, it is expected that the covered payroll will be about \$116 billion.

Under present law, any excess of Federal unemployment tax receipts over administrative expenses is allocated to the Federal unemployment account to bring the Federal unemployment account up to \$200 million in cash, but repayments by the States of advances could increase the Federal unemployment account to an amount over \$200 million. Under part 2, funds may be transferred to the Federal unemployment account at the end of any fiscal year to bring it up to its statutory limit of \$550 million or four-tenths of 1 percent of covered payroll. If repayment of advances from the Federal unemployment account causes such account to exceed the statutory limit at the end of any fiscal year, however, the excess over the statutory limit would be transferred to the employment security administration account. Any amount so transferred shall be included as part of the employment security administration account in computing the excess in the account at the close of that fiscal year.

After the Federal unemployment account is built up to its statutory limit, the bill provides that any remaining excess of Federal unemployment taxes over the administrative expenses will be retained in the employment security administration account until that account shows a net balance at the close of the fiscal year of \$250 million. The purpose of this net balance in the employment security administration account is to provide funds out of which the administrative

expenses can be paid during each fiscal year prior to the receipt of the bulk of the Federal unemployment tax in January and February.

Under the present law, the proceeds of the Federal unemployment tax are covered into the general fund of the Treasury and the administrative expenses and the transfers of excess collections are paid out of the general fund. The creation of the employment security administration account involves a separate funding of these receipts and outlays. Ultimately, it is the purpose of part 2 to provide for financing administrative expenses entirely out of Federal unemployment tax collections. To take care of periods before this ultimate goal is reached, part 2 provides for the creation of a revolving fund in the Treasury for advances to the employment security administration account to cover administrative expenses during the portion of each fiscal year before the bulk of the Federal tax receipts come in. These advances will bear interest equal to the average rate of interest on all interest-bearing obligations of the United States. Since the tax collections are placed in the employment security administration account which, as a part of the Unemployment Trust Fund, will earn interest, such interest will partially offset the interest paid on advances from the revolving fund.

Advances from the revolving fund to the employment security administration account are to be repaid from time to time in such amounts as the Secretary of the Treasury (in consultation with the Secretary of Labor) determines to be available in the employment security administration account for such repayment. It is anticipated that such advances will be made only in such amounts, and for such duration, as will be necessary to provide working funds in the employment security administration account.

Part 2 provides that any excess will be retained in the employment security administration account beyond the end of a fiscal year only after the Federal unemployment account has been built up to its statutory limit. Once an amount has been so retained in the employment security administration account, however, then future determinations of the excess available for transfers from this account may not result in reducing the end-of-the-year net balance below the highest previous beginning-of-the-year net balance.

Part 2 provides that after the Federal unemployment account is built up to its statutory limit, after the year-end net balance of the employment security administration account reaches \$250 million, and after any advances from the general fund of the Treasury to the Federal unemployment account have been repaid, any remaining excess in the employment security administration account will be distributed to the State accounts in the same manner as is provided under present law. Unlike present law, however, part 2 provides that if at the time of this distribution of surplus Federal taxes a State has outstanding advances under title XII, that State's share of the surplus funds shall first be used to reduce these outstanding advances.

Part 2 also amends title XII of the Social Security Act, the title that provides for advances to State unemployment funds. Under present law a State may apply for an advance if its reserve at the end of a calendar quarter is less than the total compensation paid out during the preceding four quarters. Your committee found that this was not a sufficient test of a State's need for additional funds. Two States were eligible for and received advances under the present law which they have never used.

Part 2, therefore, permits a State's eligibility for advances to be determined at any time. Advances will be made in amounts which the Secretary of Labor estimates will be required to pay compensation during the current or following month, after taking into account available reserves and income to be received during the month in the State unemployment fund. In making such estimates, the Secretary may include an additional amount to cover unexpected contingencies such as decreases in tax receipts due to delinquencies, increases in benefit payments due to unusual weather conditions or an unannounced layoff by a large firm, or other factors. The aggregate amount that the Secretary of Labor may certify in any month may not exceed the amount in the Federal unemployment account.

Advances made to a State before enactment of your committee's bill will, in general, be repaid under the present provisions of law. Also, any State that has not received the full amount certified by the Secretary of Labor to the Secretary of the Treasury before enactment of your committee's bill may, through its Governor, request the Secretary of the Treasury to transfer to the State's account all or part of the remainder of such amount. Upon receipt of such a request the Secretary of the Treasury shall transfer the amount requested or so much of such amount as is available at the time of the transfer. No such amount will be transferred, however, after the 1-year period beginning on the date of the enactment of your committee's bill. The present provisions for repayment will apply to any amount so transferred to a State.

Advances made to a State after the enactment of your committee's bill, if not repaid by the State within the specified period of time, will be repaid under newly added provisions to the section providing for repayment of an advance through reduction in employers' credits against the Federal unemployment tax. Reductions in credit to repay an advance after the enactment of your committee's bill will be made with respect to the taxable year beginning with the second January 1 after the advance is made (rather than as now the fourth January 1). The reduction in credit will also be at a rate double that now provided. Thus, for the taxable year beginning with the second January after an advance is made, the credit will be reduced by 10 percent. For the following taxable year the credit will be reduced by 20 percent, and so on. Your committee believes that these changes are desirable. Economic indexes since World War II show that recessions have not lasted more than about 1½ years. Thus, earlier repayment is economically feasible. Such indexes also show that recessions have recurred at approximately 4-year intervals. Thus, under the present law, the repayment of advances through reduction in tax credits might commence during the recession following that in which an advance is made. The increased rate of repayment proposed will result generally in the repayment of an advance before another recession occurs. It will also replenish the Federal unemployment account so that subsequent requests for advances can be financed without the necessity of securing advances from general funds for this purpose.

In the case of the third and fourth consecutive taxable year for which there has been an outstanding balance of advances as of January 1, if the State has (for the calendar year preceding such taxable year) collected as contributions from employers on remuneration subject to the State law less than an amount equal to 2.7 percent of

the total remuneration subject to contributions under the State law (as determined by the State by April 30 of the taxable year, using a March 31 cutoff date), the tax credit against the Federal tax due on wages paid in such taxable year will be further reduced by the amount (rounded to the nearest 0.1 percent) by which the average employer contribution rate is less than 2.7 percent.

In the case of the fifth and succeeding consecutive taxable years for which there has been an outstanding balance of advances as of January 1, if the State has collected (for the calendar year immediately preceding the taxable year) in employer taxes less than an amount equal to one-fifth of the aggregate benefits paid in the first 5 of the last 6 years preceding the taxable year (as determined by the State by the following April 30, using a March 31 cutoff date) or an amount equal to 2.7 percent of the State taxable remuneration (for the calendar year immediately preceding the taxable year), whichever is higher, then the tax credit against the Federal tax will be further reduced. The reduction will be a rate, rounded to the nearest 0.1 percent, which, when applied to the State's taxable wages for such immediately preceding calendar year, would have produced the revenue necessary to make up the difference between the contributions actually paid and the average benefit cost rate (or 2.7 percent if higher). In determining the amount collected by the State, employee contributions may be included, if employer contributions average 2.7 percent or more.

Your committee believes that these provisions will encourage a State that has an outstanding balance of advances to so increase its contribution rates that these further tax credit reductions will not become applicable. Such increased rates should strengthen the State's benefit financing so that its need for further advances would be minimized.

The Federal unemployment tax rate will be raised to 3.1 percent effective with respect to the calendar year 1961 and all calendar years thereafter. This change in the Federal unemployment tax rate will not affect the computation of credits allowable against the Federal tax.

Part 3. Extension of coverage under the unemployment compensation program

Part 3 of title V extends the protection of the unemployment compensation program to several additional categories of employees.

The first extension applies to employees of certain instrumentalities of the United States. Any instrumentality of the United States which is neither wholly nor partially owned by the United States will be subject to the Federal unemployment tax unless it is exempt by virtue of a provision of law which grants specific exemption from the Federal unemployment tax. The additional Federal instrumentalities brought under the unemployment compensation program by this change will include the Federal Reserve banks, Federal credit unions, Federal land banks, Federal land bank associations, and Federal home loan banks. Employees of partially owned instrumentalities will be brought under the unemployment compensation program for Federal employees. This will include employees of instrumentalities such as the banks for cooperatives, Federal intermediate credit banks, and some production credit associations.

The second extension is to employees serving on or in connection with American aircraft outside the United States, which will be de-

fined as aircraft registered under the laws of the United States. At present, seamen serving on American vessels are covered when their vessel is outside the United States if they are employed under a contract made in the United States, or if during the performance of their services the vessel touches at a port in the United States. The Federal Unemployment Tax Act is amended by extending coverage to employees of American aircraft under similar circumstances, and will bring coverage under the act in this respect in line with coverage under the Federal Insurance Contributions Act.

The third extension is to employees of so-called "feeder organizations." The exclusion of nonprofit organizations under the Federal Unemployment Tax Act is amended so as to result in the coverage of feeder organizations, as well as nonprofit organizations which are not exempt from income tax.

"Feeder organizations" are establishments operated for the primary purpose of carrying on a trade or business for profit. All of their profits are payable to nonprofit organizations exempt from Federal income tax under section 501(c) of the Internal Revenue Code of 1954, but the feeder organizations themselves are subject to the Federal income tax. In this connection, the term "trade or business" does not include an organization's rental of its real property.

Such feeder organizations engage in a wide variety of commercial and industrial activities. They have, however, a common characteristic; they are operated solely for profitmaking purposes which have no relationship to the nonprofit activities of the parent organization. They compete on the same terms as private concerns with other enterprises in the same field of activity. Their employees are susceptible to the same hazards of unemployment as are the workers in similar establishments not owned by nonprofit organizations.

The other organizations which would be covered by this amendment are those denied an income tax exemption because they are engaged in certain activities, including "prohibited transactions," which do not meet the requirements specified in section 503 or 504 of the Internal Revenue Code of 1954.

The fourth extension is to employees of certain other tax-exempt organizations. The amendment removes a number of the specific exclusions of tax-exempt organizations presently contained in paragraph (10) of section 3306(c) of the Federal Unemployment Tax Act, including service performed for agricultural or horticultural organizations, voluntary employees beneficiary associations, and service performed in connection with the collection of dues or premiums for a fraternal beneficiary society or in connection with a ritualistic service of such a society. Still excluded under such paragraph (10), however, would be services for any organization exempt from Federal income tax (other than a trust created or organized under a qualified pension, profit-sharing, or stock-bonus plan), the remuneration for which is less than \$50 in a quarter, and services by students for the school which they attend.

These extensions of coverage will apply with respect to remuneration paid after 1961 for services performed after 1961.

Part 4. Extension of Federal-State unemployment compensation to Puerto Rico

Part 4 of title V provides that Puerto Rico will be treated as a State for purposes of the several provisions of the Social Security Act dealing with unemployment compensation and the Federal Unemployment Tax Act. At the present time, the Commonwealth of Puerto Rico has an unemployment compensation program completely outside of the Federal-State unemployment compensation system. Employers in Puerto Rico are not subject to the Federal unemployment tax and Puerto Rico is not entitled to Federal grants to cover the administrative expenses of its unemployment compensation program. By separate legislation enacted in 1950, however, Federal grants were authorized to cover the costs of the employment service in Puerto Rico. It is estimated that the Federal unemployment taxes collected in Puerto Rico will meet all the costs of administering their unemployment compensation program and part of the costs of the employment service.

Part 4 includes provisions relating to the operation in Puerto Rico of title XV of the Social Security Act which deals with payment of unemployment compensation to Federal employees and ex-servicemen. At present, title XV provides generally that unemployed Federal employees and ex-servicemen will receive unemployment compensation paid for by the Federal Government but determined under the law of the particular State in which the individual last worked (in the case of Federal employees) or in which the individual resides (in the case of ex-servicemen). Title XV presently provides also that unemployment compensation to Federal employees and ex-servicemen in Puerto Rico and the Virgin Islands is to be computed under the law of the District of Columbia. Since Puerto Rico is to be considered a State for purposes of the unemployment compensation laws, your committee believes that an indefinite continuation of this use of the District of Columbia law for Federal employees and ex-servicemen in Puerto Rico is inappropriate. However, in view of the low level of Puerto Rican benefits, which (as of June 1, 1960) provided a maximum weekly amount of \$12 and a maximum duration of 7 weeks, it does appear appropriate, for a transition period, to continue to determine the unemployment compensation payable to Federal employees and ex-servicemen in Puerto Rico under the law of the District of Columbia, and part 4 so provides. For weeks of unemployment beginning after December 31, 1965, Federal civilian employees and ex-servicemen in Puerto Rico will be paid unemployment compensation under the unemployment compensation law of Puerto Rico.

VIII. EXTENSION OF TIME WITH RESPECT TO AID-TO-THE-BLIND PROGRAMS IN MISSOURI AND PENNSYLVANIA

Special legislation providing for the approval of certain State plans under title X that do not meet the requirements of section 1002(a)(8) of the Social Security Act would expire June 30, 1961. Your committee has concluded that this temporary provision should be extended. It has incorporated in the bill an extension to June 30, 1964.

IX. SPECIAL STUDIES

A. STUDY OF MEDICAL RESOURCES AVAILABLE TO THE NEEDY

In its consideration of the public assistance programs' responsibilities for the provision of medical care, the committee noted that there are other resources that contribute to varying degrees in meeting the medical needs of public assistance recipients. These resources are probably uneven in distribution among the States and localities but nevertheless must be taken into account in any further planning or evaluation of the extent to which the medical needs of assistance recipients are met. We are, therefore, asking the Department of Health, Education, and Welfare to make a study of all the medical resources available to meet the needs of public assistance recipients and to report their findings to the Congress. The information is of vital importance to the Congress in considering the problems of medical care needed by the low-income people of the Nation. The committee expects that the Department will obtain the cooperation and assistance of the States and various other public and voluntary agencies and organizations in making the study.

B. STUDY OF PROBLEMS RELATED TO COVERAGE OF FEDERAL EMPLOYEES.

Employees of the Federal Government constitute one of the last major groups of workers who do not have coverage available to them under the old-age, survivors, and disability insurance system. Your committee is aware that in certain cases this creates inequitable treatment and gaps in protection. It is also aware, however, that extension of coverage to this group will involve substantial policy questions and commitments by both the workers and the employer—the Federal Government. Your committee, therefore, urges that the appropriate Federal agencies concerned accelerate their efforts in finding a workable and sound solution to this problem and report it to the Congress at the earliest opportunity.

X. SECTION-BY-SECTION ANALYSIS

The first section of the bill contains a short title (the "Social Security Amendments of 1960") and a table of contents. The remainder of the bill is divided into seven titles as follows:

Title I—Coverage.

Title II—Eligibility for benefits.

Title III—Benefit amounts.

Title IV—Disability insurance benefits and the disability freeze.

Title V—Employment security.

Title VI—Medical services for the aged.

Title VII—Miscellaneous.

TITLE I—COVERAGE

SECTION 101. EXTENSION OF TIME FOR MINISTERS TO ELECT COVERAGE

Additional period for filing certificate

Section 101 (a) of the bill amends clause (B) of section 1402(e) (2) of the Internal Revenue Code of 1954 to provide an additional period (somewhat less than 2 years from the date of enactment of the bill) within which certain ministers, members of religious orders (other than persons who have taken a vow of poverty as members of such an order), and Christian Science practitioners may file a certificate electing to be covered under title II of the Social Security Act. Under present law, any member of one of these professions who has had net earnings from self-employment of \$400 or more, any part of which was derived from services in such profession, in two or more taxable years beginning after 1954, but who failed to file a certificate within the time prescribed by the present section 1402(e) (2), no longer has an opportunity to elect the coverage. Under the bill, every such individual is afforded a further opportunity to make the election. Such election may be made by filing a certificate on or before the due date of the return (including any extension thereof) for the individual's second taxable year ending after 1959 (generally April 15, 1962).

Effective date of certificate

Section 101 (b) of the bill amends section 1402(e) (3) of the Internal Revenue Code of 1954 to eliminate those portions of it which have ceased to have any effect. As amended by section 101 (b) of the bill, section 1402(e) (3) continues to provide, to the same effect as at present, that a certificate filed under section 1402(e) of the code shall be effective for the taxable year immediately preceding the earliest taxable year for which, at the time the certificate is filed, the period for filing a return (including any extension thereof) has not expired, and for all succeeding taxable years. Thus, under present section 1402(e) (3) and under such section as amended by section 101 (b) of the bill, where the taxable year is a calendar year and there is no extension of time for the filing of the tax return, a certificate filed on or before April 15 of the year following such taxable year is effective for the 2 taxable years preceding the year in which the certificate is filed, and for all years following such 2 taxable years. If the certificate in such case is filed after April 15, it is effective only for the immediately preceding taxable year and for all years thereafter. However, under the conditions prescribed in section 1402(e) (5) of the code, as added by section 101 (c) of the bill (discussed below), a certificate filed under section 1402(e) of the code by April 15, 1962, may be made effective for years earlier than those for which the certificate would be effective under the general rule stated in section 1402(e) (3).

Optional provision for certain certificates filed on or before April 15, 1962

Section 101 (c) of the bill amends section 1402(e) of the Internal Revenue Code of 1954 by adding a new paragraph (5). Pursuant to the new paragraph (5), any individual who has filed a timely return reporting earnings derived by him in any taxable year ending after 1954 and before 1960 from the performance of service as a min-

ister, a member of a religious order (other than one who has taken a vow of poverty as a member of such order), or a Christian Science practitioner, but who does not have self-employment coverage for the first year for which such a return was filed because a certificate under section 1402(e) is not in effect with respect to such year, may, if he wishes, elect to have his self-employment coverage as a minister, member of a religious order, or Christian Science practitioner begin with such first year. The election (which may be made by the individual, by a fiduciary acting for him or his estate, or by any survivor who is or may become entitled to monthly benefits under title II of the Social Security Act on his earnings record) may be made in one of two ways:

(1) If the individual has not filed a valid certificate on or before the date of the enactment of the bill, he (or such fiduciary or survivor) may file such a certificate and indicate thereon an election to have the certificate made effective for the first taxable year ending after 1954 and before 1960 for which such individual filed such a return, and for all succeeding taxable years.

(2) If the individual has filed a valid certificate on or before the date of the enactment of the bill, he (or such fiduciary or survivor) may file a supplemental certificate and indicate thereon an election to have the certificate previously filed by such individual made effective for the first taxable year ending after 1954 and before 1959 for which he filed such a return, and for all succeeding taxable years.

In either case, if the election is to be valid, it must be made on or before April 15, 1962, and all self-employment tax (whether or not attributable to earnings as a minister, member of a religious order, or Christian Science practitioner) due for each taxable year for which the certificate is effective under the new paragraph (5) (but would be ineffective under par. (3)) must be paid on or before April 15, 1962. Moreover, any such tax previously refunded as an overpayment because no valid certificate was then in effect with respect to the year for which paid must be repaid to the United States, together with the interest allowed on the refund, on or before such date. However, any underpayment of the tax which is attributable to an error made in good faith will not invalidate an election which is otherwise valid. Any such tax which is paid or repaid for a year with respect to which the period of limitation on assessment or collection has expired will not be regarded as an overpayment solely because such period has expired. It should be noted that April 15, 1962, falls on a Sunday, and section 7503 of the code provides that an act required to be performed on a Saturday, Sunday, or legal holiday is timely if performed on the next day which is not a Saturday, Sunday, or legal holiday.

Administrative provisions

Pursuant to section 101(d) of the bill, no interest or penalty will be imposed in respect of self-employment tax paid on or before April 15, 1962, on earnings derived from the performance of service as a minister, member of a religious order, or Christian Science practitioner for taxable years as to which a certificate is effective under the new paragraph (5) (but would not be effective under par. (3)) of section 1402(e). If such tax is not fully paid (except for underpayments due to errors made in good faith) on or before April 15, 1962, the

question of interest does not arise since the certificate in such cases is effective only for the taxable years prescribed in such paragraph (3) and not for the earlier years prescribed in such paragraph (5). However, in the case of an underpayment attributable to an error made in good faith, the additional tax due for any such earlier year must be paid with interest accruing from April 15, 1962, to the date of payment. Moreover, the statutory period for assessing any such underpayment will expire not earlier than 3 years from April 15, 1962.

Sections 101(c) and 101(d) of the bill are relief measures for the benefit of ministers, members of religious orders, and Christian Science practitioners who filed returns of self-employment tax on their earnings as such for years with respect to which they have no self-employment coverage because no certificate under section 1402(e) of the code is in effect for such years. However, your committee does not intend that the amendments made by such section 101(c) should be regarded as invalidating the effect of Revenue Ruling 57-139 (Cumulative Bulletin 1957-1, p. 284) and Revenue Ruling 57-401 (Cumulative Bulletin 1957-2, p. 604) on any certificate under section 1402(e) which is filed on or before the date of the enactment of the bill.

Inclusion of earnings in social security records

Section 101(e) of the bill provides that the time limitation relating to the inclusion of self-employment income in social security records (sec. 205(c)(5)(F) of the Social Security Act) shall not be applicable to earnings derived in any taxable year ending before 1960 which constitute self-employment income solely by reason of the filing of a certificate which is effective under section 1402(e)(5).

Effective dates

Section 101(f) of the bill provides that the amendments made by section 101 of the bill shall be applicable only with respect to certificates (and supplemental certificates) filed after the date of the enactment of the bill. However, no monthly benefits under title II of the Social Security Act will be increased or payable by reason of such amendments for any month earlier than the month after the month of enactment of the bill and no lump-sum death payments under that title in the case of deaths prior to the date of the enactment of the bill will be payable or increased by reason of such amendments.

SECTION 102. STATE AND LOCAL GOVERNMENTAL EMPLOYEES

Delegation by governor of certification functions

Under section 218(d) of the Social Security Act, the effectiveness of certain actions by a State in seeking to secure coverage under the old-age, survivors, and disability insurance program for employees in positions covered by a State or local retirement system is contingent upon certification by the Governor to the Secretary of Health, Education, and Welfare as to the use of specified procedures relating to voting by the members of that system.

Paragraph (1) of section 102(a) of the bill amends section 218(d)(3) of the Social Security Act to provide that these certifications (that the referendum procedure has been conducted in accordance with the requirements of that section) may be made by a person designated by the Governor, as well as by the Governor himself.

Paragraph (2) of section 102(a) amends section 218(d)(7) of the act to provide that the certifications that the specified procedures required by that section have been followed (when coverage is extended without an additional referendum under the provisions of the act permitting a retirement system to be divided, after a vote on the division, into two divisions or parts for old-age, survivors, and disability insurance purposes) may be made by a person designated by the Governor as well as by the Governor himself.

Employees transferred from one retirement system to another

Paragraph (1) of section 102(b) of the bill amends the provisions of the Social Security Act permitting retirement systems in specified States to be divided into two divisions or parts for coverage purposes, one division or part consisting of those desiring coverage and the other consisting of those who do not (sec. 218(d)(6)(C) of the act). This amendment deals with situations where individuals who are members of one retirement system group and (under the divided retirement system provision) have chosen not to be covered become members of a different retirement system group by reason of action taken by a political subdivision. It applies only where action under the divided retirement system provision has also been taken to divide the second retirement system group. The bill provides that such individuals will continue to be excluded from coverage, as members of the division or part of the second retirement system group composed of positions of members who do not desire such coverage, if (1) on the day before they become members of such retirement system group they were in the division or part of a retirement system group composed of the positions of members who do not desire coverage and if (2) the positions covered by both retirement system groups are in reality part of a single retirement system which has, under the provisions of section 218(d)(6)(A) of the act, been treated as separate systems; under existing law they would be compulsorily covered as "new" employees of the second group. (The provisions of sec. 218(d)(6)(A) permit positions of employees of a political subdivision or subdivisions or of the State which are covered by a single retirement system to be split off and regarded as a separate system (referred to in this discussion as a "retirement system group") for coverage purposes.)

Paragraph (2) provides that this amendment shall be effective for transfers into a different retirement system group which occur on or after the date of enactment. Also, upon a request of the Governor (or other official designated by him for the purpose) filed with the Secretary of Health, Education, and Welfare before July 1, 1961, the amendment would apply to transfers which occur before the date of enactment, but only with respect to wages paid on and after the date on which the request is filed.

Retroactive coverage

Paragraph (1) of section 102(c) of the bill amends section 218(f)(1) of the Social Security Act to permit State and local coverage provided under an agreement or modification which is agreed to after 1959 to become effective with respect to services performed on and after the first day of the fifth calendar year preceding the year in which the agreement or modification is approved, or on and after any later

date specified in the agreement or modification. (Par. (3) of this section of the bill provides, however, that such an agreement or modification may not be effective earlier than January 1, 1956.) Under present law, State and local coverage (if agreed to after December 31, 1959) may be retroactive only to the first day of the year in which an agreement or modification is agreed to.

Paragraph (2) provides that where a retirement system is covered as a single retirement system, without having been divided or treated as several retirement systems pursuant to section 218(d)(6)(A), the State may, if it desires, divide the system into separate retirement systems with respect to the employees of any one or more of the political subdivisions, or the employees of the State (or of the State and one or more political subdivisions), for purposes of selecting the beginning dates for coverage, so that a different beginning date (within the limits discussed under par. (1)) could be selected for the employees in each of the groups into which the system is so divided. Under present law, all persons in a retirement system which is not separated for other reasons must be covered on the same date.

Paragraph (3) provides that the amendment made by paragraph (1) shall apply in the case of any agreement or modification of an agreement which is agreed to on or after January 1, 1960, except that an agreement or modification which is agreed to before 1961 may not be effective with respect to services performed before January 1, 1956. Paragraph (3) also provides that the amendment made by paragraph (2) shall apply in the case of any agreement or modification which is agreed to on or after the date of enactment.

Policemen and firemen

Section 102(d) of the bill amends section 218(p) of the Social Security Act to add the State of Virginia to the list of States in which coverage under the old-age, survivors, and disability insurance program is available (at the request of the State and subject to the referendum requirements of sec. 218(d)(3)) to policemen and firemen in positions covered under retirement systems.

Limitation on States' liability for employer (and employee) contributions in certain cases

Paragraph (1) of section 102(e) of the bill adds to section 218(e) of the Social Security Act a new paragraph (2), permitting a social security coverage agreement between the Secretary and a State to provide for treating the wages of an individual who is an employee both of the State and a political subdivision or subdivisions, or of more than one subdivision, as though paid to him by a single employer. This provision is significant for purposes of determining whether employer contributions are due on such an individual's wages during a year in excess of the maximum amount otherwise counted for old-age, survivors, and disability insurance purposes. The amendment provides this treatment where the State bears the entire cost of the employer share of the contributions (that is, the amount referred to in sec. 218(e) of the act which is equivalent to the tax imposed by sec. 3111 of the Internal Revenue Code of 1954) and is not reimbursed by any political subdivision. The provisions of the new paragraph would be applicable only to the extent that the State complies with such regulations as the Secretary may prescribe to carry out its purposes.

The provisions of this new paragraph could be made applicable with respect to wages paid after an effective date specified in the agreement or modification, but not before the first day of the year in which the agreement or modification is mailed or by other means delivered to the Secretary; in no event could the provisions of the new paragraph be made applicable to wages paid prior to January 1, 1961.

Paragraph (2) of section 102(e) of the bill amends section 218(f) of the act to make the general rules governing the retroactivity of coverage agreement modifications inapplicable to modifications under the new section 218(e) (2) described above.

Statute of limitations for State and local coverage

Section 102(f) (1) of the bill adds four new subsections ((q), (r), (s), and (t)) to section 218 of the Social Security Act. The new subsection (q) provides a time limitation on the period within which a State may be held liable by the Secretary of Health, Education, and Welfare for amounts due under its social security coverage agreement. The new subsection (r) provides a time limitation on the period within which a State may be allowed a credit (or refund) for amounts which it has erroneously paid. The new subsections (s) and (t) provide a specific procedure under which the States can seek review by the Secretary of determinations made by him, and judicial review of such determinations when they result in the assessment of contributions or the denial of a State's claim for credit (or refund).

Time limitation on assessments.—Paragraph (1) of the new subsection (q) of section 218 provides that a State shall be liable for contributions (and interest thereon) due under its coverage agreement until the Secretary is satisfied that the amount due has been paid to the Secretary of the Treasury.

Paragraph (2) of the new subsection (q) provides that, notwithstanding paragraph (1) of the new subsection, a State shall not be liable for contributions (or interest thereon) after the expiration of the time limitation established by the paragraph unless an "assessment" of the amount due is made by the Secretary before the expiration of that time limitation. This time limitation would end with whichever of the following periods expires the latest: 3 years, 3 months, and 15 days after the year in which the wages were paid or after the year following the year in which this new subsection is enacted, or 3 years after the date on which the contributions became due.

Paragraph (3) of the new subsection (q) provides that for purposes of the subsection an "assessment" is made when a State is sent a notice stating the amount of the contributions (or interest) due and the basis for the determination.

Paragraph (4) of the new subsection (q) provides that an assessment of an amount due shall be deemed to have been timely made even though it is not made until after the expiration of the time limitation (referred to in the new subsec. (q) (2)), in certain situations which are described in subparagraphs (A), (B), and (C) of the paragraph. Under subparagraph (A) the time limitation would be extended if, before the expiration of the time limitation (or the time limitation as extended), the Secretary and the State agree in writing to extend the time limitation and if, subject to the conditions specified in the

agreement, the Secretary makes an assessment within the extended period. Subparagraph (B) provides that where within the 365-day period ending with the expiration of the time limitation (or the time limitation as extended), a State pays an amount which is less than the correct amount of contributions due with respect to the wages paid to individuals in any calendar quarters as members of a coverage group, the time limitation relating to the individuals, calendar quarters, and coverage group for which the contributions were paid will not expire before the 365th day following the day on which such contributions are paid. Under subparagraph (C), the time limitation would be extended for an assessment with respect to wages which are credited to the Secretary's records under subparagraphs (A) and (B) of section 205(c)(5) of the act, but only if the assessment is made within the period during which such entry may be made pursuant to those subparagraphs of existing law. (Subpars. (A) and (B) of sec. 205(c)(5) of the act permit crediting of wages to an earnings record after the expiration of the period for making earnings record corrections, in situations where final action has not been taken on a benefit application or earnings record discrepancy action which involves such earnings record and the application or request for such action is filed before the expiration of the correction period.)

Paragraph (5) of the new subsection (q) provides that a State will be liable, after the expiration of the time limitation, for contributions that become due as a result of an allowance of a claim for credit, if an assessment of such contributions is made at the time (or before) the claim for credit is allowed. No interest would be charged in these cases. This provision applies to situations where an allowance of a claim for credit would reduce an individual's wage credits for a year to less than the maximum (presently \$4,800 per year), thereby opening the way to crediting other wages which were not previously reported because of such maximum.

Paragraph (6) of the new subsection (q) authorizes the Secretary to accept wage reports which are filed after the time limitation has expired where the State pays the amount of contributions due with respect to the wages so reported and agrees to be liable, until notified by the Secretary of the acceptance of the report, for any additional contributions which are due with respect to the coverage group and calendar quarters for which the report is filed. No interest would be charged in these cases.

Paragraph (7) of the new subsection (q) provides that a State will be liable for contributions (and interest thereon) without regard to the time limitation where there has been a fraudulent attempt by an officer of the State or of a political subdivision to defeat or evade payment of the contributions.

Time limitation on credits and refunds.—Paragraph (1) of the new subsection (r) of section 218 provides that no credit (or refund) for an overpayment of contributions (or interest thereon) made by a State with respect to any wages paid an individual as a member of a coverage group in a calendar quarter, may be allowed after the expiration of the time limitation established by the paragraph unless a claim for credit or refund is filed by the State before the time limitation expires. The time limitation provided by the new subsection (r) would end with whichever of the following periods expires the latest: (A) 3 years, 3 months, and 15 days after the year in which the wages

were paid or after the year following the year in which this new subsection is enacted, (B) 3 years after the due date for the payment which included the overpayment with respect to the wages paid the individual as a member of the coverage group in the calendar quarter involved, or (C) 2 years after the overpayment was made.

Paragraph (2) of the new subsection (r) provides that a claim for credit (or refund) which is filed after the expiration of the time limitation (referred to in the new subsection (r) (1)) shall, nevertheless, be deemed to have been filed before such expiration in the situations described in subparagraphs (A) and (B) of the paragraph. Subparagraph (A) provides that a State and the Secretary could agree in writing before such expiration to extend (or to further extend) the time limitation for an agreed upon period, and that a claim for credit or refund which is filed before the end of the extended period would, subject to the conditions specified in the agreement, be deemed to have been filed before the expiration of the time limitation. Under subparagraph (B), claims for credit or refund which relate to wages which are deleted from the Secretary's records under subparagraph (A), (B), or (E) of section 205(c)(5) of the Social Security Act would be deemed to have been filed before the expiration of the time limitation. (Subpars. (A) and (B) of sec. 205(c)(5) of the act permit the deletion of wage entries from an earnings record after the expiration of the period for making earnings record corrections, in situations where final action has not been taken on a benefit application or request for an earnings record discrepancy action involving such earnings record, if such application or request was filed before the expiration of that correction period. Sec. 205(c)(5)(E) permits the deletion of wage entries after the expiration of the correction period where the entry is erroneous as the result of fraud.)

Review by the Secretary.—The new subsection (s) of section 218 provides that the Secretary shall review (and affirm, modify, or reverse) an assessment, the disallowance of a claim for credit (or refund), or the allowance of a credit (or refund), if a written request for such a review is filed with him by a State within 90 days (or within such further time as he may allow) after the day on which notification is sent to such State of the assessment, disallowance, or allowance. The State would be notified of the decision arising out of the Secretary's review and the basis for the decision.

Review by court.—Paragraph (1) of the new subsection (t) of section 218 provides that a State may file a civil action against the Secretary, without regard to the amount in controversy, for a redetermination of the correctness of an assessment, disallowance, or allowance with respect to which the Secretary has rendered a decision pursuant to the new subsection (s) if the civil action is filed within 2 years (or such further time as the Secretary may allow) after the notification of the decision was mailed to the State. These civil actions would be brought in the United States district court for the judicial district in which the State capital is located. Where the action is brought by an interstate instrumentality, however, it would be commenced in the judicial district where the instrumentality's principal office is located. Actions under this new paragraph would survive notwithstanding any change in the person occupying the office of the Secretary or any vacancy in that office. The judgment of the

court would be final except that it would be subject to review in the same manner as judgments of district courts in other civil actions.

Paragraph (2) of the new subsection (t) provides that no interest shall accrue, after final judgment with respect to a State's overpayment, pursuant to section 2411 of title 28 of the United States Code. This section of title 28 provides, in part, for the payment of interest at the rate of 4 percent per annum from the date of a final judgment rendered against the United States.

Paragraph (3) of the new subsection (t) provides that the payment of amounts due to a State pursuant to a final judgment rendered by a district court in an action brought under the new subsection shall be adjusted in accordance with the provisions of section 218 of the Social Security Act and regulations thereunder rather than section 2414 of title 28 of the United States Code. This section of title 28 provides for the payment by the General Accounting Office of final judgments rendered against the United States.

Earnings record corrections.—Section 102(f)(2) of the bill amends subparagraph (F) of section 205(c)(5) of the act to authorize the Secretary to add, change, or delete any entry of wages in his records of an individual's covered earnings after the expiration of the time limitation which (under that section) is applicable to such addition, change, or deletion, in order to conform his records to an assessment or the allowance of a credit or refund pursuant to the new provisions of section 218 of the act described above.

Effective date.—Subparagraph (A) of section 102(f)(3) of the bill provides that the effective date of the new subsections (q), (r), (s), and (t) of section 218 of the act shall be the first day of the second calendar year after the year of enactment.

Subparagraph (B) of section 102(f)(3) of the bill provides that where the Secretary has notified the State of an underpayment, disallowed a State's claim for credit (or refund), or allowed a State a credit (or refund) before this effective date, then the Secretary will be deemed to have made an assessment, or to have notified the State of the disallowance or allowance on that date. The State could request the Secretary to review these deemed assessments, disallowances, and allowances without regard to the 90-day time limitation for requesting a review under the new subsection (s). However, these special transitional provisions would not apply if the Secretary actually makes the assessment, or sends the State a followup notification of the disallowance or allowance, within the appropriate time limitation provided under the new subsections (q) and (r). In these cases, the 90-day period for requesting a review would begin with the day following the day on which the assessment or followup notification is sent to the State.

Municipal and county hospitals

Section 102(g) of the bill amends subparagraph (B) of section 218(d)(6) of the Social Security Act to provide that, where a hospital is an integral part of a political subdivision of a State, positions of employees of such hospital which are covered under a retirement system together with the positions of other State or local employees may be treated by the State as being under a separate retirement system for purposes of coverage under old-age, survivors, and disability insurance. Subparagraph (B) of section 218(d)(6) now provides for

the similar treatment of the positions of employees of institutions of higher learning.

Validation of coverage for certain Mississippi teachers

Section 102(h) of the bill provides that, for purposes of section 218 of the Social Security Act, services performed by certain teachers and other school employees in the State of Mississippi after February 28, 1951, and before October 1, 1959, shall be deemed to have been performed by them as employees of the State. This provision has the effect of validating old-age, survivors, and disability wage credits of such teachers and other school employees for the period during which they were reported as State employees although (as was subsequently found) they were employees of political subdivisions of the State.

SECTION 103. EXTENSION OF THE PROGRAM TO GUAM AND AMERICAN SAMOA

This section generally extends coverage under the old-age, survivors, and disability insurance program to employees and self-employed individuals in Guam and American Samoa.

Lump-sum payment in the case of reinterments

Section 103(a) of the bill amends section 202(i) of the Social Security Act, section 101(d) of the Social Security Act Amendments of 1950, and section 5(e)(2) of the Social Security Act Amendments of 1952 to permit the filing of an application for a lump-sum death payment within 2 years after reinterment in Guam or American Samoa of an individual who died outside the several States and the District of Columbia after June 24, 1950, and whose death occurred while he was in the active military or naval service of the United States (or, after 1956, was a member of the uniformed services).

Retirement test for aliens in self-employment

Section 103(b) of the bill amends section 203(k) of the Social Security Act to provide that, despite the extension of coverage to Guam and American Samoa, they shall be considered to be outside the United States for purposes of the application of the retirement test to net earnings from self-employment in a trade or business conducted in Guam or American Samoa by an alien who is not a resident of the United States (including Guam and American Samoa).

Social Security Act amendments relating to coverage for purposes of benefits

Officers and employees of the government.—Section 103(c) of the bill amends section 210(a)(7) of the Social Security Act to provide, in general, that services performed by officers and employees of the Government of Guam, the Government of American Samoa, any political subdivision thereof, or any wholly owned instrumentality of any one or more of the foregoing shall not be excepted from “employment” within the meaning of title II of the Social Security Act as services performed in the employ of a State, political subdivision, or wholly owned instrumentality thereof. In general, this has the effect of extending coverage under old-age, survivors, and disability insurance to such services on a compulsory basis (subject to the special effective date provisions contained in section 103(v) of the bill, discussed below). Members of the legislature of either government or

of any political subdivision of either are specifically included in the coverage. Where an individual performs services as an officer or employee of the Government of Guam, the Government of American Samoa, any political subdivision of either, or an instrumentality wholly owned by any one or more of the foregoing, and such services are covered by the Civil Service Retirement Act or by any other retirement system established by a law of the United States, then such services are not included in the coverage. In any case where such services are not covered by such a retirement system, the services are included under the old-age, survivors, and disability insurance program. All remuneration paid for such services, including fees paid to a public official and remuneration paid by the United States or an agency thereof, will be deemed to have been paid by the Government of Guam, the Government of American Samoa, a political subdivision thereof, or a wholly owned instrumentality of any one or more of the foregoing, whichever is appropriate.

Filipino contract workers in Guam.—Section 103(d) of the bill amends section 210(a) of the Social Security Act by adding a new paragraph (18), which excludes from employment, and thus from old-age, survivors, and disability insurance coverage, services performed in Guam by any resident of the Republic of the Philippines who is admitted to Guam on a temporary basis as a nonimmigrant alien pursuant to section 101(a)(15)(H)(ii) of the Immigration and Nationality Act.

Definition of "State".—Section 103(e) of the bill amends section 210(h) of the Social Security Act to include Guam and American Samoa in the definition of the term "State" for purposes of title II of the act.

Definition of "United States".—Section 103(f) of the bill amends section 210(i) of the Social Security Act to include Guam and American Samoa in the definition of "United States" when that term is used for purposes of determining the geographical coverage of the program under such title II.

Net earnings from self-employment.—Section 103(g) of the bill adds a new paragraph (8) to section 211(a) of the Social Security Act, which deals with net earnings from self-employment. Pursuant to the new paragraph (8), Guam and American Samoa are not to be considered as possessions of the United States within the meaning of section 931 and section 932 of the Internal Revenue Code of 1954, but only for purposes of determining self-employment coverage. Section 931 provides, in effect, an exclusion from gross income, for purposes of the Federal income tax, in respect of certain income derived from sources outside the United States by citizens of the United States who meet the percentage tests stated in section 931 in respect of income derived from sources within certain possessions (including Guam and American Samoa) of the United States. Section 932 provides, in effect, that gross income, for purposes of the Federal income tax, means only gross income derived from sources within the United States (not including the possessions), in the case of certain citizens of possessions (including Guam and American Samoa) who are not otherwise citizens of the United States and who are not residents of the United States.

To the extent that income does not constitute gross income for Federal income tax purposes, there can be no self-employment coverage unless the income tax exclusion is overridden by statute for self-employment purposes. In general, this is the purpose of the amendment made by section 103(g) of the bill in respect of sections 931 and 932 of the Internal Revenue Code of 1954, insofar as such sections have application to Guam and American Samoa. In the area of section 931, the principal effect, in general, is to include in net earnings from self-employment all income derived by United States citizens which is excluded from gross income for Federal income tax purposes only by reason of taking income from Guam or American Samoa into account in the application of such section. In the area of section 932, the effect, in general, is to treat Guamanians and American Samoans the same for self-employment coverage purposes as citizens born in any State of the Union.

Aliens in Guam and American Samoa.—Section 103(h) of the bill amends section 211(b) of the Social Security Act to provide that individuals who are not citizens of the United States but who are residents of Guam or American Samoa shall not be regarded as nonresident aliens for self-employment purposes. The effect of this amendment is to accord the same treatment, for self-employment coverage purposes, to nonresident aliens who are residents of Guam or American Samoa as that accorded aliens who are residents of the United States.

Exclusion from coverage under Federal-State agreement.—Section 103(i) of the bill amends section 218(b)(1) of the Social Security Act to provide that for purposes of Federal-State agreements for the coverage of State and local employees the term "State" does not include Guam or American Samoa.

Technical amendments relating to Puerto Rico.—Section 103(j) of the bill repeals various provisions of title II of the Social Security Act which relate to the beginning date of coverage for Puerto Rico and which are no longer operative, and makes necessary conforming changes.

Internal Revenue Code amendments relating to coverage for purposes of Social Security taxes

Imposition of self-employment tax.—Section 103(k) of the bill adds a new paragraph (9) to section 1402(a) of the Internal Revenue Code of 1954, which deals with net earnings from self-employment. Pursuant to the new paragraph (9), Guam and American Samoa are not to be considered as possessions of the United States within the meaning of section 931 and section 932 of the Internal Revenue Code of 1954, but only for purposes of determining liability for the self-employment tax.

Section 931 provides, in effect, an exclusion from gross income, for purposes of the Federal income tax, in respect of certain income derived from sources outside the United States by citizens of the United States who meet the percentage tests stated in section 931 in respect of income derived from sources within certain possessions (including Guam and American Samoa) of the United States. Section 932 provides in effect that gross income, for purposes of the Federal income tax, means only gross income derived from sources within the United States (not including the possessions), in the case of certain citizens of possessions (including Guam and American Samoa) who are not other-

wise citizens of the United States and who are not residents of the United States. To the extent that income does not constitute gross income for Federal income tax purposes, there can be no self-employment coverage unless the income tax exclusion is overridden by statute for self-employment purposes. In general, this is the purpose of the amendment made by section 103(k) of the bill in respect of sections 931 and 932 of the Internal Revenue Code of 1954, insofar as such sections have application to Guam and American Samoa. In the area of section 931, the principal effect, in general, is to include in net earnings from self-employment all income derived by United States citizens which is excluded from gross income for Federal income tax purposes only by reason of taking income from Guam or American Samoa into account in the application of such section. In the area of section 932, the effect, in general, is to treat Guamanians and American Samoans the same for self-employment tax purposes as citizens born in any State of the Union.

Aliens in Guam and American Samoa.—Section 103(l) of the bill amends section 1402(b) of the Internal Revenue Code of 1954 to provide that individuals who are not citizens of the United States but who are residents of Guam or American Samoa shall not be regarded as nonresident aliens for self-employment tax purposes. The effect of this amendment is to accord the same self-employment tax treatment to nonresident aliens who are residents of Guam or American Samoa as that accorded to aliens who are residents of the United States.

Cross reference.—Section 103(m) of the bill amends paragraph (2) of section 1403(b) of the Internal Revenue Code of 1954 to include a reference to Guam and American Samoa in the cross-reference to section 7651 of the Internal Revenue Code of 1954, relating to the collection of taxes imposed in a possession of the United States pursuant to such code.

Officers and employees of the government.—Section 103(n) of the bill amends section 3121(b)(7) of the Internal Revenue Code of 1954 to provide that services performed as an officer or employee of the Government of Guam, the Government of American Samoa, any political subdivision thereof, or any wholly owned instrumentality of any one or more of the foregoing shall not be excepted from “employment”, within the meaning of the Federal Insurance Contributions Act, as services performed in the employ of a State, a political subdivision thereof, or an instrumentality wholly owned by any one or more of the foregoing. In general, this has the effect of extending coverage under the Federal Insurance Contributions Act to such services. Members of the legislature of the Government of Guam, the Government of American Samoa, or of any political subdivision of either are specifically included in the coverage so extended. Where an individual performs services as an officer or employee of the Government of Guam, the Government of American Samoa, any political subdivision of either, or an instrumentality wholly owned by any one or more of the foregoing and such services are covered by the Civil Service Retirement Act or by any other retirement system established by a law of the United States, then such services are not included in the coverage so extended. In any case where such services are not covered by such a retirement system, the services are included in the coverage under the Federal Insurance Contributions Act. All re-

muneration paid for such services, including fees paid to a public official and remuneration paid by the United States or an agency thereof, will be deemed to have been paid by the Government of Guam, the Government of American Samoa, a political subdivision thereof, or a wholly owned instrumentality of any one or more of the foregoing, whichever is appropriate.

Filipino contract workers in Guam.—Section 103(o) of the bill further amends section 3121(b) of the Internal Revenue Code of 1954 by adding a new paragraph (18), which provides an exception from “employment” within the meaning of the Federal Insurance Contributions Act, for services performed in Guam by any resident of the Republic of the Philippines who is admitted to Guam on a temporary basis as a nonimmigrant alien pursuant to section 101(a)(15)(H)(ii) of the Immigration and Nationality Act.

Definition of “State” and “United States”.—Section 103(p) of the bill amends section 3121(e) of the Internal Revenue Code of 1954 to include Guam and American Samoa in the definition of the term “State,” and in the definition of the term “United States” when used in a geographical sense, for purposes of the Federal Insurance Contributions Act.

Provisions for tax administration and collection

Section 103(q) of the bill amends subchapter C of chapter 21 of the Internal Revenue Code of 1954 by redesignating section 3125 as section 3126 and by inserting a new section 3125. Subsection (a) of the new section 3125 relates to the employee and employer taxes imposed with respect to certain services performed as officers or employees of the Government of Guam, any political subdivision thereof, or any instrumentality wholly owned by any one or more of the foregoing. The return and payment of such taxes may be made by the Governor of Guam or by such agents as he may designate. A person making such return may, for convenience of administration, make payments of the employer tax imposed under section 3111 without regard to the \$4,800 limitation in section 3121(a)(1) (although this subsection would not authorize such person to disregard the \$4,800 limitation as to remuneration includible in returns made by him). The purpose is to relieve a person making a return on behalf of any department or agency of the Government of Guam, any political subdivision thereof, or any instrumentality wholly owned by any one or more of the foregoing of any necessity for ascertaining whether any wages have been reported for a particular employee by any other reporting unit of such government, political subdivision, or instrumentality.

Subsection (b) of the new section 3125 contains identical provisions in respect of American Samoa.

Section 103(r)(1) of the bill amends section 6205(a) of the Internal Revenue Code of 1954 by adding a new paragraph (3). The new paragraph (3) provides that each agent designated by the Governor of Guam or the Governor of American Samoa, pursuant to the new section 3125 of the code, to make returns of the employee and employer taxes imposed under the Federal Insurance Contributions Act shall be deemed to be a separate employer for purposes of section 6205(a) of the code, relating to adjustments of underpayments of such taxes. Thus, adjustments of underpayments will be made by the reporting unit by which the underpayment was made.

Section 103(r) (2) of the bill amends section 6413(a) of the Internal Revenue Code of 1954 by adding a new paragraph (3). The new paragraph (3) provides that each agent designated by the Governor of Guam or the Governor of American Samoa, pursuant to the new section 3125 of the code, to make returns of the employee and employer taxes imposed under the Federal Insurance Contributions Act shall be deemed to be a separate employer for purposes of section 6413(a) of the code, relating to adjustments of overpayments of such taxes. Thus, adjustments of overpayments will be made by the reporting unit by which the overpayment was made.

Section 103(r) (3) of the bill amends section 6413(c) (2) of the Internal Revenue Code of 1954 by adding thereto new subparagraphs (D) and (E). The new subparagraph (D) provides that for purposes of the special credit or refund provisions contained in section 6413(c) (1), the Governor of Guam and each of the agents he designates to make returns of the employee tax and employer tax imposed under the Federal Insurance Contributions Act shall be treated as separate employers. The new subparagraph (E) contains identical provisions in respect of American Samoa. The effect of these amendments is to permit a claim for special credit or refund, rather than a general claim for refund under section 6402(a), in any case where an employee receives more than \$4,800 of wages in a calendar year by reason of his having performed services for two or more reporting units of the government of Guam, the government of American Samoa, any political subdivision of either, or any instrumentality wholly owned by one or more of the foregoing.

Section 103(s) of the bill amends section 7213 of the Internal Revenue Code of 1954 by redesignating subsection (d) as subsection (e) and by inserting a new subsection (d). Pursuant to the new subsection (d), all provisions of law relating to the disclosure of information, and all provisions of law relating to the unauthorized disclosure of information, which apply to an officer or employee of the Treasury Department shall also apply to any delegate who is an officer or employee of another department or agency of the United States, or of a possession, who is authorized, directly or indirectly, by the Secretary of the Treasury to perform any function in the administration of the self-employment tax under chapter 2, or the employee and employer taxes under chapter 21 (the Federal Insurance Contributions Act), in Guam or American Samoa.

Section 103(t) of the bill amends section 7701(a) (12) of the Internal Revenue Code of 1954 by inserting a new subparagraph (B) and by designating the existing provisions of section 7701(a) (12) as subparagraph (A). The new subparagraph (B) defines the term "delegate" to include any officer or employee of a department of the United States other than the Treasury Department, or of any agency of the United States not a part of the Treasury Department, or of any possession of the United States, who is authorized, directly or indirectly, by the Secretary of the Treasury to perform any function in Guam or American Samoa with respect to the self-employment tax under chapter 2 or the employee and employer taxes under chapter 21. Since the Treasury Department does not now maintain tax-collection offices in Guam or American Samoa, the Secretary of the Treasury may find it desirable and expedient that the performance of functions in respect of such taxes be delegated, directly or

indirectly, to an officer or employee of another department or agency of the United States, or of Guam or American Samoa. The new subparagraph (B) of section 7701(a) (12) provides authority for such a delegation.

Section 103(u) of the bill amends section 30 of the Organic Act of Guam so as to exclude the self-employment tax under chapter 2 of the Internal Revenue Code of 1954, and the employee and employer taxes under chapter 21 of such code, from the taxes which, pursuant to section 30 of the organic act, are to be covered into the treasury of Guam.

Effective dates

Section 103(v) (1) of the bill provides effective dates for the amendments made by section 103 of the bill.

The amendments relating to reinterments (subsec. (a) of sec. 103) apply with respect to reinterments after the date of enactment of the bill.

The amendments relating to noncovered remunerative activity outside the United States for purposes of the old-age, survivors, and disability insurance "retirement test" (subsec. (b) of sec. 103) and the amendments defining "State" and "United States" to include Guam and American Samoa for purposes of title II of the Social Security Act (subsecs. (e) and (f) of sec. 103) are effective with respect to service performed after 1960, except that, in the case of a trade or business (other than the performance of service as an employee), such amendments are effective with respect to taxable years beginning after 1960.

The amendments relating to the exclusion from coverage of residents of the Republic of the Philippines admitted to Guam on a temporary basis, excluding Guam and American Samoa from the definition of State for purposes of coverage under a State agreement entered into pursuant to section 218 of the Social Security Act, and defining "State" and "United States" for purposes of the Federal Insurance Contributions Act (subsecs. (d), (i), (o), and (p) of sec. 103) are effective with respect to service performed after 1960.

The amendments relating to the extension of self-employment coverage to Guam and American Samoa (subsecs. (g), (h), (k), and (l) of sec. 103) are effective with respect to taxable years beginning after 1960. Insofar as subsections (g) and (k) relate to the Virgin Islands, the amendments made by such subsections are merely technical and clarifying, and such amendments are effective with respect to the Virgin Islands for taxable years beginning after 1950.

The amendments relating to the coverage of officers and employees of the Government of Guam, the Government of American Samoa, any political subdivision of either, or any instrumentality wholly owned by any one or more of the foregoing (subsecs. (c), (n), (q), and (r) of sec. 103) are effective, in the case of Guam, with respect to service performed on or after the first day of the calendar quarter following the calendar quarter in which the Secretary of the Treasury receives a certification by the Governor of Guam that the Legislature of Guam has expressed its desire for the coverage and, in the case of American Samoa, with respect to service performed on or after the first day of the calendar quarter following the calendar quarter in which the Secretary of the Treasury receives a certification from the

Governor of American Samoa that its Government desires the coverage; but, in the case of both Guam and American Samoa, not earlier than 1961. Thus, if the coverage is to commence with reference to the earliest possible effective date (Jan. 1, 1961), the certification must be received prior to 1961.

The amendments relating to the delegation of functions in Guam or American Samoa to an officer or employee of a department of the United States Government other than the Treasury Department, an officer or employee of an agency of the United States outside the Treasury Department, or an officer or employee of Guam or American Samoa (subsecs. (s) and (t) of sec. 103) are effective on the date of the enactment of the bill, and authority is provided for appropriating such sums as may be necessary for the performance of such functions by such officer or employee. Such sums are to be appropriated directly to the delegate, or to the agency which normally receives appropriations for such delegate, rather than to the Treasury, in order to avoid any need for charges to and reimbursements by the Treasury.

Section 103(v)(2) of the bill provides that the amendments made by sections 103(c) and (n) shall not affect the determination of whether an officer or employee of the Government of Guam, the Government of American Samoa, any political subdivision of either, or any wholly owned instrumentality thereof is an employee of an agency or instrumentality of the United States for any purpose other than the old-age, survivors, and disability insurance program.

Section 103(v)(3) of the bill provides that the repeal of the provisions concerning the beginning date of coverage in Puerto Rico, and the related conforming amendments, shall not affect the date on which this coverage extension became effective, the manner or consequences of the extension, or the status of any individual with respect to whom the eliminated provisions are applicable.

SECTION 104. DOCTORS OF MEDICINE

Amendments to title II of the Social Security Act

Removal of exclusion for doctors of medicine.—Under existing law, services performed by a self-employed person in the exercise of his profession as a doctor of medicine, or as a member of a partnership engaged in the practice of medicine, are excepted from the term “trade or business” and thus from self-employment coverage under section 211(c)(5) of the Social Security Act. Section 104(a)(1) of the bill amends section 211(c)(5) of the act by removing this exception provided for services performed as a doctor of medicine or as a member of a partnership engaged in the practice of medicine. In general, the effect of this amendment is to extend old-age, survivors, and disability insurance coverage on a compulsory basis to net earnings derived by an individual from the practice of medicine on his own account or by a partnership of which he is a member.

Section 104(a)(2) of the bill merely conforms the provisions of the last two sentences of section 211(c) of the Social Security Act to the amendment made by section 104(a)(1) of the bill. The changes made in such provisions of section 211(c) are technical changes and have no substantive effect.

Removal of exclusion for interns in Federal hospitals.—Present section 210(a)(6)(C)(iv) of the Social Security Act excludes from

“employment,” and thus from old-age, survivors, and disability insurance coverage, services performed by certain interns, student nurses, and other student employees of hospitals of the Federal Government. Section 104(b) of the bill amends such section 210(a)(6)(C)(iv) so as to remove the exclusion insofar as it pertains to medical or dental interns and medical or dental residents-in-training. The effect of this amendment is to extend old-age, survivors, and disability insurance coverage to such individuals with respect to services performed by them as interns or residents-in-training in the employ of hospitals of the Federal Government.

Removal of exclusion for student interns.—Present section 210(a)(13) of the Social Security Act excludes from employment, and thus from old-age, survivors, and disability insurance coverage, services performed by certain student nurses in the employ of a privately operated hospital or nurses’ training school, and services performed as an intern in the employ of a privately operated hospital by an individual who has completed a 4-year course in a medical school chartered or approved pursuant to State law. Section 104(c) of the bill amends such section 210(a)(13) so as to remove the exclusion insofar as it pertains to interns. The effect of this amendment is to extend old-age, survivors, and disability insurance coverage to such individuals unless their services are excluded under provisions other than section 210(a)(13). Thus the services of an intern are covered if he is employed by a hospital which is *not* exempt from income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954. If the intern is employed by a hospital which is exempt from income tax and which has a waiver certificate in effect under section 3121(k) of the code, he is not excluded from coverage by section 210(a)(8)(B) of the Social Security Act if (1) he was an employee of the hospital at the time the waiver certificate was filed and continuously thereafter, and he elects to be covered within the 24-month period prescribed in section 3121(k), or (2) he became an employee of the hospital after the calendar quarter in which the certificate was filed.

Conforming amendments in the Internal Revenue Code of 1954

Removal of exclusion for doctors of medicine.—Under existing law, services performed by a self-employed person in the exercise of his profession as a doctor of medicine, or as a member of a partnership engaged in the practice of medicine, are excepted from the term “trade or business” under section 1402(c)(5) of the Internal Revenue Code of 1954. Section 104(d)(1) of the bill amends section 1402(c)(5) of the code by removing the exception provided for services performed as a doctor of medicine or as a member of a partnership engaged in the practice of medicine. In general, the effect of this amendment is to subject the net earnings derived by an individual from the practice of medicine on his own account or by a partnership of which he is a member to the self-employment tax.

Section 104(d)(2) of the bill merely conforms the provisions of the last two sentences of section 1402(c) of the Internal Revenue Code of 1954 to the amendment made by section 104(d)(1). The changes made in such provisions of section 1402(c) are technical changes and have no substantive effect.

Technical amendments.—Section 104 (e) of the bill merely conforms the language of sections 1402(e) (1) and 1402(e) (2) of the code to the amendment made by section 104 (d) (1). The changes made are technical changes and have no substantive effect.

Removal of exclusion for interns in Federal hospitals.—Present section 3121 (b) (6) (C) (iv) of the Internal Revenue Code of 1954 excludes from “employment,” and thus from coverage under the Federal Insurance Contributions Act, services performed by certain interns, student nurses, and other student employees of hospitals of the Federal Government. Section 104 (f) of the bill amends such section 3121 (b) (6) (C) (iv) so as to remove the exclusion insofar as it pertains to medical or dental interns and medical or dental residents-in-training. The effect of this amendment is to make the remuneration of such individuals for services performed by them as such interns or residents-in-training in the employ of hospitals of the Federal Government subject to the Federal Insurance Contributions Act.

Removal of exclusion for student interns.—Present section 3121 (b) (13) of the Internal Revenue Code of 1954 excludes from employment, and thus from coverage under the Federal Insurance Contributions Act, services performed by certain student nurses in the employ of a privately operated hospital or nurses’ training school, and services performed as an intern in the employ of a privately operated hospital by an individual who has completed a 4-year course in a medical school chartered or approved pursuant to State law. Section 104(g) of the bill amends such section 3121 (b) (13) so as to remove the exclusion insofar as it pertains to interns. The effect of this amendment is to extend coverage under the Federal Insurance Contributions Act to such individuals unless their services are excluded under provisions other than section 3121 (b) (13). Thus, the services of an intern are covered if he is employed by a hospital which is *not* exempt from income tax as an organization described in section 501(c) (3) of the Internal Revenue Code of 1954. If the intern is employed by a hospital which is exempt from income tax and which has a waiver certificate in effect under section 3121 (k) of the code, he is not excluded from coverage by section 3121(b) (8) (B) of the code if (1) he was an employee of the hospital at the time the waiver certificate was filed and continuously thereafter, and he elects to be covered within the 24-month period prescribed in section 3121 (k), or (2) he became an employee of the hospital after the calendar quarter in which the certificate was filed.

Effective date

Section 104 (h) of the bill provides that the amendments made by subsections (a), (d), and (e), relating to the self-employment coverage of doctors of medicine, are effective for taxable years ending on or after December 31, 1960. This will provide coverage for most self-employed doctors of medicine beginning January 1, 1960. The amendments made by subsections (b), (c), (f), and (g), relating to social security coverage of interns and residents-in-training, are effective with respect to services performed after 1960.

SECTION 105. SERVICE OF PARENT FOR SON OR DAUGHTER

Removal of exclusion for services performed by a parent for his child

Present section 210(a)(3) of the Social Security Act excludes from "employment," and thus from old-age, survivors, and disability insurance coverage, service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother. Section 105(a) of the bill amends such section 210(a)(3) so as to remove from the exclusion service (other than service not in the course of the employer's trade or business, or domestic service in a private home of the employer) performed by an individual in the employ of his son or daughter. The effect of this amendment is to extend coverage to most services performed by a parent in the employ of his child. Only service by a parent for a child which is not in the course of the child's trade or business, or which is domestic service in the child's private home, will continue to be excluded. Service not in the course of the child's trade or business, and domestic service in the child's private home, which constitutes agricultural labor pursuant to section 210(f) of the Social Security Act because performed on a farm operated for profit, would continue to be excluded under section 210(a)(3) of the act.

Section 105(b) of the bill makes identical changes in section 3121(b)(3) of the Internal Revenue Code of 1954.

Effective date

Section 105(c) of the bill provides that the amendments made by subsections (a) and (b) shall apply with respect to services performed after 1960.

SECTION 106. EMPLOYEES OF NONPROFIT ORGANIZATIONS

Elimination of requirement that religious, charitable, etc., organization may file waiver certificate only if two-thirds of its employees concur

Section 106(a) of the bill amends section 3121(k)(1)(A) of the Internal Revenue Code of 1954, relating to waivers of tax exemption which may be filed by certain religious, charitable, etc., organizations. Pursuant to present law, such an organization may file a certificate electing to have old-age, survivors, and disability insurance coverage extended to services performed in its employ only if two-thirds or more of its employees concur in the filing of such certificate, and such certificate is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs. Section 106(a) of the bill eliminates the requirement that two-thirds or more of such employees must concur before the certificate can be filed. This amendment has the effect of permitting the organization to elect coverage in respect of all employees of the organization hired after the quarter in which a certificate is filed by the organization even though less than two-thirds, or none, of the employees in its employ in such quarter concur in the filing of the certificate. As under present law, a list showing the names, addresses, and social security account numbers of all concurring employees must accompany the certificate, and, in general, only the services of those employees

(if any) whose names appear on such list will be covered when the certificate takes effect. However, the 24-month period prescribed in present law for signing a supplemental list of concurring employees is continued, and employees who decline the coverage at the time the certificate is filed but later desire to have it may acquire such coverage prospectively by signing a supplemental list within the prescribed period.

Section 106(a) of the bill also amends section 3121(k)(1)(E) of the code, relating to the filing of waiver certificates by organizations some of whose employees are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or political subdivision thereof and some of whose employees are not in such positions. Under present law such organization must divide its employees who are in such positions and its employees who are not in such positions into separate coverage groups, and a waiver certificate in respect of either group may be filed only if two-thirds of the employees in the group concur in the filing of the certificate. Section 106(a) of the bill eliminates the requirement that two-thirds or more of the employees in such group must concur before a certificate can be filed in respect of such group. Under the amendment made by section 106(a), a certificate may be filed in respect of either group, or separate certificates may be filed in respect of each group, even though less than two-thirds, or none, of the employees in the group concur in the filing of the certificate.

Validation of remuneration erroneously reported as wages by non-profit organizations

Section 106(b) of the bill relates to service performed after 1950 which is excepted from covered "employment" solely because the service is performed for an organization, described in section 501(c)(3) of the Internal Revenue Code of 1954 (or sec. 101(6) of the Internal Revenue Code of 1939) and exempt from income tax, which does not have a waiver certificate under section 3121(k) of the Internal Revenue Code of 1954 (or sec. 1426(1) of the Internal Revenue Code of 1939) in effect with respect to such service. The service may be excepted from employment because no such certificate was filed by the organization or, if a certificate was filed, because the person performing the service could acquire coverage only by signing the list of employees concurring in the filing of the certificate and he failed to do so.

Section 106(b) of the bill makes provision whereby the remuneration paid by an organization to an individual before July 1, 1960, for such service may be deemed to constitute remuneration for employment for purposes of title II of the Social Security Act, to the extent that an amount has been paid before August 11, 1960, as taxes under the Federal Insurance Contributions Act with respect to such remuneration. Such remuneration will be deemed to constitute remuneration for employment for purposes of such title II if the following conditions are met:

(1) The person who performed the service (or a fiduciary acting for him or his estate, or a survivor of such individual who is or may become entitled to monthly benefits under title II of the Social Security Act on his earnings record) makes a request (in such form and manner, and with such official as the Secretary of Health, Education,

and Welfare may by regulations prescribe) that such remuneration be deemed to constitute remuneration for employment for purposes of title II of the Social Security Act.

(2) If any part of the amount paid as taxes before August 11, 1960, with respect to such remuneration paid to an individual is credited or refunded, the amount credited or refunded, plus any interest allowed, is repaid before January 1, 1963.

(3) A certificate under section 3121(k) of the Internal Revenue Code of 1954 is filed by the organization not later than the date on which the request is made, unless the organization has previously filed a certificate under that section or section 1426(1) of the Internal Revenue Code of 1939, or the organization no longer has any individual in its employ for remuneration at the time the request is made.

(4) In the case of an organization which has filed a certificate on or before the date on which the individual's request is made, amounts are paid as taxes with respect to some portion of the remuneration paid by the organization to the individual during the 24-month period following the calendar quarter in which the certificate is filed, if the individual is in the employ of the organization at any time during such 24-month period.

Pursuant to section 106(b)(5) of the bill, an organization's certificate is made applicable in the future to an individual if remuneration paid by such organization to the individual before July 1, 1960, is deemed, pursuant to a request made under section 106(b), to constitute remuneration for employment, and if the individual performs service in the employ of the organization on or after the date on which the request is made. If the certificate is not effective with respect to service performed by such individual before the first day of the calendar quarter following the quarter in which the request is made, the effect of paragraph (5) is to make the certificate applicable to service performed by the individual on and after such first day.

After the date of enactment of the bill, section 106(b) will supersede provisions of section 403(a) of the Social Security Amendments of 1954 which permit certain remuneration paid for service performed before 1957 to be deemed remuneration for employment. Section 403(a) will continue to apply to requests made pursuant to such section on or before the enactment of this bill, but not to requests made after the date of enactment.

Remuneration erroneously reported as self-employment income by certain employees of charitable, religious, etc., organizations

Section 106(c)(1) of the bill amends section 1402 of the Internal Revenue Code of 1954 by adding a new subsection (g). Pursuant to the new subsection (g), any individual who, for any taxable year ending after 1954 and before 1962, erroneously reported as self-employment income (and paid self-employment tax on) remuneration received by him for services performed in the employ of an organization which is exempt from income tax as an organization described in section 501(c)(3) may request (or a fiduciary acting for such individual or for his estate, or a survivor of such individual who is or may become entitled to monthly benefits under title II of the Social Security Act on his wage record may request) that such remuneration reported for such taxable year (other than remuneration for services performed by the individual as a duly ordained, commissioned, or

licensed minister of a church or as a member of a religious order) be deemed to constitute net earnings from self-employment. The request will be effective if—

(1) it is made after the date of enactment of the new section 1402(g) of the code and on or before April 15, 1962;

(2) the return on which the remuneration was reported was timely filed;

(3) a certificate under section 3121(k) of the code is filed by the organization on or before the date the request is made; and

(4) no credit or refund of any part of the amount erroneously paid for such taxable year as self-employment tax on such remuneration is obtained before the date on which the request is filed, or, if obtained, is repaid on or before the date of the request;

but only to the extent that such remuneration was paid to the individual before the calendar quarter in which the request was filed (or, in some cases, before the next calendar quarter), and no employment tax under chapter 21 has been paid on such remuneration.

In any case where remuneration paid to an individual by a religious, charitable, etc., organization is deemed to be net earnings from self-employment by reason of a request filed pursuant to the new section 1402(g), the certificate filed by the organization, if it is not effective with respect to services performed by the individual on or before the first day of the calendar quarter in which the request is filed, shall be effective with respect to services (if any) performed by the individual for the organization on and after the first day of the next calendar quarter.

Section 106(c) (2) of the bill contains complementary provisions for purposes of title II of the Social Security Act.

United States citizen employees of certain labor organizations in the Panama Canal Zone

Services performed outside the geographical limits of the United States (as defined in title II of the Social Security Act and in the Federal Insurance Contributions Act) by citizens of the United States are covered under such acts if they are performed for an "American employer." Under existing law, labor organizations created or organized in the Canal Zone or elsewhere outside the United States do not meet the definition of "American employer" and the services of their United States citizen employees performed outside the United States are excluded from coverage. Paragraphs (1) and (2) of section 106(d) of the bill amend section 3121(h) of the Internal Revenue Code of 1954 and section 210(e) of the Social Security Act, respectively, to include in the definition of "American employer" labor organizations created or organized in the Canal Zone, if they are chartered by labor organizations created or organized in the United States which are described in section 501(c) (5) and exempt from income tax under section 501(a) of the Internal Revenue Code. In effect, these amendments extend coverage compulsorily to service performed after 1960 outside the United States by United States citizens in the employ of such labor organizations.

Section 106(d) (3) of the bill permits the validation as wages of certain remuneration which was erroneously reported as wages by any labor organization which qualifies as an "American employer" under the amendments made by section 106(d) (1) and (2) of the bill. For

purposes of title II of the Social Security Act, remuneration paid in any calendar quarter by such an organization to a citizen of the United States for services performed after 1954 and before 1961 is deemed to constitute remuneration for employment, if amounts representing the social security taxes with respect to such remuneration were timely paid, no claim for credit or refund of any part of such amounts paid with respect to such calendar quarter is filed before the expiration of the period prescribed for filing claim for credit or refund, and (in effect) there was a timely payment before the date of the enactment of the bill of an amount representing the social security taxes for a period before the enactment of the bill.

Effective dates

Section 106(e) of the bill provides effective dates for the amendments relating to employees of nonprofit organizations.

Paragraph (1) provides that the amendments made by subsection (a) shall be effective with respect to certificates filed under section 3121(k) (1) of the Internal Revenue Code of 1954 after the date of the enactment of the bill.

Paragraph (2) provides that the amendments made by paragraphs (1) and (2) of subsection (d), relating to coverage of service performed by United States citizen employees of certain labor organizations in the Canal Zone, shall be effective with respect to service performed after December 31, 1960.

Paragraph (3) provides that no monthly benefits shall be payable or increased for the month of enactment or prior months by reason of the provisions of or amendments made by subsections (b), (c), and (d), relating to validation of remuneration erroneously reported as wages by nonprofit organizations, as net earnings from self-employment by certain employees of nonprofit organizations, and as wages by certain labor organizations in the Canal Zone. No lump-sum death payment under such title II would be payable or increased by reason of such provisions or amendments in the case of any individual who died prior to the date of enactment of the bill.

SECTION 107. AMERICAN CITIZEN EMPLOYEES OF FOREIGN GOVERNMENTS
AND INTERNATIONAL ORGANIZATIONS

Self-employment coverage for benefit purposes

Section 211(c) (2) of the Social Security Act now provides three exceptions to the general rule that services performed as an employee are excluded from the definition of "trade or business," and thus from self-employment coverage. The effect of these exceptions is to include the services excepted in the definition of "trade or business," and thus to extend self-employment coverage to such services. These services are (1) services performed by certain news vendors, (2) certain services performed by an individual under share-farming arrangements, and (3) services performed by an individual in the exercise of his ministry or as a member of a religious order. Section 107(a) of the bill amends section 211(c) (2) so as to include a fourth category of employee services in the term "trade or business." The services thus included under the amendment are those performed in the United States (including the Virgin Islands, Puerto Rico, and, effective January 1, 1961, Guam and American Samoa) by a citizen of the United

States in the employ of a foreign government, in the employ of an instrumentality wholly owned by a foreign government, or in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities under the International Organizations Immunities Act, to the extent that such services are excluded from "employment" by section 210(a)(11), 210(a)(12), or 210(a)(15) of the Social Security Act. In effect, this change extends self-employment coverage under title II of the Act to such services.

Coverage for self-employment tax purposes

Section 107(b) of the bill makes corresponding amendments to section 1402(c)(2) of the Internal Revenue Code of 1954. The effect of these amendments is to require that income derived by a United States citizen from service performed in the United States (including the Virgin Islands, Puerto Rico, and, effective January 1, 1961, Guam and American Samoa) as an employee of a foreign government, an instrumentality wholly owned by a foreign government, or an international organization, must be taken into account in determining liability for the self-employment tax, to the extent that such service is excepted from the definition of "employment" by section 3121(b)(11), 3121(b)(12), or 3121(b)(15) of the code.

Effective dates

Section 107(c) of the bill provides that the amendments made by section 107 with respect to services in the employ of foreign governments, instrumentalities wholly owned by foreign governments, and international organizations shall be effective for taxable years ending on or after December 31, 1960. (It should be noted, however, that such services performed in Guam or American Samoa will not be covered for taxable years ending before 1961 since the inclusion of Guam and American Samoa in the definition of United States for old-age, survivors, and disability insurance purposes is not effective until January 1, 1961; see discussion of sec. 103 of the bill, above.) For purposes of section 203(b) of the Social Security Act, relating to the "retirement test" under the old-age, survivors, and disability insurance program, earnings derived by an individual which are covered as net earnings from self-employment pursuant to the amendments made by section 107 of the bill will be treated as "wages" for taxable years beginning on or before the date of enactment of the bill, but as "net earnings from self-employment" for taxable years beginning after the date of enactment.

SECTION 108. DOMESTIC SERVICE AND CASUAL LABOR

Reduction in qualifying amount of wages

Section 108(a) of the bill amends paragraph (2) (relating to domestic service in a private home) and paragraph (3) (relating to service not in the course of the employer's trade or business) of section 209(g) of the Social Security Act. These paragraphs now provide for the exclusion from wages, for purposes of old-age, survivors, and disability insurance, of cash remuneration paid by an employer to an employee in a calendar quarter for domestic service in a private home of the employer, or for service not in the course of the employer's trade or business, unless such remuneration paid in such quarter is \$50 or

more. The amendments made by section 108(a) would reduce from the present \$50 to \$25 the amount of cash remuneration which is required to be paid by an employer to an employee in a calendar quarter for service in these types of employment in order to have such remuneration constitute "wages."

Exclusion of service performed by individual under 16

Section 108(b) of the bill amends section 210(a) of the Social Security Act by adding a new paragraph (19) to provide for the exclusion from employment for purposes of old-age, survivors, and disability insurance of service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual under the age of 16. Under present law such service is not excluded from employment and the definition of wages determines whether remuneration for the employment is covered by old-age, survivors, and disability insurance.

Conforming amendments in Internal Revenue Code of 1954

Section 108(c) (relating to the definition of wages) and section 108(d) (relating to the definition of employment) of the bill make conforming amendments in the Internal Revenue Code of 1954.

Effective dates

Section 108(e) of the bill provides that the amendments made by subsections (a) and (c), relating to the definition of wages, are effective with respect to remuneration paid after 1960, and that the amendments made by subsections (b) and (d), relating to the definition of employment, are effective with respect to service performed after 1960.

TITLE II—ELIGIBILITY FOR BENEFITS

SECTION 201. CHILDREN BORN OR ADOPTED AFTER ONSET OF PARENT'S DISABILITY

Section 201(a) of the bill amends section 202(d) of the Social Security Act to provide for the payment of child's insurance benefits to a child who is adopted by or born to an individual, or a stepchild of an individual by a marriage which is contracted, after the individual becomes entitled to disability insurance benefits. Under present law such a child cannot become entitled to child's insurance benefits because the law provides that such benefits may be paid only to a child who is dependent on the insured individual at one of a number of times specified in the law, and those times do not include a time for establishing the dependency of a child who is born to, or who becomes the adopted child or stepchild of, a person after that person becomes entitled to disability insurance benefits. This amendment provides that these children could establish their dependency as of the time at which an application for child's insurance benefits is filed. The provision, except as specified in subsection (b), is similar to the provision in present law that applies to the child of an old-age insurance beneficiary.

Section 201(b) of the bill provides an exception to the amendment included in subsection (a). Under this exception, a child who is adopted after the individual becomes disabled cannot become entitled

to child's benefits unless he is the natural child or stepchild of the individual or is adopted within 2 years after the month in which the individual becomes entitled to disability insurance benefits.

Section 201(c) of the bill makes these amendments effective as though they had been enacted on August 28, 1958 (the date when the Social Security Amendments of 1958 were enacted), and with respect to monthly benefits for months after August 1958 based on applications filed on or after August 28, 1958.

SECTION 202. CONTINUED DEPENDENCY OF STEPCHILD ON NATURAL FATHER

Section 202(a) of the bill amends section 202(d) of the Social Security Act to provide for the payment of child's insurance benefits based on the earnings of the child's father even though the child was living with and receiving more than one-half of his support from his stepfather.

Section 202(b) of the bill makes section 202(a) effective for monthly benefits for months beginning with the month in which the bill is enacted based on applications filed in or after the month of enactment.

SECTION 203. PAYMENT OF BURIAL EXPENSES

Section 203(a) of the bill amends section 202(i) of the Social Security Act to change the provisions governing the payment of the lump-sum death payment in cases where the insured individual is not survived by a spouse who was living in the same household with him at the time of his death (or where such a spouse dies before receiving the payment). In such a case the amended provisions provide for the lump-sum death payment to be made as follows:

(1) The lump sum would first be applied to all or any part of the unpaid burial expenses of the insured individual that were incurred by or through a funeral home. The payment would be made directly to the funeral home if an application, requesting payment to the home, is filed within 2 years after the date of death of the insured individual by a person who assumes responsibility for the payment of all or a part of the burial expenses, or if no one assumes that responsibility within 90 days after the date of the insured individual's death.

(2) If all of the expenses incurred through the funeral home have been paid (including payments made as provided above), any of the lump sum that remains would be paid to any person or persons equitably entitled thereto to the extent and in the proportion that he or they shall have paid the funeral-home expenses.

(3) After all payments provided by (1) and (2) above have been made, any of the lump sum that remains would be paid to anyone equitably entitled thereto, to the extent and in the proportion that he has paid any burial expenses not incurred through the funeral home, in the following order of priority: The expenses of opening and closing of the grave, the expense of the burial plot, and any remaining expenses.

The amendment also continues the provision in present law that no payment will be made to any person unless an application for the payment is filed by or on behalf of such person within 2 years after the

date of the death of the insured individual unless such person was entitled to wife's or husband's benefits on the earnings record of the insured individual for the month preceding the month in which such individual died.

Section 203(b) of the bill provides that the amendment made by subsection (a) shall be applicable in the case of deaths on or after the date of enactment of the bill, and in the case of deaths prior to enactment but only if no application for the lump-sum death payment (on the basis of the earnings record involved) is filed before the third month after the month of enactment.

SECTION 204. FULLY INSURED STATUS

Section 204(a) of the bill amends section 214(a) of the Social Security Act to provide that to be fully insured a person will need one quarter of coverage (no matter when acquired) for every four calendar quarters elapsing after 1950, or after the calendar year in which he attained the age of 21 if that was later, and up to the beginning of the calendar year in which he attained retirement age (65 for men, 62 for women) or died, whichever occurred first. To be fully insured under present law, a person must have one quarter of coverage for every two quarters elapsing after 1950, or after the calendar quarter in which he attained the age of 21, if that was later, and up to the beginning of the calendar quarter in which he attained retirement age or died, whichever first occurred. Under the amendment, as under present law, the minimum requirement for a person to be fully insured would be 6 quarters of coverage and the maximum requirement would be 40 quarters of coverage.

As under present law, any calendar quarter any part of which was included in a period of disability would not count as an elapsed quarter unless it was a quarter of coverage. If after subtraction of quarters occurring in a period of disability from the number of elapsed quarters the remainder is not a multiple of 4, the number would be reduced to the next lower multiple of 4 for the purpose of determining whether the individual met the requirement for fully insured status.

Under the amendment, any person who died or attained retirement age before 1951 and had at least six quarters of coverage would be fully insured. Under the present law, people who died before September 1950 could not be fully insured unless at least one-half of the quarters elapsing after 1936 were quarters of coverage. People who did not meet this requirement and who died after 1939 and before September 1950 but had at least six quarters of coverage were given a limited "deemed" fully insured status by the Social Security Amendments of 1954. The deemed fully insured status was limited in that it did not permit payments to a former wife divorced; in such cases the worker must have been fully insured under the regular provisions. The amendment would make that deemed insured status provision unnecessary, and it would be made inoperative, as indicated below.

The following table illustrates the number of quarters of coverage a person would need to be fully insured under the new provisions:

Number of quarters of coverage required for fully insured status under present law and under proposed change

Year of death, disability, or attainment of retirement age	Required quarters	
	Present law ¹	Proposal
1953 and earlier.....	6	6
1954.....	6-7	6
1955.....	8-9	6
1956.....	10-11	6
1957.....	12-13	6
1958.....	14-15	7
1959.....	16-17	8
1960.....	18-19	9
1961.....	20-21	10
1966.....	30-31	15
1971.....	40	20
1976.....	40	25
1981.....	40	30
1986.....	40	35
1991 and after.....	40	40

¹ This column represents the requirement under the basic insured status formula in existing law; for those individuals who meet the "special (continuous coverage) insured status" test established by the Social Security Amendments of 1954, the requirement would be somewhat less for persons dying or reaching retirement age before October 1960.

Section 204(b) of the bill provides that the average monthly wage of an individual who died after 1939 and before 1951 shall be computed in the same general manner as is provided in present law for people whose benefits are computed on the basis of earnings after 1936. Where a primary insurance benefit had already been computed for a deceased individual who was currently insured but not fully insured at the time of his death (a lump-sum death payment, monthly benefits for his children under age 18, and monthly benefits for his widow with children in her care would have been payable if he had been only currently insured) that amount would be converted, through the benefit table in the law, to the appropriate primary insurance amount being paid at the present time.

Section 204(c) of the bill amends section 109(b) of the Social Security Amendments of 1954, which provides a "deemed" fully insured status for certain individuals who died before September 1950, to make the section inapplicable in the case of applications filed after the month of enactment of the bill (except for purposes of benefits for the month of enactment and earlier months—see description of sec. 204(d)(2) of the bill, below). The provisions of section 109(b) will no longer be needed, since people who now are deemed to be fully insured under that section will be fully insured under the amendment made by 204(a) of the bill. Section 109(b) of the 1954 amendments specifically excludes former wives divorced from entitlement to benefits in cases involving the "deemed" fully insured status provided by that section. Thus, under present law, monthly benefits are provided for the other survivors of an individual who died before September 1950 if he had at least six quarters of coverage even if he had not been insured at the time he died, but the former wife divorced can qualify only if the deceased individual was insured under the regular provisions of the law when he died. The amendment to section 109, together with the other changes made by this section of the bill, will provide benefits for the former wife divorced of an individual who died after 1939 and before September 1950, who was not insured at the time he died, but who had at least six quarters of coverage.

Section 204(d) (1) of the bill provides that the amendments made by subsections (a) and (b) shall be effective for (1) monthly benefits for months after the month in which the bill is enacted on the basis of applications filed in or after the month of enactment; (2) lump-sum death payments in the case of deaths occurring after the month of enactment; and (3) disability determinations with respect to periods of disability based on applications filed after the month of enactment.

Section 204(d) (2) of the bill provides that the requirements for fully insured status, as contained in section 214(a) of the present law and section 109 of the Social Security Amendments of 1954, will govern in determining whether an individual was entitled, on the basis of an application filed in or after the month in which the bill was enacted, to retroactive payment of benefits for the month of enactment and for prior months. He could not get benefits for any prior month unless he met the requirements for receipt of a benefit for that month under existing provisions of law. The present provisions would also govern the determination of the individual's "first eligibility closing date" (one of the points as of which the average monthly wage is computed under the present law) in years before 1960. This closing date would be the first day of the first year in which he both was fully insured under the present provisions of the law and had attained retirement age.

Where an application is filed in or after the month of enactment by a surviving dependent of an individual who died before September 1, 1950, and who was given a "deemed" insured status under section 109 of the Social Security Amendments of 1954 (as in effect prior to enactment of the bill) and an actual insured status by subsection (a) (3) of section 214 of the Social Security Act as amended by the bill, the entitlement of such surviving dependent to monthly benefits for the month of enactment and prior months would be determined under the provisions of section 109 of the Social Security Amendments of 1954 as in effect prior to enactment of the bill.

SECTION 205. SURVIVORS OF INDIVIDUALS WHO DIED PRIOR TO 1940 AND CERTAIN OTHER INDIVIDUALS

Section 205(a) of the bill amends subsections (d)(1), (e)(1), (g)(1), and (h)(1) of section 202 of the Social Security Act to provide for the payment of child's, widow's, mother's, and parent's insurance benefits to survivors of workers who died prior to 1940. Under present law monthly benefits are provided only for the survivors of workers who died after 1939.

Section 205(b) of the bill amends section 202(f)(1) of the act to provide for the payment of benefits to the widower of a fully and currently insured worker who died before September 1950. Under present law monthly benefits are provided only for the widowers of working women who died after August 1950.

Section 205(c) of the bill provides a method of computing the primary insurance amount of individuals who died before January 1940 and who had not less than six quarters of coverage. Benefits for survivors of these people would be computed under the provisions of the law in effect before 1950 and converted to current amounts through the benefit table contained in the present law.

Section 205(d) of the bill provides that the amendments made by this section will be effective with respect to monthly benefits for months after the month in which the bill is enacted if an application for benefits is filed in or after such month.

SECTION 206. CREDITING OF QUARTERS OF COVERAGE FOR YEARS BEFORE 1951

Section 206(a) of the bill amends section 213(a)(2) of the Social Security Act so that in any case where an individual had wages of \$3,000 or more in a year before 1951, he will be credited with four quarters of coverage for that year (subject to exceptions already in the law) regardless of when in the year he earned his first quarter of coverage.

Under present law, where a person had the maximum amount of creditable wages in any year before 1951, each quarter of the year following his first quarter of coverage is credited as a quarter of coverage. For example, a person who had wages of \$3,000 in 1949, all paid in the fourth calendar quarter, is credited with only one quarter of coverage for that year. For years after 1950, on the other hand, a person whose earnings are at the maximum creditable amount is credited with four quarters of coverage for the year regardless of when he received his first quarter of coverage for that year. The bill would put the provisions for crediting quarters of coverage in the case of maximum creditable earnings before 1951 on the same basis as those for crediting quarters of coverage in such cases after 1950.

Section 206(b)(1) of the bill provides that the changes made by subsection (a) shall be effective generally in cases where people qualify, in or after the month of enactment, for benefits, for specified benefit recomputations, and for disability determinations. Specifically, the changes would be effective with respect to old-age, survivors, and disability insurance benefits and lump-sum death payments based on the wages and self-employment income of an individual who—

(1) becomes entitled to old-age or disability insurance benefits on the basis of an application filed in or after the month in which the bill is enacted; or

(2) becomes entitled to a work recomputation under section 215(f)(2)(A) of the Act based on an application filed in or after the month of enactment (or would be entitled to such a recomputation but for the provision in section 215(f)(6) that a higher primary insurance amount must result therefrom); or

(3) dies without becoming entitled to old-age or disability insurance benefits and, unless the person dies currently insured but not fully insured (in the absence of this exception people who happened to be currently insured at death could not become fully insured as a result of the change, but people who are uninsured could become fully insured), there is no one entitled to survivors' benefits or a lump-sum death payment based on an application filed prior to the month of enactment; or

(4) dies in or after the month of enactment, and whose survivors are (or, but for the provisions of section 215(f)(6), would be) entitled to a survivor's work recomputation under section 215(f)(4)(A); or

(5) dies before the month of enactment, and whose survivors are (or, but for the provisions of section 215(f)(6), would be)

entitled to a survivor's work recomputation under section 215 (f) (4) (A) and did not become entitled to monthly benefits or a lump-sum death payment on the basis of an application filed prior to the month of enactment; or

(6) becomes entitled (or would be entitled if it resulted in a higher primary insurance amount) to a "dropout" recomputation under section 102(f) (2) (B) of the 1954 amendments to the Social Security Act on the basis of an application filed in or after the month of enactment; or

(7) dies, and whose survivors are entitled (or would be entitled if it resulted in a higher primary insurance amount) to a "dropout" recomputation under section 102(f) (2) (B) of the 1954 amendments on the basis of an application filed in or after the month of enactment.

Section 205 (b) (2) of the bill provides that the change made by subsection (a) shall also apply in the case of disability determinations under section 216(i) of the Social Security Act where the application for disability determination was filed in or after the month of enactment.

Section 206 (b) (3) of the bill provides that where a person would not be fully insured except for the enactment of this section of the bill, benefits will not be payable on his earnings record for any month before the month of enactment.

SECTION 207. TIME NEEDED TO ACQUIRE STATUS OF WIFE, CHILD, OR HUSBAND IN CERTAIN CASES

Section 207 of the bill amends section 216 of the Social Security Act so as to make the duration-of-relationship requirements for entitlement to dependents' benefits in cases where the worker is alive the same as the requirements for entitlement to survivors' benefits that apply when the worker is deceased.

Section 207 (a) of the bill amends section 216 (b) of the Social Security Act (relating to the definition of "wife") by reducing from 3 years to 1 year the length of time a woman who cannot qualify as a "wife" under the other provisions (e.g., as the mother of his son or daughter) must have been married to an insured individual before she can be considered his "wife" for purposes of becoming entitled to wife's insurance benefits.

Section 207 (b) of the bill amends section 216 (e) of the Social Security Act (relating to the definition of "child") by reducing from 3 years to 1 year the length of time a stepchild must have been a stepchild before he can meet the definition of "child" for purposes of becoming entitled to benefits based on the earnings of a living person.

Section 207 (c) of the bill amends section 216 (f) of the Social Security Act (relating to the definition of "husband") by reducing from 3 years to 1 year the length of time a man who cannot qualify as a "husband" under the other provisions must have been married to an insured individual before he can be considered her "husband" for purposes of becoming entitled to husband's insurance benefits.

Section 207 (d) of the bill provides that the amendments made by this section will be effective with respect to monthly benefits for months beginning with the month in which the bill is enacted on the basis of applications filed in or after that month.

SECTION 208. MARRIAGES SUBJECT TO LEGAL IMPEDIMENT

Section 208(a) of the bill amends section 216(h) of the Social Security Act (relating to family status) by adding a new subparagraph (B) to paragraph (1). The new subparagraph provides that an applicant who went through a marriage ceremony with an insured individual shall be deemed to be the wife, husband, widow, or widower of that individual, even though there was a legal impediment to the marriage, if it is established to the satisfaction of the Secretary that the applicant went through the marriage ceremony with the insured individual in good faith, if the existence of the legal impediment was unknown to the applicant at the time of the ceremony, and if (where the insured individual is alive) he and the applicant are living in the same household at the time an application is made for spouse's benefits or (where the insured individual is dead) they were living in the same household at the time the insured individual died. An applicant who went through a marriage ceremony with an insured individual will not be deemed to be the wife, husband, widow, or widower of that individual if another person is or has been entitled to wife's, husband's, mother's, widow's, or widower's benefits based on the insured individual's earnings and the other person has the status of wife, husband, widow or widower of the insured individual at the time the application for benefits is filed; or if the Secretary determines on the basis of information brought to his attention, that the applicant entered into the marriage knowing that it was not valid. The benefits of a person who has been deemed to be a wife, husband, widow, or widower under the provisions of the new subparagraph will end if (and with the payment for the month before the month in which) the Secretary certifies that benefits are payable to a person who was validly married to the insured individual. Benefits to a person who has been deemed to be a wife or husband under the new subparagraph will also end in the month before the month in which such person enters into a valid marriage with some other person. The subparagraph defines a legal impediment to the validity of a ceremonial marriage to include only an impediment that results from the lack of dissolution of a previous marriage or that otherwise arises out of a previous marriage or its dissolution, or results from a defect in the procedure followed in connection with the ceremonial marriage such as failure to comply in one or more respects with any provision of State law relating to the performance of a marriage ceremony or to the kind of ceremony required.

Section 208(b) of the bill amends section 216(h) (2) of the Social Security Act to include in the definition of "child" the child of an individual (so that the child will qualify for benefits on the latter's earnings record) if the child is that individual's son or daughter and the child's parents entered into a ceremonial marriage which, but for a legal impediment of the type described above, would have been valid.

Section 208(c) of the bill amends section 216(e) of the Social Security Act to include as the stepchild of an individual, for benefit purposes, a child whose parent entered into a ceremonial marriage with that individual which, but for a legal impediment of the type described above, would have been valid.

Section 208(d) of the bill amends section 202(d) (3) of the Social Security Act (relating to the payment of child's insurance benefits)

to provide that a child deemed pursuant to section 216(h)(2) of the act (as amended by section 208(b) of the bill) to be the insured individual's child shall be deemed to be his legitimate child. Under the law as amended by section 202(a) of the bill, a legitimate or adopted child would be deemed dependent on his father unless the father was not living with nor contributing to the support of the child and the child had been adopted by some other person. By providing that the child will be deemed to be the legitimate child of the insured individual, the section has the result of treating the child as dependent on the insured individual unless the child had been adopted by some other person and the insured individual was neither living with nor contributing to the support of the child.

Section 208(e) of the bill is a saving clause providing that the benefits of any person on the old-age, survivors, and disability insurance benefit rolls for the month before the bill is enacted will not be reduced because of the benefits paid to a person who, under the amendments made by this section of the bill, is deemed to be the wife, husband, widow, widower, child, or stepchild of an insured individual. If there were no saving clause, because of the limitation on the total of the benefits that may be paid to a family on the basis of the earnings of one individual, the benefits payable to a person on the rolls when the bill is enacted might be reduced because of the payments made to some other person who would get benefits as a result of enactment of this section of the bill.

Section 208(f) of the bill provides that the amendments made by section 208 of the bill shall be effective with respect to monthly benefits for months beginning with the month in which the bill is enacted, on the basis of an application filed in or after that month. In the case of a lump-sum death payment the amendments would be effective based on the application of any person filed in or after the month in which the bill is enacted but only if no other person has filed an application for a lump-sum death payment before the date of enactment.

SECTION 209. PENALTY DEDUCTIONS UNDER FOREIGN WORK TEST

Section 209(a) of the bill amends section 203(f) of the Social Security Act to eliminate the imposition of a penalty in certain cases. Under present law, a month's benefit must be withheld from an old-age insurance beneficiary and from each of his dependents for any month in which he works in noncovered work outside the United States on more than 6 days. If the old-age insurance beneficiary fails to report such employment within a specified time, he may be penalized by the loss of an additional month's benefit, but in general his dependents will not be subject to the loss of an additional benefit. The only dependent beneficiary so penalized is the person who is the spouse of an old-age insurance beneficiary and who is getting childhood disability benefits or mother's insurance benefits. The imposition of the penalty in this sort of case is an unintended result of the Social Security Amendments of 1958. Section 209(a) of the bill amends section 203(f) of the Social Security Act to remove this additional penalty.

Section 209(b) of the bill provides that the amendment made by section 209(a) shall be effective on enactment and for penalties

imposed under section 203(f) of the Social Security Act but not collected prior to enactment.

**SECTION 210. EXTENSION OF FILING PERIOD FOR HUSBAND'S, WIDOWER'S,
AND PARENT'S BENEFITS IN CERTAIN CASES**

Section 210 of the bill extends for 2 years after the month of enactment the period in which proof of support (required under the existing law) may be filed by persons who become entitled to husband's, widower's, or parent's insurance benefits as a result of the enactment of the bill.

TITLE III—BENEFIT AMOUNTS

**SECTION 301. INCREASE IN INSURANCE BENEFITS OF CHILDREN OF
DECEASED WORKERS**

Section 301(a) of the bill amends section 202(d) of the Social Security Act to make the benefit payable to each child of a deceased insured individual equal to three-fourths of the latter's primary insurance amount. The present law provides that the benefit payable to each child of a deceased insured individual shall be one-half of such individual's primary insurance amount plus one-fourth of his primary insurance amount divided by the number of children.

Section 301(b) provides that the amendments made by section 301(a) shall apply to monthly benefits for months after the second month following the month of enactment.

Section 301(c) provides a saving clause, in cases where the family maximum applies, for beneficiaries on the old-age, survivors, and disability insurance benefit rolls for the second month after the month of enactment (which is the month before the amendment in the bill becomes effective). It provides that the benefits of a widow, widower, or parent (except for persons who become entitled to benefits because of the amendment (sec. 208 of the bill) relating to marriages subject to a legal impediment) who is entitled to benefits when the amendment is effective will not be decreased, under the family maximum provisions of section 203(a) of the act, because of the increased benefits payable under the amendment to the children in the family. When the family maximum applies, a child's benefits will be increased under the amendment only to the extent possible within the limits of that maximum and without reducing the benefits of the widow, widower, or parent. If, in or after the month in which the amendment becomes effective, another person in the family (other than a person who becomes entitled to benefits because of the amendment (sec. 208 of the bill) relating to marriages subject to a legal impediment) becomes entitled to benefits based on the earnings record of the same individual, the saving clause will cease to operate. This latter provision is included so that the saving clause will "wash out," and the amounts of benefits based on the earnings record of the same individual will be redetermined at any time when the family benefits would under present law be redetermined in any event.

SECTION 302. MAXIMUM FAMILY BENEFITS IN CERTAIN CASES

Section 302 of the bill corrects a technical flaw in section 203(a)(3) of the Social Security Act, which is a "saving clause" that is intended to put the family of an insured individual who has a period of disability that started before 1959 in the same general position, with respect to figuring the maximum family benefits payable on the earnings record of one individual, as the family of an insured individual who died before 1959. Because of the technical flaw, families of the disabled individuals whose average monthly wage is at certain levels get amounts different from (and in most cases larger than) those that are payable on the same average monthly wage to survivor families.

Section 303(a)(1) of the bill corrects the provisions relating to the maximum amount of benefits payable to families of disabled individuals where the primary insurance amount is \$66, \$67, or \$68 so that the maximum limitations on family benefits for such disabled individuals will be the same as those applicable to survivor families on the basis of the same primary insurance amounts.

Section 302(a)(2) of the bill corrects the provisions relating to the maximum amount of benefits payable to families of disabled individuals based on primary insurance amounts above \$96 so that the maximum limitations on family benefits will be generally comparable to those applicable to survivor families on the basis of the same primary insurance amounts.

Section 302(b) of this bill makes these amendments applicable with respect to monthly benefits beginning with the second month after the month in which the bill is enacted, but only if the family came on the benefit rolls no earlier than such second month. The benefits of families who are already on the benefit rolls prior to such second month would not be reduced by reason of enactment of the bill; such benefits would continue to be determined under the present provisions of section 203(a)(3) of the act.

SECTION 303. COMPUTATIONS AND RECOMPUTATIONS OF PRIMARY INSURANCE AMOUNTS

Section 303(a) of the bill amends section 215(b) of the Social Security Act to provide a new method of determining an individual's average monthly wage, on which his primary insurance amount is based. Under the amendment, the period on the basis of which an individual's average monthly wage will be computed will be a constant number of calendar years. For retirement cases, and for cases of death after attaining retirement age, such constant number of calendar years will (in the absence of a period of disability) depend solely on the year of attaining retirement age if the individual is then fully insured (or if not so insured, then on the first year in which he is fully insured) regardless of whether the individual started to work before age 22 and regardless of when, after first becoming eligible for old-age insurance benefits, he filed his application for them. Likewise, for survivor benefits in the case of a person dying before retirement age, the constant number of years will (in the absence of a period of disability) depend solely on his age in the year of death or on the year in which he died if he was over age 22 in 1950, regardless of whether he started to work before age 22. Also, for

disability insurance benefits, the constant number of years will (in the absence of a previous period of disability) depend solely on the insured individual's age in the year of becoming so disabled or on the year in which he became disabled if he was over age 22 in 1950.

The new provisions will be applicable, in general, to people who qualify for benefits, or for specified kinds of benefit recomputations, after 1960.

Paragraph (1) of the amended section 215(b) defines an individual's "average monthly wage" as the quotient obtained by dividing the total of his wages paid in, and self-employment income credited to, his "benefit computation years", by the number of months in those years.

Paragraph (2) (A) of the amended section 215(b) defines the number of an individual's "benefit computation years" as five less than the number of his "elapsed years" (as defined in par. (3) of the subsection), but with a minimum of 2 years. (Reducing the "elapsed years" by five is equivalent to the dropout of the 5 years of lowest earnings under existing law.)

Subparagraph (B) provides that an individual's "benefit computation years" shall be the appropriate number of calendar years (determined under subparagraph (A)), selected from his "computation base years", for which the total of his wages and self-employment income is largest.

Subparagraph (C) defines an individual's "computation base years" as calendar years occurring after December 31, 1950 (except that, as provided in section 215(d) of the law, as amended by the bill, 1936 would be used instead of 1950 for a person whose most favorable benefit computation would be that determined over the period from 1937 on), and prior to the calendar year in which he became entitled to old-age insurance benefits or died, whichever first occurred (except that the year of death or entitlement may be used as a computation base year if evidence of earnings in that year available when the benefit is computed indicates that use of the year would raise the primary insurance amount). No calendar year all of which is included in a period of disability may be a computation base year. However, where only a part of a year is included in a period of disability, such year may be a computation base year. (Under the provisions of sec. 220 of the act, though, periods of disability may be disregarded in the benefit computation if a higher primary insurance amount will result.)

Paragraph (3) defines the number of an individual's elapsed years as the number of calendar years in the period (a) after December 31, 1950 (this would be December 31, 1936, for those people whose most favorable benefit computation is that determined over the period from 1937 on) or, if later, after December 31 of the year in which he attained the age of 21, and (b) prior to the year in which he died, or if earlier the first year after 1960 in which he both was fully insured and had attained retirement age. Because of the use of the 1960 date, the minimum number of elapsed years in determining an individual's average monthly wage in any case will be 10 (in the absence of periods of disability). Since the number of benefit computation years is five less than the number of elapsed years, no benefit will be computed on earnings of less than 5 years (in the absence of periods of disability). Even though an individual was fully insured and had attained retirement age before 1961, his average monthly wage will be determined

over his best 5 years, since the "elapsed years" will be the 10 years after 1950 and before 1961. (It should be noted that under existing law people who first qualify for retirement benefits in 1961, or who die in such year before qualifying for retirement benefits, would have to include 5 years in the benefit computation.) Any year any part of which was included in a period of disability will not be included in determining the number of elapsed years.

Paragraph (4) provides an effective date for the changes made by the amended section 215(b). These changes will be effective in the case of individuals with respect to whom not less than six quarters elapsing after 1950 are quarters of coverage and who become entitled to benefits after December 1960, or who die after that month without having been entitled to benefits, or who qualify for work recomputations under section 215(f)(2) of the act on the basis of applications filed after December 1960, or who die after 1960 and whose survivors are entitled to work recomputations (including recalculations involving railroad compensation) under section 215(f)(4) of the act.

Paragraph (5) preserves the present method of computing the average monthly wage for people who do not qualify for the new method because they became entitled to old-age insurance benefits, or died, or filed applications for work recomputations, before 1961, or who qualify, either before 1961 or after 1960, for dropout recomputations under section 102(f)(2)(B) of the 1954 amendments. The provisions of paragraph (5) will not apply, though, if such people become entitled to work recomputations under section 215(f)(2) of the act on the basis of applications filed after 1960, or to survivors' work recomputations (including railroad compensation recalculations) under section 215(f)(4) of the act on the basis of deaths after 1960; subparagraphs (C) and (D) of paragraph (4) of the amended section 215(b) specifically make the amended section 215(b) applicable to such cases.

Section 303(b) of the bill amends section 215(c)(2) of the Social Security Act (relating to the computation of the primary insurance amount under the provisions of the law as in effect prior to the Social Security Amendments of 1958) to limit its effect specifically to people who became entitled to benefits, or died, before 1959 and who do not meet the requirements of paragraph (4) or (5) of section 215(b) as amended by the bill, so that neither the benefit computation provisions in existing law that are generally applicable after 1958, nor the provisions of the bill that will generally be applicable after 1960, can apply to them.

Section 303(c) of the bill amends section 215(d) of the Social Security Act to conform the provisions for computing the average monthly wage of people who become entitled, after 1960, to a benefit based on an average monthly wage computed over the period from 1937 on, to the amendments made by the bill in section 215(b). As in existing law, to the average monthly wage thus obtained will be applied the benefit formula in effect prior to the Social Security Amendments of 1950, and the resulting "primary insurance benefit" will be converted to the appropriate "primary insurance amount" by use of the benefit table in section 215(a).

Paragraph (1) of section 303(c) amends subparagraph (A) of section 215(d)(1) of the act to provide that, for purposes of the average monthly wage computation in the cases to which section 215(d) applies, an individual's "computation base years" shall include calendar years after 1936 and that his "elapsed years" shall be the calendar years after December 31, 1936 (or attainment of age 21, if later), rather than the calendar years after December 31, 1950 (or attainment of age 21, if later), and up to the year in which the individual died or, if earlier, the first year after December 31, 1960, in which he both was fully insured and had attained retirement age. Thus, in any case involving a computation based on earnings after 1936 which does not involve periods of disability, the elapsed period will be a minimum of 24 years and the benefit computation years will be a minimum of 19 years (i.e., the elapsed years reduced by five).

Paragraph (2) of section 303(c) of the bill amends subparagraph (C) of section 215(d)(1) of the act (relating to the crediting of "increments" for years prior to 1951 in which an insured individual was paid wages of \$200 or more), to make it clear that an increment will not be credited for any year all of which is included in a period of disability. If an individual had wages of \$200 or more in a year only a part of which is included in a period of disability, such year will provide an increment even though it may not be a benefit computation year.

Paragraph (3) of section 303(c) of the bill amends subparagraph (B) of section 215(d)(2) of the act to make the amended provisions relating to average monthly wage computations using earnings after 1936 applicable to people who meet the conditions of any of the subparagraphs of subsection (b)(4) of the amended section 215. The amended section 215(d) (like the amended provisions of section 215(b) which provide the new method of computation on the basis of earnings after 1950 only) will be applicable only to people who become entitled to old-age or disability insurance benefits or to specified benefit recomputations after 1960, or who die after 1960 without becoming entitled to benefits.

Paragraph (4) of section 303(c) of the bill adds a new paragraph (3) to section 215(d) of the act. The new paragraph (3) makes the provisions of subsection 215(b)(5) of the act as amended by the bill (but without regard to the provision that makes par. (5) applicable only to people who have six quarters of coverage after 1950) applicable to section 215(d), to preserve the present method of computing the average monthly wage under section 215(d) for people who do not qualify for the new method because, before 1961, they became entitled to old-age insurance benefits, or died, or filed applications for work recomputations; or who qualified for dropout recomputations, under the 1954 amendments, to which only the present method of computing the average monthly wage is applicable. Only the amended provisions, though, will apply in any case where such an individual becomes entitled to a work recomputation based on an application filed after 1960 or based on a death occurring after 1960; the amended section 215(d)(2)(B) specifically makes the new method applicable in such cases.

Section 303(d)(1) of the bill amends subsection 215(e)(3) of the act (relating to the automatic recomputation of an individual's bene-

fit amount to include self-employment income in a taxable year that begins prior to the year in which the individual becomes entitled to benefits and ends in or after the month of entitlement) to conform this provision to the change made in the method of computing the average monthly wage. This amendment will apply to people who become entitled to old-age insurance benefits after 1960; the taxable years involved will be those ending in or after 1961.

Section 303(d)(2) of the bill strikes out paragraph (4) of section 215(e) (relating to the use in the computation of the average monthly wage of years any part of which were included in periods of disability). The amendment will apply only to cases in which the new method of computing the average monthly wage will apply. For these people the provisions in paragraph (4) are not needed because equivalent language is included in the amended section 215(b)(2)(C) setting forth the revised method of computing the average monthly wage.

Section 303(e)(1) of the bill amends clause (iii) of section 215(f)(2)(A) of the act by removing the requirement that a beneficiary must wait at least 6 months, after the close of the year in which he had the earnings that qualified him for a work recomputation, to file an application for the recomputation. Consequently, an application for a work recomputation can be filed at any time after the close of the year in which he had the qualifying earnings. The amendment will be effective with respect to applications filed after 1960 for work recomputations.

Section 303(e)(2) of the bill amends subparagraph (B) of section 215(f)(2) of the act (relating to recomputations of benefit amounts to take account of earnings after entitlement to benefits) to conform the provisions to the changes made by the bill in the method of computing the average monthly wage. Under the provision as amended, if the last previous computation or recomputation of the individual's primary insurance amount was made under the provisions of section 215(b) of the law as amended by this bill, the "elapsed years" and "computation base years" will include only years after 1950 and before the year in which the application for the recomputation is filed. This parallels the present provision relating to people whose last previous computation or recomputation was made under the latest provisions of the law.

If the last previous computation or recomputation of the individual's benefit amount was made under the law in effect prior to the enactment of the bill, the individual's benefit will be computed as though he were applying for benefits for the first time; that is, with consideration given to elapsed periods starting with January 1937 and with January 1951. This provision parallels that in the present section 215(f)(2)(B) which permits consideration of all applicable starting dates and benefit formulas when an individual applies for a work recomputation for the first time after the enactment of the Social Security Amendments of 1954.

Section 303(e)(3) of the bill amends section 215(f)(3) of the act, relating to recomputations to include earnings in the year in which the individual became entitled to benefits or died, to conform the provisions to the amendments made by the bill in the method of computing the average monthly wage. The amended provisions will be applicable

only to people who first become entitled to old-age insurance benefits or to a work recomputation on the basis of an application filed after December 1960 or who die after December 1960.

Section 303(e) (4) of the bill amends section 215(f) (4) of the act, relating to the recomputation of benefits of deceased individuals who were eligible, at the time of death, for a recomputation to take account of earnings after entitlement to benefits or to include railroad compensation as "wages" for old-age and survivors insurance purposes, so that, where the death occurs after 1960, such recomputations will always be made under the amended provisions for determining the average monthly wage. Where the purpose of the recomputation is to take account of earnings after entitlement, it will be made as though the worker had filed application for a work recomputation in the month in which he died.

Where the sole purpose of the recomputation is to include railroad compensation in the computation of the average monthly wage, limitations are placed on the years which may be used as computation base years. (Comparable limitations are contained in the present law.) If the last previous computation of the individual's benefit amount was made under the provisions of section 215 as amended by the bill, only those years will be considered as computation base years that were so considered in the last previous computation. If the last previous computation was made under the provisions of the act as in effect prior to the enactment of the bill, only those years which occurred prior to the latest closing date considered in such previous computation may be considered as computation base years. Section 303(e) (4) also deletes a reference in section 215(f) (4) to the requirement, in section 215(f) (2) (A) (iii), relating to the time of filing an application for a work recomputation, which is repealed by section 303(e) (1) of the bill.

Section 303(f) of the bill amends section 223(a) (2) of the act (relating to the computation of disability insurance benefits) as amended by section 402(b) of the bill, to conform its provisions to the change made by the bill, in section 215(b), in the method of computing the average monthly wage. Under section 223(a) (2) as amended, the primary insurance amount of an individual who becomes entitled to disability insurance benefits after 1960 will be computed as in section 215(a) as though the individual had attained retirement age in the first month of his waiting period or (b) if he becomes entitled to a disability benefit without the requirement that he serve a waiting period (under the provisions of section 223(a) (1) (ii) of the act as amended by the bill), as though he had attained retirement age in the first month in which he becomes entitled to such benefits, and as though he had become entitled to an old-age insurance benefit in the month in which he files his application for disability insurance benefits. In the case of a woman who had already attained retirement age (62) and was fully insured before the beginning of her waiting period or her subsequent entitlement to a disability insurance benefit as the case may be, her elapsed years will not include the first year in which she both was fully insured and had attained retirement age or any subsequent year. This provision will preclude counting against a woman, in a disability benefit computation, years that would not be counted against her in computing her old-age insurance benefit.

Section 303(g) (1) of the bill is a saving clause which provides that, in the case of any individual who was first eligible for old-age insurance benefits before 1961 and who (a) files an application for benefits after 1960, or (b) dies after 1960 without being entitled to old-age insurance benefits, the benefit computation may be made under the provisions of existing law, using as a closing date the first day of the first year in which the individual was both fully insured and had attained retirement age, if he could have used such a closing date under existing law and if it will result in a higher primary insurance amount. This provision will permit the use of the benefit computation provisions of existing law in any case in which those provisions, using a closing date prior to 1961 for which an individual is now eligible, could increase his benefit amount.

Section 303(g) (2) of the bill provides that an individual who was entitled to a disability insurance benefit computed under the provisions of the law as in effect prior to the enactment of the bill and who attains age 65 after 1960 will have his average monthly wage, for the purpose of determining his old-age insurance benefit amount, computed under the present provisions of section 215(b) rather than under the amended provisions in the bill, unless he qualifies, after 1960, for a work recomputation. In the absence of such a provision, a person who is now receiving a disability insurance benefit and who attains age 65 after 1960 might receive a larger old-age insurance benefit when he reaches age 65 solely because of the change made in the method of computing the average monthly wage, and not because of any additional earnings on his part.

Section 303(h) of the bill is a saving clause to retain the present provisions of section 215(f) (3) (relating to a recomputation to include earnings in the year of entitlement to old-age insurance benefits, or the year of death, in the benefit computation) in those cases where the recomputation is made on the basis of an application filed on or after the date of enactment of the bill, to take account of earnings in the year of entitlement or death of an individual who became entitled to benefits or to a work recomputation before 1961, or who died before 1961.

Paragraph (1) of section 303(h) provides that any recomputation described in the preceding paragraph shall be made as if the individual had first become entitled to old-age insurance benefits in the month in which he filed the application for the recomputation or the month in which he died, whichever is applicable. This change has the effect of removing the requirement in existing law that only the starting dates and benefit formulas for which the individual qualified at the time of the original benefit computation can be used in the recomputation. The effect of removing this requirement in the recomputation will be to permit the consideration of all starting dates and benefit formulas for which the beneficiary could qualify, under other applicable provisions of law, on the basis of his earnings through the year of entitlement to benefits or the year of death, whichever is applicable.

Paragraph (2) of section 303(h) precludes the use of the provisions of section 215(b) (4) (relating to the dropout of up to 5 years in which earnings were lowest) in such recomputations unless the worker otherwise meets the requirements for the dropout. Without this provision, any individual who became entitled to benefits after August 1954 and

did not meet the qualifications for the dropout could have a dropout merely by filing an application for this recomputation.

Section 303(h) also provides for a special recomputation, based on an application filed on or after the date of enactment of the bill, of benefits based on the primary insurance amount of an individual who was disadvantaged by the present provisions of section 215(f)(3) in that the recomputation had to be made using the same starting date and benefit formula as his original computation, even though at the time he applied for the recomputation he had met the requirements for a more favorable method. A recomputation under this subsection will be effective for and after the first month for which the last previous recomputation of such worker's primary insurance amount under section 215 was effective, but not more than 24 months before the month in which the application for the recomputation is filed.

Paragraph (1) of section 303(i) of the bill provides that, in the case of an application for a work recomputation under section 215(f)(2) of the Social Security Act which is filed after 1954 and before 1961, the provisions of section 215(f)(2) of such act as in effect before the enactment of this bill are to apply. Paragraph (2) of subsection (i) provides that in any case where an individual who died after 1954 and prior to 1961 was entitled to an old-age insurance benefit at the time of his death, the special work recomputations (including recalculations involving railroad compensation) for the purpose of survivors' benefits provided under section 215(f)(4) of the act will be made under the present provisions of section 215 of the law rather than under the amendments made by the bill.

Section 303(j) of the bill provides that in any case where an individual whose benefits were computed under the revised method provided by the bill was entitled, under the provisions in the law relating to the retroactive payment of benefits, to a benefit for any month prior to January 1961, the average monthly wage as determined under the amendments, rather than an average monthly wage determined under the present provisions of the law, will be used in determining his primary insurance amount for such prior month.

Section 303(k) of the bill amends section 102(f)(2)(B) of the Social Security Amendments of 1954 (relating to the recomputation provided by those amendments for people then already on the benefit rolls who acquire six quarters of coverage after June 30, 1953, to permit the dropout of up to 5 years of low earnings) to provide that the recomputation shall be made only under existing provisions of the law. Section 303(k) also corrects a typographical error in existing law.

SECTION 304. ELIMINATION OF CERTAIN OBSOLETE RECOMPUTATIONS

Section 304 of the bill provides that certain recomputations (described below) provided in existing law that have served their primary purpose and are now seldom used are not to apply in the case of insured individuals who are alive on January 1, 1961, unless application for the recomputation was filed before that date. Survivors of an insured individual who died before 1961 will not be affected by these amendments and hence will be able to get any recomputation to which the insured individual would have been entitled had he applied during his lifetime.

Section 304(a) of the bill amends section 215(f) (5) of the Social Security Act, which is a provision for recomputation to include 1952 self-employment income where an individual became entitled to an old-age insurance benefit or died in 1952. This recomputation was provided in order to include in the benefit computation of a person who retired or died in 1952 his self-employment income in a taxable year beginning or ending in 1952.

Section 304(b) of the bill amends section 102(e) (5) of the Social Security Amendments of 1954, which provides a "work recomputation" under the law in effect prior to those amendments for insured individuals who qualified for the recomputation before September 1954 but did not file application for it.

Section 304(c) of the bill amends section 102(e) (8) of the Social Security Amendments of 1954, which makes possible the use, after August 1954, of the recomputation, provided in the law in effect before those amendments, to include in the benefit computation earnings in the two calendar quarters before entitlement or death where entitlement or death occurred before September 1954. This recomputation was provided because, as a result of the time lag in reporting and recording earnings, records of such earnings were not available at the time of initial computation. The recomputation cannot apply in any case where entitlement or death occurred after August 1954, when the computation of the average monthly wage was changed so as to be based on full calendar years rather than calendar quarters.

Section 304(d) of the bill amends section 5(c) (1) of the Social Security Act Amendments of 1952, which provides a recomputation to include post-World War II military service wage credits for insured individuals or survivors on the benefit rolls in August 1952. This recomputation was provided in order to include such credits where they could not have been used at the time of the insured individual's original computation.

TITLE IV—DISABILITY INSURANCE BENEFITS AND THE DISABILITY FREEZE

SECTION 401. ELIMINATION OF REQUIREMENT OF ATTAINMENT OF AGE 50 FOR DISABILITY INSURANCE BENEFITS

Age requirement

Section 401(a) of the bill amends section 223(a) (1) (B) of the Social Security Act so as to eliminate the requirement that an individual must have attained the age of 50 in order to be eligible for disability insurance benefits.

Conforming amendment

Section 401(b) of the bill amends section 223(c) (3) of the act to make a conforming change by removing the provision restricting the beginning of a person's waiting period to no earlier than the first day of the sixth month before the month he attains the age of 50.

Effective date

Section 401(c) of the bill provides that the amendments made by section 401 of the bill shall apply only with respect to monthly benefits for months after the month following the month in which the bill is enacted, based on applications filed in or after the month of enactment.

SECTION 402. ELIMINATION OF THE WAITING PERIOD FOR DISABILITY
INSURANCE BENEFITS IN CERTAIN CASES

No waiting period in second disabilities

Section 402(a) of the bill amends section 223(a)(1) of the Social Security Act to provide that an individual may become entitled to disability insurance benefits for the first month throughout which he is under a disability and is insured, provided he was entitled to disability insurance benefits which terminated, or had a prior period of disability which ceased, not more than 60 months before such first month. For such an individual, this provision in the bill would eliminate the waiting period requirement and make an exception to the general rule that a person must be disabled for at least 6 full months before he may receive benefits.

Computation of disability insurance benefits in cases of second disability

Section 402(b) of the bill amends section 223(a)(2) of the Social Security Act to provide that the amount of the disability insurance benefits payable to an individual who is disabled a second time within 60 months will be equal to his primary insurance amount computed as though he became entitled to an old-age insurance benefit in the first month for which he becomes entitled to such disability insurance benefits. (For a further amendment to sec. 223(a)(2) to bring it into conformity with the new computation procedures provided under the bill, see sec. 303(f) (discussed above).)

Advance filing of applications

Section 402(c) of the bill amends section 223(b) of the Social Security Act to permit the filing of a valid application for disability insurance benefits as early as 9 months before the applicant is entitled to benefits (as under present law), or 6 months if the applicant is disabled a second time within 60 months, and to provide that any application filed within such 9-month period or such 6-month period shall be deemed to have been filed in the first month for which the applicant is entitled to benefits. Thus, if an individual is not under a disability (as defined in sec. 223(c)(2) of the act) when he files application for disability insurance benefits but is determined to be under such disability within such 9-month period or such 6-month period, his application would be deemed to have been filed in the first month in which he is under such disability. Under present law an individual is required to be under a disability at the time of filing. This provision eliminates the need for a new application from an individual who is determined not to be under a disability when he files if he is under a disability which begins within the period throughout which the application is otherwise valid.

Requirement of continuous disability for retroactive payment

Section 402(d) of the bill further amends section 223(b) of the Social Security Act to provide that an individual entitled to disability insurance benefits without serving a waiting period because he is disabled a second time within 60 months would (like all other applicants for disability insurance benefits under present law) have to be continuously disabled from the first month for which such benefits are retroactively payable until he files application therefor. Such an

individual could thus be entitled to benefits for as many as 12 months before the month in which he files application (but in no case for any month before the month of enactment of this provision).

Period of disability of less than 6 months

Section 402(e) (1) of the bill amends section 216(i) (2) of the Social Security Act to provide that a period of disability of less than 6 months' duration may be established for an individual who becomes entitled to disability insurance benefits without serving a waiting period because he is disabled a second time within 60 months. Under present law, no period of disability may be established until an individual has been under a disability for at least 6 full calendar months.

Section 402(e) (2) further amends section 216(i) (2) of the act to provide that the application for a determination of disability of an individual who becomes entitled to disability insurance benefits without serving a waiting period because he is disabled a second time within 60 months may be filed up to 6 months before he becomes entitled to such benefits. Other applicants for determinations of disability, as under present law, may file valid applications no earlier than 3 months before a period of disability may begin. Any application filed for a determination of disability by an individual who is not under a disability (as defined in sec. 223(c) (2) of the act) at the time of filing would be deemed to have been filed in the first month in which he is under such disability if he is determined to be disabled within the 3-month period (of 6-month period if the individual is disabled and becomes entitled to disability insurance benefits a second time within 60 months) for which his application is otherwise valid.

Effective dates

Section 402(f) of the bill provides effective dates for the amendments made by section 402. The amendments made by subsections (a) and (b), relating to the payment of disability insurance benefits in the case of an individual who becomes disabled a second time within 60 months, would be applicable only with respect to monthly benefits for the month in which the bill is enacted and subsequent months. The amendment made by subsection (c), relating to the time for filing valid applications for disability insurance benefits, would be applicable only with respect to applications filed no earlier than 6 months before the month in which the bill is enacted. The amendment made by subsection (d), relating to the payment of disability insurance benefits retroactively, would be applicable only with respect to applications for benefits under section 223 of the Social Security Act filed in or after the month in which the bill is enacted. The amendments made by subsection (e), relating to periods of disability of less than 6 months' duration, would be applicable only in the case of individuals who became entitled to benefits under such section 223 in or after the month in which the bill is enacted.

SECTION 403. PERIOD OF TRIAL WORK BY DISABLED INDIVIDUAL

Section 403(a) of the bill deletes the existing section 222(c) of the Social Security Act relating to services performed pursuant to a State-approved rehabilitation program and substitutes therefor a new section 222(c). Under present law an individual entitled to benefits

on account of his disability or to a period of disability is not regarded as able to engage in substantial gainful activity solely by reason of services of this nature rendered in a period not to exceed 12 calendar months.

Trial work provision

Paragraph (1) of the new section 222(c) defines a period of trial work for disability insurance beneficiaries and childhood disability beneficiaries as a period which begins and ends as provided in subsequent provisions of the subsection.

Work disregarded during period of trial work

Paragraph (2) of the new section 222(c) provides that services rendered during a trial-work period by an individual are not to be considered in determining whether his disability has ceased during such period. "Services" are defined as activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.

When period of trial work begins

Paragraph (3) of the new section 222(c) provides that a period of trial work will begin with the month in which an individual becomes entitled to disability insurance benefits or childhood disability benefits, or the month after the month in which the bill is enacted, if later (or, in the case of childhood disability benefits, the month in which the individual attains age 18, if that is later). This paragraph also provides that an individual may have no more than one period of trial work during any one period of disability. No period of trial work would begin for a person for whom a period of disability is established but who is not entitled to disability insurance benefits.

When period of trial work ends

Paragraph (4) of the new section 222(c) provides that a period of trial work (beginning as provided above) shall end with the ninth month in which the individual renders services (whether or not such 9 months are consecutive) or the month in which his physical or mental impairment improves to a point where by reason of such improvement he is able to engage in substantial gainful activity, whichever is earlier.

No trial-work period in certain reentitlement cases

Paragraph (5) of the new section 222(c) provides that any person entitled to disability insurance benefits without serving a waiting period (because he has had a prior period of disability which ceased within the 60 months preceding the onset of the current disability) may not have a period of trial work while so entitled.

Extension of disability insurance benefits

Section 403(b) of the bill amends paragraph (1) of section 223(a) of the Social Security Act to provide that disability insurance benefits shall be payable for the month in which the disability ceases and for the 2 succeeding months. Under present law such benefits are not payable for the month in which the disability ceases or for any month thereafter. This provision would permit time for previously disabled persons to find jobs and adjust to work routines. This 3-

month extension of benefits would be in addition to the period of trial work where such a period occurs.

Extension of period of disability

Section 403(c) of the bill amends section 216(i)(2) of the Social Security Act to provide that a period of disability shall end with the second month after the month in which disability ceases. Present law provides that a period of disability shall end with the month in which the disability ceases. This provision would make the period of disability coextensive with the period for which disability insurance benefits are payable—i.e., in most cases, such benefit period plus the 6-month waiting period before benefits become payable. In present law disability insurance benefits are not payable for the month in which the disability ceases, whereas the period of disability ends with the end of such month and therefore always extends 1 month beyond the last month for which benefits are payable.

Extension of childhood disability benefits

Section 403(d) of the bill amends section 202(d)(1) of the Social Security Act to provide that (as in the case of the amendment to the disability insurance benefit provisions described above), childhood disability benefits will be payable for the month in which the disability ceases and for the 2 succeeding months. Under present law such benefits are not payable for the month in which the disability ceases or for any month thereafter.

Effective dates

Paragraph (1) of section 403(e) of the bill provides that the amendment made by section 403(a), relating to the provision of a trial-work period, shall be effective only with respect to months beginning after the month in which the bill is enacted.

Paragraph (2) of section 403(e) provides that the amendments made by sections 403(b) and (d), relating to benefit payments for the month in which the disability ceases and the 2 succeeding months, shall be applicable only with respect to benefits under section 223(a) or 202(d) of the Social Security Act for months after the month in which the bill is enacted in the case of individuals who, without regard to such amendments, would have been entitled to such benefits for the month in which the bill is enacted or for any succeeding month.

Paragraph (3) of section 403(e) provides that the amendment made by section 403(c), relating to the extension of a period of disability for 2 months after the month in which disability ceases, shall be applicable only in the case of individuals who have a period of disability (as defined in section 216(i) of the Social Security Act) beginning on or after the date of the enactment of the bill, or beginning before such date and continuing, without regard to such amendment, beyond the end of the month in which the bill is enacted.

SECTION 404. SPECIAL INSURED STATUS TEST IN CERTAIN CASES FOR
DISABILITY PURPOSES

Alternative work requirement

Section 404(a) of the bill provides an alternative requirement for an individual who cannot meet the work requirements for disability protection as provided under sections 216(i)(3) and 223(c)(1) of the

Social Security Act. Such sections presently require that, in order for a period of disability to begin for an individual with respect to a day in any quarter, or in order for an individual to be insured for disability insurance benefits for a month in any quarter, an individual must be fully insured and have not less than 20 quarters of coverage out of the 40-quarter period ending with such quarter. Under the alternative requirement provided by the amendment, an individual who could not meet the existing requirements with respect to any quarter would be deemed to have met them if he had not less than a total of 20 quarters of coverage and if all quarters elapsing after 1950 and up to such quarter (which in no event may be less than 6) were quarters of coverage for him.

Effective date

Section 404(b) of the bill provides that section 404(a) shall be effective only with respect to applications for disability insurance benefits or for disability determinations under sections 223 and 216(i), respectively, of the Social Security Act (and applications for monthly benefits under section 202 of such Act based on the earnings record of the disability insurance beneficiary) filed in or after the month of enactment of the bill, and only in the case of a person who but for such subsection could not meet the requirements for such benefits or such determination in the quarter in which the bill is enacted or any prior quarter. No benefits for the month in which the bill is enacted or any prior month will be payable or increased by reason of section 404(a).

TITLE V—EMPLOYMENT SECURITY

Part 1 of title V of the bill provides that title V may be cited as the "Employment Security Act of 1960." The remainder of title V is divided into three parts as follows:

Part 2 (secs. 521 to 524, inclusive) revises the provisions relating to the financing of the administration of the employment security program, advances out of the Federal unemployment account to States whose reserves are inadequate to pay unemployment compensation, and the repayment of such advances. Part 2 also increases the Federal unemployment tax from 3 percent of wages to 3.1 percent of wages.

Part 3 (secs. 531 to 535, inclusive) provides for extension of coverage under the unemployment compensation program.

Part 4 (secs. 541 to 543, inclusive) provides for extension of the Federal-State unemployment compensation program to Puerto Rico.

PART 2—EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING AMENDMENTS

SECTION 521. TITLE IX OF SOCIAL SECURITY ACT

Section 521 of the bill amends title IX of the Social Security Act (which contains miscellaneous provisions relating to employment security) to substitute a new text therefor, consisting of sections 901 to 904, inclusive.

TITLE IX—MISCELLANEOUS PROVISIONS RELATING TO
EMPLOYMENT SECURITY

SECTION 901. EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

(a) *Establishment of account.*—Subsection (a) of the new section 901 establishes in the Unemployment Trust Fund an employment security administration account.

(b) *Appropriations to account.*—Subsection (b)(1) of the new section 901 appropriates to the Unemployment Trust Fund, for credit to the employment security administration account, an amount equal to 100 percent of the tax received under the Federal Unemployment Tax Act and covered into the Treasury during the fiscal year ending June 30, 1961, and each fiscal year thereafter. This appropriation includes additional taxes received by reason of the reduced credits provisions of sections 3302(c) (2) and (3) of the Federal Unemployment Tax Act and section 104 of the Temporary Unemployment Compensation Act of 1958, and interest, penalties, and additions to the tax.

Subsection (b)(2) provides that the amounts appropriated by subsection (b)(1) are to be transferred at least monthly from the general fund of the Treasury to the Unemployment Trust Fund and credited to the employment security administration account. Each transfer is to be made on the basis of estimates made by the Secretary of the Treasury of the amounts received in the Treasury, with proper adjustments made in amounts subsequently transferred where prior estimates, including estimates for the fiscal year 1960 under prior law, were too high or too low.

Subsection (b)(3) of the new section 901 directs the Secretary of the Treasury to pay from time to time from the employment security administration account into the Treasury, as repayments to the account for refunding internal revenue collections, amounts equal to all refunds made after June 30, 1960, of amounts received as tax under the Federal Unemployment Tax Act (including interest on such refunds).

(c) *Administrative expenditures.*—Subsection (c) of the new section 901 authorizes certain amounts to be made available for expenditures for administration by transfer from the employment security administration account.

Paragraph (1)(A) of the new subsection (c) authorizes the making available, out of the employment security administration account, for the fiscal year ending June 30, 1961, and for each fiscal year thereafter, such amounts as the Congress may deem appropriate for the purpose of:

(1) Assisting the States in the administration of their unemployment compensation law as provided in title III of the Social Security Act, including administration pursuant to agreements with the Secretary of Labor under Federal unemployment compensation laws, such as title XV of the Social Security Act. Administration pursuant to the Temporary Unemployment Compensation Act of 1958 is specifically excluded because of the special provisions of that act.

(2) The establishment and maintenance of systems of public employment offices in accordance with the act of June 6, 1933 (known as the Wagner-Peyser Act).

(3) Carrying into effect section 2012 of title 38 of the United States Code (relating to the assignment of employees on the staffs of local employment service offices to discharge the duties prescribed for veterans' employment representatives by sec. 2011 of title 38).

Paragraph (1)(A) limits to \$350 million the total amount which may be made available for expenditure out of the employment security administration account for any fiscal year for the three purposes set forth above.

Paragraph (1)(B) authorizes to be made available for expenditure out of the the employment security administration account for the fiscal year ending June 30, 1961, and for each fiscal year thereafter, such amounts as the Congress may deem appropriate for the necessary expenses of the Department of Labor for the performance of its functions under the listed provisions of law.

Paragraph (2) of the new subsection (c) directs the Secretary of the Treasury to pay from the employment security administration account into the Treasury as miscellaneous receipts the amount which he estimates will be expended during a 3-month period by the Treasury Department under the listed provisions of law, with appropriate adjustments in future payments to the extent that prior estimates were too high or too low. The amounts so paid will include payments to reimburse the general fund of the Treasury for the expenses of banks in servicing unemployment benefit payment and clearing accounts, which expenses are offset by the maintenance of balances of Treasury funds with such banks.

(d) *Additional tax attributable to reduced credits.*—Subsection (d)(1) of the new section 901 deals with the additional tax received by reason of section 3302(c) (2) and (3) of the Federal Unemployment Tax Act (which provides for a reduction in the total credits allowable to employers in a State against the Federal unemployment tax when such State has received an advance from the Federal unemployment account and has not repaid it within the time provided by law). The additional tax is to be applied to repay to the Federal unemployment account the advances to the State with respect to which the employers paid such additional tax, and any amount not needed for such purpose is to be transferred to the account of such State in the Unemployment Trust Fund. If for any taxable year, there are balances outstanding to which both paragraphs (2) and (3) of section 3302(c) apply, then, in determining under subsection (d)(1) the amount to be transferred to the Federal unemployment account and the amount to be transferred to the State's account, subsection (d)(1) is to be applied separately with respect to the additional taxes received by reason of section 3302(c)(2) and the additional taxes received by reason of section 3302(c)(3). For example, if the amount of the reductions for a taxable year is 10 percent under section 3302(c)(2) and is 20 percent under section 3302(c)(3), then one-third of the additional taxes received shall be applied under subsection (d)(1) to the balance of advances to which section 3302(c)(2) applies and the remaining two-thirds of the additional taxes received shall be applied to the balance of advances to which section 3302(c)(3) applies. Also, if the amount of additional taxes applied to the balance of advances described in section 3302(c)(2) is greater than the amount of such balance, the excess shall be transferred to the account of the State in

the Unemployment Trust Fund. It shall not be applied to the balance of advances described in section 3302(c)(3). The same principle would apply to any excess additional taxes received by reason of section 3302(c)(3).

Subsection (d)(2) deals with the additional tax received by reason of section 104 of the Temporary Unemployment Compensation Act of 1958 (which provides for a reduction in the manner provided in sec. 3302(c)(2) of the Federal Unemployment Tax Act in the total credits allowable against the Federal unemployment tax to employers in a State when such State entered into an agreement under the Temporary Unemployment Compensation Act of 1958 and has not restored to the Treasury the necessary amounts within the time prescribed by law). The additional tax is to be applied to restore to the general fund of the Treasury the costs of the temporary unemployment compensation program attributable to the State with respect to which the employers paid such additional tax, and any amount not needed for such purpose is to be transferred to the account of such State in the Unemployment Trust Fund.

In determining under subsection (d)(2) the amount to be restored by any such State, there is to be taken into account the limitation contained in Public Law 85-457. Such public law provides that no part of the funds appropriated by such law and expended for administrative costs in the payment of benefits pursuant to the Temporary Unemployment Compensation Act of 1958 to persons who exhausted their rights to benefits under title XV (Federal employees and ex-servicemen) of the Social Security Act, or under title IV of the Veterans' Readjustment Assistance Act of 1952 (now subch. I of ch. 41 of 38 U.S.C.), is to be included in any computations of the amount to be restored by the States under section 104 of the Temporary Unemployment Compensation Act of 1958, as amended. Any reduction in total credits by reason of section 104 of the Temporary Unemployment Compensation Act of 1958 is in addition to any such reduction under sections 3302(c) (2) and (3) resulting from any advance to a State from the Federal unemployment account.

Paragraph (3) of the new subsection (d) provides that the transfers provided for in paragraphs (1) and (2) thereof are to be made as of the beginning of the month following the month in which the moneys were credited to the employment security administration account. In other words, in the case of the additional tax attributable to these reduced credits, the employment security administration account is merely a conduit, and such additional tax, which may be used for no other purpose, must be transferred to the appropriate account, and is not included in the computation under subsection (f)(4) of the net balance in the employment security administration account, and therefore could not be included in the excess in such account as of the close of the fiscal year.

(e) *Revolving fund.*—Paragraph (1) of the new subsection (e) establishes a revolving fund in the Treasury for the purpose of providing a fund from which to make advances to the employment security administration account, and authorizes the appropriation to the fund (without fiscal year limitation), of such amounts as may be necessary to carry out the purposes of the new section 901. Advances to the employment security administration account are authorized by this paragraph for the purpose of making the payments from the account

which are authorized by subsections (b)(3) and (c) of section 901 (which relate to refunds of amounts received as tax, grants to the States for administrative expenditures, and amounts required by the Departments of Labor and Treasury for the employment security administrative expenses).

Paragraph (2) of the new subsection (e) directs the Secretary of the Treasury to advance from time to time from the revolving fund to the employment security administration account such amounts as may be necessary for the purposes of the new section 901. However, no such advance may be made during any fiscal year if the net balance in the employment security administration account as of the beginning of that fiscal year was \$250 million.

Paragraph (3) of the new subsection (e) provides that all advances from the revolving fund to the employment security administration account are to bear interest, and the paragraph sets forth the applicable rate of interest.

Paragraph (4) of the new subsection (e) provides for the repayment to the revolving fund of the advances which have been made from it to the employment security administration account (including the payment of interest on such advances). The repayment is to be made from time to time in such amounts as the Secretary of the Treasury (in consultation with the Secretary of Labor) determines are available in the employment security administration account for such repayment. Normally, this would occur about March 1, of each year, after the bulk of the Federal unemployment tax has been collected. Additional taxes received pursuant to section 3302(c) (2) and (3) and section 104 of the Temporary Unemployment Compensation Act of 1958 are to be excluded from the balance in the employment security administration account in determining whether the amount therein is sufficient for repayment of the advances from the revolving fund, since these additional taxes are required to be transferred either to the Federal unemployment account or a State's account as provided in subsection (d) of new section 901.

(f) Determination of excess and amount to be retained in employment security administration account.—Paragraph (1) of the new subsection (f) requires the Secretary of the Treasury to determine as of the close of each fiscal year the excess in the employment security administration account. The first such determination is to be made as of the close of the fiscal year ending June 30, 1961.

Paragraph (2) sets forth the method for determining the excess in the employment security administration account as of the close of any fiscal year. The excess is the amount by which the net balance in such account as of such time exceeds the net balance as of the beginning of that fiscal year for which such net balance was higher than as of the beginning of any other fiscal year (hereafter in this report referred to as the "previous high-level opening net balance").

For example, if at the beginning of fiscal year 1966 there was for the first time a net balance in the employment security administration account, and that balance was \$25 million, and at the end of the fiscal year there was a net balance in such account of \$100 million, the excess in such account as of the close of fiscal year 1966 would be \$75 million, the excess of the closing net balance over the previous high-level opening net balance. This example also illustrates that in determining the previous high-level opening net balance, the net

balance as of the beginning of the fiscal year for which the excess is being computed shall be considered, as required by the provisions of paragraph (2).

It should be noted that under paragraph (2) the net balance as of the close of any fiscal year is to be determined after the application of section 902(b). Section 902(b) provides that any amount in the Federal unemployment account as of the close of any fiscal year which exceeds the ceiling on such account provided in section 902(a) is to be transferred to the employment security administration account as of the close of such fiscal year.

Paragraph (3) of the new subsection (f) provides that if the entire amount of the excess in the employment security administration account as of the close of any fiscal year is not transferred to the Federal unemployment account (by reason of the fact that the latter account has been increased to the ceiling provided in sec. 902(a)) the remainder is to be retained in the employment security administration account as of the beginning of the succeeding fiscal year, but only to the extent that the amount so retained does not increase the net balance in the employment security administration account (as of the beginning of the succeeding fiscal year) above \$250 million.

Paragraph (4) of the new subsection (f) defines the term "net balance" for the purpose of section 901. The "net balance" as of any time is the amount in the employment security administration account as of such time, but reduced by the sum of—

(1) the amounts then subject to transfer pursuant to the new section 901(d) (that is, the amounts temporarily in the employment security administration account by reason of the additional tax resulting from reduced credits), and

(2) the balance of outstanding advances (with interest accrued thereon) from the revolving fund in the Treasury established by the new section 901(e).

The second sentence of paragraph (4) makes it clear that the net balance in the employment security administration account as of the beginning of any fiscal year is to be determined after the disposition of the excess in such account as of the close of the preceding fiscal year. For example, if the excess in the employment security administration account as of the close of a fiscal year is—

(1) transferred to the Federal unemployment account pursuant to the new section 902(a),

(2) retained in the employment security administration account pursuant to the new section 901(f)(3),

(3) transferred to the general fund of the Treasury pursuant to the new section 1203 of the Social Security Act to repay advances made from the Treasury to the Federal unemployment account, or

(4) transferred to the accounts of the States in the Unemployment Trust Fund pursuant to the new section 903,

the net balance in the employment security administration account as of the beginning of the succeeding fiscal year is to be determined after taking into account the effect of such transfers or such retention, as the case may be. Also, the net balance in the employment security administration account as of the close of any fiscal year is to be determined after the application of section 902(b), as provided in new section 901(f)(2).

The general principles involved in the determination of the excess in the employment security administration account as of the close of any fiscal year, and the order for applying such excess, are indicated in the following table. In order to reduce this portion of the bill to tabular form, certain of the detailed provisions which may affect the application of the bill in a particular year have been simplified or omitted.

I. EXCESS IN EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT EQUALS	II. EXCESS IS TO BE DISPOSED OF IN THIS ORDER OF PRIORITY
<p>1. Amount in account (including any excess transferred from the Federal unemployment account), reduced by</p> <p>2. The sum of—</p> <p>(A) previous high-level opening net balance in account (see sec. 901(f)(2));</p> <p>(B) amounts held for transfer under reduced credit provisions (see sec. 901(f)(4)), and</p> <p>(C) advances (plus interest) repayable to revolving fund (see sec. 901(f)(4)).</p>	<p>1. Transferred to Federal unemployment account (see sec. 902(a)) until such account reaches whichever of following is greater:</p> <p>A. \$550 million or</p> <p>B. four-tenths of 1 percent of total wages subject to contribution under all State unemployment compensation laws.</p> <p>2. Retained in employment security administration account (see sec. 901(f)(3)) until such account reaches \$250 million.</p> <p>3. Used to repay Treasury advances to Federal unemployment account (see sec. 1203).</p> <p>4. Transferred to accounts of States in Unemployment Trust Fund (see sec. 903).</p>

It should be noted that if the net balance in the employment security administration account as of the beginning of any fiscal year is \$250 million, item 2 in column II above will cease to apply, and no further amounts will be retained in such account pursuant to section 901(f)(3). The excess in the employment security administration account as of the close of such fiscal year or any year thereafter will be the amount by which the net balance in such account as of such time exceeds \$250 million.

SEC. 902. TRANSFERS BETWEEN FEDERAL UNEMPLOYMENT ACCOUNT AND EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

(a) *Transfers to Federal unemployment account.*—Subsection (a) of the new section 902 provides that whenever the Secretary of the Treasury determines, pursuant to the new section 901(f), that there is an excess in the employment security administration account as of the close of any fiscal year, so much of such excess shall be transferred to the Federal unemployment account (as of the beginning of the succeeding fiscal year) as will not cause the amount in the Federal

unemployment account to exceed the ceiling provided by this subsection, which is the greater of the following amounts:

- (1) \$550 million or
- (2) the amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to four-tenths of 1 percent of the total remuneration subject to contributions under all State unemployment compensation laws (usually referred to as "State taxable wages") for the calendar year ending during the fiscal year for which the excess in the employment security administration account is determined.

In computing the amount of the excess transferable to the Federal unemployment account under section 902(a), amounts transferred to the Federal unemployment account under section 901(d)(1) as of July 1 are to be taken into account, but amounts transferred to such account under sections 903(b)(1) and 903(b)(2) as of July 1 are not to be taken into account.

(b) *Transfers to employment security administration account.*—Subsection (b) of the new section 902 provides that the amount, if any, by which the amount in the Federal unemployment account as of the close of any fiscal year exceeds the greater of—

- (1) \$550 million, or
- (2) the amount (based on a percentage of total remuneration subject to contributions) described in the new section 902(a)(2), is to be transferred to the employment security administration account as of the close of such fiscal year. Since such transfer takes place as of the close of the fiscal year, the amount so transferred will be taken into account in determining under the new section 901(f) the amount of the excess in the employment security administration account as of the close of such fiscal year.

It should be noted that the amount in the Federal unemployment account may from time to time within a fiscal year be above the ceiling set forth in section 902(a). For example, if the amount in the Federal unemployment account as of the beginning of a fiscal year is \$550 million (in a period when the alternative amount based on total wages is less than \$550 million) and if during such fiscal year no new advances are made to the States from such account, but State X repays \$50 million which has been advanced to it from such account, the amount in the account as of that time will be \$600 million. Similarly amounts transferred to or retained in (as the case may be) the Federal unemployment account pursuant to new sections 901(d)(1), 903(b)(1), and 903(b)(2) may also increase the amount in the account above the prescribed ceiling. However, at the close of such fiscal year, the new section 902(b) will apply and will require any excess in the Federal unemployment account to be transferred to the employment security administration account.

SECTION 903. AMOUNTS TRANSFERRED TO STATE ACCOUNTS

The new section 903 relates to the transfer of part or all of an excess in the employment security administration account to the accounts of the States in the Unemployment Trust Fund.

(a) *In general.*—Paragraph (1) of the new section 903(a) provides that whenever, after the application of section 1203 (relating to the repayment of advances which have been made from the Treasury to the Federal unemployment account), there remains any portion of the

excess in the employment security administration account as of the close of any fiscal year, the remainder of such excess is to be transferred (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund. It is to be noted that sections 902(a) and 901(f)(3) are applied before section 1203 is applied.

Paragraph (2) sets forth the method of determining each State's share of the funds to be transferred to the State accounts. The method is the same as is provided in existing section 903(a). In general terms, the allocation ratio for any State is the ratio which the amount of remuneration subject to contributions under the unemployment compensation law of such State bears to the total amount of remuneration subject to contributions under the unemployment compensation laws of all of the States.

(b) *Limitations on transfers.*—The new subsection (b) deals with States which are not eligible for certification under section 303 of the Social Security Act or which have laws which are not approvable under section 3304 of the Federal Unemployment Tax Act. The substance of the new subsection (b) is the same as the substance of existing section 903(b). In general terms, the share of any such State is held for 1 year in the Federal unemployment account. If, during that year, the Secretary of Labor finds and certifies to the Secretary of the Treasury that the requirements of section 303 of the Social Security Act and of section 3304 of the Federal Unemployment Tax Act are now satisfied in the case of such State, the Secretary of the Treasury transfers such State's share (with no interest) to the account of such State in the Unemployment Trust Fund. If, however, the Secretary of Labor does not so find and certify during the 1-year period, then the amount which was available for transfer to the account of such State ceases to be available for such purpose and instead becomes unrestricted as to use as part of the Federal unemployment account. Any such amount will become unrestricted as to use as of the close of a fiscal year, and therefore will be taken into account in computing the amount in the Federal unemployment account as of the close of such fiscal year for the purposes of the new section 902(b).

Paragraph (2) of section 903(b) is a new provision. It requires that any amount which would otherwise be transferred to the account of a State by reason of section 903(a) or section 903(b)(1) is to be reduced by the balance of advances made from the Federal unemployment account to such State under section 1201. The amount of this reduction, instead of being credited to the account of the State under section 903(a), will be transferred to the Federal unemployment account and will be credited against, and operate to reduce, the balance of advances made to the State under section 1201. Similarly, any amount otherwise transferable to the State's account from the Federal unemployment account, as provided in section 903(b)(1) (because the State law is then approvable under sec. 3304 and certifiable under sec. 303) will be retained in the Federal unemployment account at such time becoming unrestricted as to use as part of the Federal unemployment account, and will be credited against, and operate to reduce, the balance of advances made to the State under section 1201. Transfer to or retention in the Federal unemployment account, as the case may be, will be made as of the date the sums would otherwise have been transferred to the State's account. Any balance of ad-

vances made before the enactment of this bill will first be reduced, and any balance of advances made thereafter will next be reduced.

(c) *Use of transferred amounts.*—Subsection (c) of section 903 relates to the use which a State may make of amounts transferred to the account of the State pursuant to subsections (a) and (b)(1) of section 903. The provisions of the new subsection (c) are the same in substance as the provisions of existing section 903(c), except that certain changes of a technical nature have been made in section 903(c)(2).

SECTION 904. UNEMPLOYMENT TRUST FUND

Section 904 is a continuation of existing section 904, with necessary technical and conforming amendments. The balance of advances referred to in section 904(e)(1) means balances of advances made under section 1201 both before and after the enactment of this bill.

SECTION 522. TITLE XII OF THE SOCIAL SECURITY ACT

Section 522 of the bill amends title XII of the Social Security Act to substitute a new text therefor, consisting of sections 1201 to 1204, inclusive. This title of the Social Security Act provides for advancing funds to State unemployment funds from the Federal unemployment account in the Unemployment Trust Fund.

TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

SECTION 1201. ADVANCES TO STATE UNEMPLOYMENT FUNDS

(a) *Advances.*—Subsection (a) of section 1201 provides that advances shall be made to the States from the Federal unemployment account in the Unemployment Trust Fund under the conditions specified and shall be repayable (without interest) in the manner provided in the following provisions of the Social Security Act:

(1) Section 901(d)(1) relating to repayment by the transfer to the Federal unemployment account of the additional tax received by reason of the reduced credits provisions of section 3302(c) (2) or (3) of the Federal Unemployment Tax Act, and the crediting of the amount so transferred against the balance of outstanding advances made to the State.

(2) Section 903(b)(2) relating to repayment by the transfer to the Federal unemployment account of the amount that otherwise would be transferred to the account of a State to be credited against the balance of outstanding advances made to the State; and

(3) Section 1202 relating to repayment by a State of outstanding advances by transfers from the State account.

An advance may be made to a State for the payment of compensation in any month if (A) the Governor of the State applies for such advance no earlier than the 1st day of the preceding month, and (B) he furnishes to the Secretary of Labor his estimate of the amount of an advance which will be required by the State for the payment of unemployment compensation in such month. A State may make more than one application with respect to a month.

After receiving an application, the Secretary of Labor is required to (A) determine the amount (if any) which he finds will be required

by the State for the payment of unemployment compensation in such month, making due allowance for contingencies that may occur during the month and taking into account all other amounts that will be available in the State's fund; and (B) certify to the Secretary of the Treasury the amount so determined (which may not be greater than the amount requested by the Governor of the State). The aggregate amount so certified by the Secretary of Labor with respect to any month shall not exceed the amount which the Secretary of the Treasury reports to him is available in the Federal unemployment account for such advances.

Subsection (a) of section 1201 continues the existing provision of law that for purposes of the subsection—

(1) the application for an advance shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under title XII, and

(2) the term "compensation" means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.

(b) *Transfer of amount certified.*—Subsection (b) of section 1201 continues the requirement of existing law that the Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of the State in the Unemployment Trust Fund, the amount certified for advance by the Secretary of Labor (but not exceeding the amount in the Federal unemployment account at the time of the transfer which is not restricted as to use pursuant to section 903(b)(1)).

SECTION 1202. REPAYMENT BY STATES OF ADVANCES TO STATE UNEMPLOYMENT FUNDS

This section, as does section 1202(a) of existing law, provides that the Governor of any State may at any time request that funds be transferred from the State's account to the Federal unemployment account in repayment of part or all of the balance of advances made to such State. If there are outstanding balances of advances made both before and after the enactment of this bill, the Governor may specify against which balance the payment shall be applied. The Secretary of Labor is required to certify to the Secretary of the Treasury the amount and balance stated in the request against which the payment shall apply; and the Secretary of the Treasury is required to promptly transfer such amount in reduction of such balance.

SECTION 1203. ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

The first sentence of this section is the same as section 1202(c) of existing law, and authorizes the appropriation to the Federal unemployment account, as repayable advances (without interest), of such sums as may be necessary to carry out the purposes of title XII of the Social Security Act.

The second sentence of this section is new. It provides when the repayment of advances appropriated to the Federal unemployment

account under section 1203 is to be made. Whenever there is an excess in the employment security administration account as of the close of any fiscal year after the application of section 901(f)(3) (which is preceded by the application of section 902(a) of the Social Security Act), such excess, or as much thereof as may be necessary, shall be applied to the repayment of the balance of such advances to the Federal unemployment account. The amount to be applied shall be transferred to the general fund of the Treasury and shall be credited against, and shall operate to reduce, such balance of advances.

SECTION 1204. DEFINITION OF GOVERNOR

Section 1204 is the same as section 1203 of existing law. It provides that for purposes of title XII, the term "Governor" includes the Commissioners of the District of Columbia.

Section 522(b) of title V is a new transitional provision. This subsection provides that no advance shall be made on or after the effective date of this bill on the basis of an application made under section 1201(a) of the Social Security Act as in effect before such date. An exception, however, is made if (A) some but not all of an advance certified by the Secretary of Labor to the Secretary of the Treasury was transferred to a State's account, and (B) the Governor of such State, after the enactment of this bill, requests the Secretary of the Treasury to transfer all or any part of the remainder to the State's account. In this situation, the amount so requested or (if smaller) the amount available in the Federal unemployment account shall be transferred to the State's account. Even though all of the remainder is not transferred pursuant to such request, there will be no further transfer unless and until there is another request from the Governor. It is provided that any amount so transferred will be treated as an advance made before the date of the enactment of this bill. No transfer may be made, however, after the 1-year period beginning on the date this bill is enacted.

SECTION 523. FEDERAL UNEMPLOYMENT TAX ACT

(a) *Increase in tax rate.*—Section 3301 of the Internal Revenue Code of 1954 (relating to rate of tax under the Federal Unemployment Tax Act) is amended by subsection (a) to increase the excise tax imposed on each employer (as defined in sec. 3306(a) of such code). The rate is increased from 3 percent of total wages (as defined in sec. 3306(b) of such code) to 3.1 percent, effective with respect to wages paid after 1960.

(b) *Computation of credits against tax.*—Subsection (b) of section 523 of the bill amends section 3302 of the Internal Revenue Code of 1954, by striking out subsection (c) and inserting in lieu thereof new subsections (c) and (d).

Section 3302(a) permits credit against the Federal tax for contributions with respect to the taxable year paid into a State unemployment fund on or before the due date of the Federal return for such year. Credit is also permitted under existing law for contributions paid after the due date of the Federal return but this credit is not to exceed 90 percent of the amount which would have been allowable as credit on account of such contributions had they been paid on or before the due date of the Federal return. An additional credit is

allowable under section 3302(b) with respect to the amount of contributions which a taxpayer is relieved from paying to an unemployment fund under the experience rating provisions of a State law which has been certified for the taxable year as provided in section 3303 of the code. Section 3302(c)(1) provides that the total credits allowed to a taxpayer shall not exceed 90 percent of the tax against which such credits are allowable.

The amendment to section 3302 makes no change in the credits allowable under subsections (a), (b), and (c)(1) of section 3302 of existing law. As provided in subsection (d)(1), the credits will continue to be calculated as a percentage of a 3 percent tax rate, even though the total Federal unemployment tax has been increased to 3.1 percent. Subsection (c)(2) of existing law, which provides for a reduction in the amount of total credits allowable under certain circumstances, appears as a new subsection (c)(2) with no substantive change (other than changing the December 1 date to November 10, and placing such date in new subsection (d)(3)), but is limited in application to an advance or advances made before the date of enactment of your committee's bill. If an advance or advances made under title XII of the Social Security Act before the date of the enactment of this bill remain unreturned on January 1 of each of 4 consecutive taxable years, the total credits allowable to a taxpayer subject to the unemployment compensation law of such State are reduced (by 5 percent of 3 percent or 0.15 percent with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) for the taxable year beginning with the fourth such January 1, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned. The total credits otherwise allowable will be further reduced (by an additional 5 percent of 3 percent for each such succeeding taxable year with respect to wages paid by such taxpayer during each such taxable year which are attributable to such State) in the case of any succeeding taxable year beginning with a consecutive January 1 on which a balance of an unreturned advance or advances exists, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of the State prior to such date is fully returned.

Section 3302 is further amended by providing a new subsection (c)(3). New subsection (c)(3)(A) provides that if an advance or advances made under title XII of the Social Security Act on or after the date of the enactment of this bill remain unreturned on January 1 of each of 2 consecutive taxable years, the total credits (after applying subsecs. (a), (b), and (c) (1) and (2) of sec 3302) allowable to a taxpayer subject to the unemployment compensation law of such State are reduced (by 10 percent of 3 percent or 0.3 percent with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) for the taxable year beginning with the second such January 1, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned. Thus, if there is a balance outstanding as of the beginning of November 10, the reduced credit provisions will apply to the State even though there may have been no balance outstanding for some period between January 1 and

November 10 of the taxable year. The total credits will be further reduced (by an additional 10 percent of 3 percent for each such succeeding taxable year with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) in the case of any succeeding taxable year beginning with a consecutive January 1 on which a balance of unreturned advances exists unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of the State prior to such date is fully returned.

New subsection (c)(3)(B) provides that the total credits otherwise allowable to the taxpayer for the taxable year will be further reduced (in addition to the reduction provided in subsec. (c)(3)(A)) in the case of a taxable year beginning with the third or fourth consecutive January 1 as of the beginning of which there is such a balance of advances, unless prior to November 10 of the taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned, or unless the average employer contribution rate for such State for the calendar year preceding such taxable year is at least 2.7 percent. The additional reduction, if any, for each such taxable year shall be an amount determined by multiplying wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage by which 2.7 percent exceeds the average employer contribution rate for such State for the calendar year immediately preceding such taxable year. The average employer contribution rate is defined in new subsection (d)(4) as the percentage obtained by dividing the total of the contributions paid into the State unemployment fund with respect to such calendar year, by the total of the remuneration subject to contributions under the State unemployment compensation law (State taxable wages) with respect to such calendar year. New subsection (c)(3)(C) provides that the total credits otherwise allowable to the taxpayer for the taxable year will be further reduced (in addition to the reduction provided in subsec. (c)(3)(A)) in the case of a taxable year beginning with the fifth or any succeeding consecutive January 1 as of the beginning of which there is such a balance of advances, unless prior to November 10 of the taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned, or unless the average employer contribution rate for such State for the calendar year preceding such taxable year was equal to the 5-year benefit-cost rate applicable to such State or 2.7 percent, whichever is higher. The additional reduction, if any, for each such taxable year shall be an amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage by which the 5-year benefit-cost rate applicable to such State for such taxable year, or (if higher) 2.7 percent, exceeds the average employer contribution rate for such State for the calendar year preceding such taxable year. The 5-year benefit-cost rate is defined in new subsection (d)(5) as the percentage obtained by dividing one-fifth of the total of the compensation paid under the State unemployment compensation law during the 5-year period ending at the close of the second calendar year preceding such taxable year by the total of the remuneration subject to contributions under the State unemployment compensation law (State taxable wages) with respect to the first calendar

year preceding such taxable year. If the average employer contribution rate for purposes of reductions described in section 3302(c)(3)(C), is 2.7 percent or higher, such rate shall be recomputed and determined by dividing the sum of employer contributions paid into the unemployment fund of such State and employee payments into the fund which are to be used solely in payment of unemployment compensation by the total of the remuneration subject to contributions under the State unemployment compensation law (State taxable wages) with respect to such calendar year.

The amendments of section 3302(c) contemplate that the reduced credit provisions are to apply separately for old advances and for new advances. Thus, if the additional tax collected by reason of section 3302(c)(2) exceeds the balance of advances described in that paragraph, the excess goes to the State account and not to reduce the balance of advances described in section 3302(c)(3). The same principle would apply to excess collections under section 3302(c)(3) where a balance of advances described in section 3302(c)(2) continued to exist.

A new subsection (d) is added to section 3302, providing definitions and special rules relating to subsection (c). Paragraph (1) of subsection (d) provides that in applying the reduced credits prescribed in subsection (c) the tax imposed by section 3301 shall be computed at the rate of 3 percent in lieu of 3.1 percent. Paragraph (2) provides, as does the present law, that the wages attributable to a particular State are those subject to the unemployment compensation law of the State, or if not covered by any State law, as determined under rules and regulations prescribed by the Secretary of the Treasury or his delegate. Paragraph (3) provides that reductions in credits under paragraph (2) or (3) of section 3302(c) with respect to any State shall not apply for a taxable year if as of the beginning of November 10 of such year there is no balance of advances referred to in such paragraph (2) or (3) of subsection (c). Paragraph (4) defines average employer contribution rate. Paragraph (5) defines the 5-year benefit-cost rate. Paragraph (6) provides that if any percentage referred to in either subparagraph (B) or (C) of subsection (c)(3) is not a multiple of 0.1 percent, it shall be rounded to the nearest multiple of 0.1 percent. Thus, if a percentage is 2.57 percent, it shall be rounded to 2.6 percent; if it is 2.53 percent, it shall be rounded to 2.5 percent; or if it is 2.96 percent, it shall be rounded to 3.0 percent. In the case of subparagraph (C) of section 3302(c)(3), the two rates referred to shall not be rounded until the difference is determined. For example, if the 5-year benefit-cost rate is 3.26 and the average employer contribution rate is 3.14, the difference is 0.12 and the reduction in credit would be 0.1 percent of wages. If these two rates were rounded separately, 3.26 would be increased to 3.3 percent and 3.14 would be decreased to 3.1 percent, and the difference would be 0.2 percent. Paragraph (7) provides that the percentages referred to in subsection (c)(3) (B) or (C) shall be determined by the Secretary of Labor and certified to the Secretary of the Treasury before June 1 of a taxable year on the basis of a report furnished to the Secretary of Labor by the State before May 1 of such year. Any State report shall be as of the close of March 31 of the taxable year. Paragraph (8) is a cross reference to section 104 of the Temporary Unemployment Compensation Act of 1958 which relates to the reduction of total credits allowable

under subsection (c). Subsection (c) of section 523 of the bill provides that the amendments made by subsection (a) shall apply only with respect to the calendar year 1961 and calendar years thereafter.

The application of section 3302(c) as amended by section 523 of your committee's bill may be illustrated by the following example:

Example.—Assume that State Z received an advance of \$30 million on July 10, 1957, and that after the enactment of the bill State Z receives advances in July, August, September, October, and November of 1960 totaling \$170 million, and additional advances in May, June, July, August, September, and October of 1964 totaling \$260 million. The 1960 loan balance is repaid on March 5, 1964. The following tables will show the application of the reduction of credit provisions of section 3302(c).

TABLE A.—Reduction of credits

Federal taxable year	Percentage of credit reduction under 3302(c) (2)	Percentage of credit reduction under 3302(c) (3) (A)	Percentage reduction attributable to effect of 3302(c) (3) (B)	Percentage reduction attributable to effect of 3302(c) (3) (C)	Date of additional tax paid by reason of reduction provisions	Reduction attributable to effect of 3302(c) based on wages paid in
1961 ¹.....	.15				Jan. 31, 1962	1961
1962 ².....	.3	.3			Jan. 31, 1963	1962
1963 ³.....		.6	⁶ .4 (2.7-2.3)		Jan. 31, 1964	1963
1964 ⁴.....		.9	⁶ .3 (2.7-2.41)		Jan. 31, 1965	1964
1965.....		1.2		⁷ .2 (2.88-2.7)	Jan. 31, 1966	1965
1966.....		1.5		⁷ .1 (2.82-2.71)	Jan. 31, 1967	1966

¹ 4th consecutive Jan. 1 has passed and the 1957 advance has not been repaid by Nov. 10.

² 2d consecutive Jan. 1 has passed and the new advances have not been repaid by Nov. 10. Also, the 5th consecutive Jan. 1 has passed for the 1957 advance without repayment.

³ 3d consecutive Jan. 1 has passed and the new advances have not been repaid by Nov. 10. The credit reductions under sec. 3302(c)(2) have discharged the 1957 advance.

⁴ 4th consecutive Jan. 1 has passed and the new advances have not been repaid by Nov. 10.

⁵ (Note: There is still a balance of advances made after the enactment of the Employment Security Act of 1960, since all such new advances are aggregated and only a portion of the aggregate has been repaid.)

⁶ See tables B and D.

⁷ See tables B, C, and D.

TABLE B.—State Z's financial experience

[Amounts in millions of dollars]

Year	Benefits paid by State	Employer contributions	State taxable wages	Employer contribution as percent of State taxable wages	Federal taxable wages
1959.....	\$260	\$186	\$7,950	2.34	\$7,150
1960.....	180	144	8,150	1.77	7,350
1961.....	160	157	8,500	1.85	7,650
1962.....	195	198	8,600	2.30	7,750
1963.....	385	195	8,100	2.41	7,300
1964.....	263	221	8,200	2.70	7,380
1965.....	185	228	8,400	2.71	7,550
1966.....	190	225	8,500	2.65	7,650

TABLE C.—*Determination of 5-year benefit-cost rate*

[Amounts in millions of dollars]

Taxable year	5-year period	Total benefit payments	Average annual benefit payments	State taxable wages	Benefit-cost rate (percent)
1965.....	1959 to 1963.....	\$1, 180	\$236	¹ \$8, 200	2.88
1966.....	1960 to 1964.....	1, 183	237	² 8, 400	2.82

¹ For 1964.
² For 1965.

TABLE D.—*Automatic repayment of advances through reduced tax credits under sec. 3302(c) (2) and (3) (A)*

[Amounts in millions of dollars]

Federal taxable year	Amount of federally taxable wages	To be paid by Jan. 31 of—	Percent of credit reduction under 3302(c) (2)	Additional taxes under 3302(c) (2)	Percent of credit reduction under 3302(c) (3) (A)	Additional taxes under 3302(c) (3) (A)
1961.....	\$7, 650	1962	. 15	\$11. 475	.....	.....
1962.....	7, 750	1963	. 3	23. 25	. 3	\$23. 25
1963.....	7, 300	1964	.....	.....	. 6	43. 8
1964.....	7, 380	1965	.....	.....	. 9	66. 42
1965.....	7, 550	1966	.....	.....	1. 2	90. 6
1966.....	7, 650	1967	.....	.....	1. 5	114. 75

TABLE E.—*Additional taxes resulting from provisions pertaining to State tax yields (sec. 3302(c) (3) (B) and (C))*

Federal taxable year	Actually paid by Jan. 31—	Based on State tax rate in—	Amount of tax equal to (in millions of dollars)—
1963.....	1964	1962	1963 Federal wages (from table B) × (2.7—1962 actual average State employer contribution rate). ¹ \$7,300 × (2.7—2.30) = \$7,300 × 0.4 = \$29.2.
1964.....	1965	1963	1964 Federal wages (from table B) × (2.7—1963 actual average State employer contribution rate). \$7,380 × (2.7—2.41) = \$7,380 × 0.3 = \$22.14.
1965.....	1966	1964	1965 Federal wages (from table B) × (higher of 2.7 or 1959-63 cost rate minus 1964 actual average State employer contribution rate). \$7,550 × (2.88—2.7) = \$7,550 × 0.2 = \$15.1.
1966.....	1967	1965	1966 Federal wages (from table B) × (higher of 2.7 or 1960-64 cost rate minus 1965 actual average State employer contribution rate). \$7,650 × (2.82—2.71) = \$7,650 × 0.1 = \$7.65.

¹ No employee contributions in State Z.

TABLE F.—*Summary of repayment of advances*

[Amounts in millions of dollars]

Date on which paid	Additional taxes under 3302(c) (2)	Additional taxes under 3302(c) (3) (A)	Reduced credit when tax yield is inadequate	1957 outstanding loan balance	1960 loan balance	1964 loan balance	To State trust fund
Jan. 31, 1962.....	\$11. 475	.....	.....	\$18. 525	\$170. 0	.....	.....
Jan. 31, 1963.....	23. 25	\$23. 25	.....	¹ 0	146. 75	.....	\$4. 725
Jan. 31, 1964.....	.....	43. 8	\$29. 2	.....	² 73. 75	\$260. 0	.....
Jan. 31, 1965.....	.....	66. 42	22. 14	.....	0	260. 0	.....
Jan. 31, 1966.....	.....	90. 6	15. 1	.....	0	171. 44	.....
Jan. 31, 1967.....	.....	114. 75	7. 65	.....	0	65. 74	.....
							56. 66

¹ On Nov. 10, 1963, the balance of the advance of \$30,000,000 made in July 1957 is zero.

² On Mar. 5, 1964, the balance of the 1960 advances totaling \$170,000,000 is repaid by a payment of \$73,750,000. Additional 1964 advances totaling \$260,000,000 are made between May 1 and Oct. 31, 1964.

(c) *Effective date.*—Subsection (c) of section 523 of the bill provides that the amendments made by subsection (a) shall apply only with respect to the calendar year 1961 and calendar years thereafter.

SECTION 524. CONFORMING AMENDMENTS

(a) *Section 301 of Social Security Act.*—Section 301 of the Social Security Act authorizes appropriations for each fiscal year for grants to States for unemployment compensation administration. Under the bill, the authorization for expenditures for this purpose will be contained in section 901(c)(1)(A) of the Social Security Act. Subsection (a) of section 524 of the bill makes the necessary changes to conform section 301 of the Social Security Act to this action.

(b) *Section 104 of Temporary Unemployment Compensation Act of 1958.*—Subsection (b) of section 524 of the bill strikes out subsection (b) of section 104 of the Temporary Unemployment Compensation Act of 1958, which relates to the transfer to a State unemployment account of amounts of additional tax received in excess of amounts restorable by the State under such act. Under the amendment made by section 521 of the bill, these transfers are to be provided for by section 901(d)(2) of the Social Security Act. Subsection (b) also amends section 104(a) of the Temporary Unemployment Compensation Act of 1958 by striking out the words “by December 1” and substituting therefor “before November 10” to conform to a similar change made in section 3302(d)(3) of the Federal Unemployment Tax Act by section 523(b) of the bill.

PART 3. EXTENSION OF COVERAGE UNDER UNEMPLOYMENT COMPENSATION PROGRAM

SECTION 531. FEDERAL INSTRUMENTALITIES

Section 531 of the bill amends sections 3305(b), 3305(g), and 3306(c)(6) of the Internal Revenue Code of 1954 to authorize, with appropriate safeguards, the legislature of any State to tax as private employers those Federal instrumentalities which are neither wholly nor partially owned by the United States unless they are exempt from taxation by a law granting a specific exemption by reference to section 3301 of such code (or the corresponding section of prior law) from the unemployment tax imposed by such section. A further safeguard would be added for the protection of the employees of the taxable instrumentalities. This would permit State taxation only if these employees are treated by the State law in the same way as are employees of other employers. Paragraph (6) of section 3306(c) of the code is amended to exclude from employment any service performed in the employ of an instrumentality which is partially owned by the United States or which is exempt from the tax imposed by section 3301 by virtue of any provision of law which specifically refers to such section (or the corresponding section of prior law) in granting such exemption. Service performed in the employ of wholly owned Federal instrumentalities is already excluded.

The effect of these amendments is to extend the protection of the unemployment insurance program to employees of certain Federal instrumentalities which are neither wholly nor partially owned by the

United States. At the present time, employees of a non-wholly-owned instrumentality are not covered by the program for Federal employees and are not protected by the system applicable to employees of private employers if the instrumentality is exempt from taxation by other provisions of law. In this connection, section 3308, SHORT TITLE, has been renumbered "3309" and a new section 3308 inserted to make it clear that the unemployment tax is to apply to nonowned instrumentalities unless they are exempted by a law, whether enacted before or after enactment of this bill, which grants a specific exemption by reference to section 3301 (or the corresponding section of prior law) from the tax imposed by such section.

Sections 1501(a) and 1507(a) of the Social Security Act are amended by striking out the word "wholly" in the first sentence of each section and inserting in lieu thereof the words "wholly or partially". This brings employees of partially owned Federal instrumentalities under the unemployment insurance program for Federal employees provided in title XV of the Social Security Act, which already covers employees of wholly owned instrumentalities.

SECTION 532. AMERICAN AIRCRAFT

Section 532 of the bill amends both clause (B) of the introductory provision of section 3306(c) of the Internal Revenue Code of 1954 and paragraph (4) of such section to provide the same unemployment insurance protection for employees employed on or in connection with American aircraft engaged in oversea operations as is provided for employees employed on or in connection with American vessels engaged in oversea operations. Also, section 3306(m), which defines the term "American vessel" is amended to include a definition of "American aircraft" i.e., "aircraft registered under the laws of the United States."

SECTION 533. FEEDER ORGANIZATION, ETC.

Section 533 of the bill amends paragraph (8) of section 3306(c) of the Internal Revenue Code of 1954 to limit the exception from employment provided by that paragraph to service performed in the employ of a religious, charitable, educational, or other organization described in section 501(c)(3) of the code which is exempt from income tax under section 501(a). This extends unemployment insurance protection to the employees of feeder organizations which are subject to income tax by reason of section 502 of the code. Section 502 provides that an organization operated for the primary purpose of carrying on a trade or business for profit shall not be exempt from income tax under section 501 on the grounds that all of its profits are payable to one or more organizations exempt from income tax under section 501.

The amendment to paragraph (8) of section 3306(c) of the code would also extend coverage to the organizations described in section 501(c)(3) with respect to year for which they are denied income tax exemption under the provisions of section 503 or 504 of the code.

SECTION 534. FRATERNAL BENEFICIARY SOCIETIES, AGRICULTURAL ORGANIZATIONS, VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATIONS, ETC.

Section 3306(c) of the Internal Revenue Code of 1954 defines the term "employment" for purposes of the Federal Unemployment Tax Act. Paragraph (10) of this section excludes from the term "employment" the service described therein.

The effect of section 534 of the bill is, in general, to extend the term "employment" (unless the service is excluded by some other paragraph of sec. 3306(c)) to include—

(1) Service performed in the employ of organizations which are exempt from income tax where—

(A) such service is in connection with the collection of dues or premiums for a fraternal beneficiary society, order, or association, and is performed away from the home office, or is ritualistic service in connection with any such society, order, or association; or

(B) such service is performed by a student who is enrolled and is regularly attending classes at a school, college, or university, unless the service is performed for such school, college, or university.

(2) Service performed in the employ of agricultural or horticultural organizations which are exempt from income tax.

(3) Service performed in the employ of voluntary employees' beneficiary associations (described in subpars. (C) and (D) of existing par. (10)) providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or their designated beneficiaries.

Under the amendment made by section 534 of the bill, the following service will continue to be excluded from the term "employment" by reason of section 3306(c)(10):

(1) Service performed in any calendar quarter in the employ of any organization exempt from income tax (other than a trust created or organized under a qualified pension, profit-sharing, or stock-bonus plan), if the remuneration for such service is less than \$50.

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

SECTION 535. EFFECTIVE DATE

Under section 535 of the bill, the amendments made by part 3 of title V of the bill (other than the amendments to title XV of the Social Security Act made by subsecs. (e) and (f) of sec. 531 of the bill) are to apply with respect to remuneration paid after 1961 for services performed after 1961. The amendments made by subsections (e) and (f) of section 531 of the bill are to apply with respect to any week of unemployment which begins after December 31, 1960.

PART 4. EXTENSION OF FEDERAL-STATE UNEMPLOYMENT COMPENSATION PROGRAM TO PUERTO RICO**SECTION 541. EXTENSION OF TITLES III, IX, AND XII**

Section 541 of the bill amends paragraphs (1) and (2) of section 1101(a) of the Social Security Act (effective on and after Jan. 1, 1961) so as to provide that the term "State" and, when used in the geographical sense, the term "United States" include the Commonwealth of Puerto Rico for purposes of titles III, IX, XII, and XV of the Social Security Act. The effect of this amendment, together with the amendment made by section 543(a) of this bill to the Federal Unemployment Tax Act, is to include the Commonwealth of Puerto Rico in the Federal-State unemployment compensation program provided by titles III, IX, and XII of the Social Security Act and the Federal Unemployment Tax Act. Technical changes are also made in paragraphs (1) and (2) of section 1101(a) to take account of the fact that Hawaii is now a State instead of a Territory.

SECTION 542. FEDERAL EMPLOYEES AND EX-SERVICEMEN

Section 542 of the bill amends title XV of the Social Security Act, which relates to unemployment compensation for Federal employees and for ex-servicemen.

Under existing law, where the Federal service and Federal wages of an unemployed Federal worker or an ex-serviceman are assigned to a State, the unemployment compensation law of such State governs the amount of, and the terms and conditions for, the payment of unemployment compensation. However, where the assignment of such Federal service and Federal wages is to Puerto Rico, the payment of unemployment compensation to the unemployed Federal worker or ex-servicemen is in the same amount, on the same terms, and subject to the same conditions as would be paid to him under the unemployment compensation law of the District of Columbia. The effect of the amendments made by subsections (a)(1) and (b)(1) of section 542 of this bill is to retain the rules referred to in the preceding sentence with respect to weeks of unemployment beginning before January 1, 1966, but to apply the unemployment compensation law of the Commonwealth of Puerto Rico with respect to weeks of unemployment beginning after December 31, 1965.

Under section 1504 of the Social Security Act, Federal service and Federal wages of Federal civilian workers are (in general) assigned to the State in which the worker had his last official station in Federal service prior to the filing of his first claim for unemployment compensation for the benefit year. However, if such first claim is filed while he is residing in Puerto Rico, the Federal service and Federal wages are assigned to Puerto Rico. The effect of the amendments made by subsections (a)(2) and (b)(2) of section 542 of the bill is to retain existing law where the first claim is filed before January 1, 1966, and where the first claim is filed after December 31, 1965, to apply in respect of Puerto Rico the same rules as apply with respect to the other States.

The amendments made by subsection (c) of section 542 of the bill conform sections 1503(d) and 1511(e) of the Social Security Act to the amendment including Puerto Rico within the term "State."

SECTION 543. EXTENSION OF FEDERAL UNEMPLOYMENT TAX ACT

Subsection (a) of section 543 of the bill amends section 3306(j) of the Internal Revenue Code of 1954 to include the Commonwealth of Puerto Rico in the terms "State" and (when used in the geographical sense) "United States". (Technical changes are also made in sec. 3306(j) to take account of the fact that Hawaii is now a State instead of a territory.) The amendment also provides that an individual who is a citizen of the Commonwealth of Puerto Rico (but not otherwise a citizen of the United States) shall be considered (for purposes of sec. 3306 of the code) to be a citizen of the United States. The amendment applies with respect to remuneration paid after December 31, 1960, for services performed after such date.

Section 3304 of the Internal Revenue Code of 1954 and section 303 of the Social Security Act contain provisions requiring the Secretary of Labor to approve a State unemployment compensation law if he finds that its provisions meet the requirements of such sections.

Section 3304(a)(2) of the code requires the State law to provide that no compensation shall be payable with respect to any day of unemployment occurring within 2 years after the first day of the first period with respect to which contributions are required. Subsection (b)(1) of section 543 of the bill makes it clear that this requirement is satisfied in the case of Puerto Rico if the law provides that no compensation is payable with respect to any day of unemployment occurring before January 1, 1959, since the first day of the first period with respect to which contributions were required was January 1, 1957.

Section 3304(a)(3) of the code and section 303(a)(4) of the Social Security Act require the State law to provide that all money received in the State unemployment fund shall (except for certain refunds) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund. Subsection (b)(2) of section 543 of the bill provides that these requirements are to be considered as met if the unemployment compensation law of the Commonwealth of Puerto Rico contains the provisions required by section 3304(a)(3) of the code and section 303(a)(4) of the Social Security Act and if it requires that, on or before February 1, 1961, there be paid over to the Secretary of the Treasury, for credit to the Puerto Rico account in the Unemployment Trust Fund, an amount equal to the excess of—

(1) the aggregate of the moneys received in the Puerto Rico unemployment fund before January 1, 1961; over

(2) the aggregate of the moneys paid from such fund before January 1, 1961, as unemployment compensation or as refunds of contributions erroneously paid.

This modification is necessary in view of the fact that the Puerto Rican unemployment compensation law has been in operation since the beginning of 1957. Accordingly, moneys have been paid into the unemployment compensation fund of Puerto Rico since then, and have been paid therefrom since January 1, 1959.

TITLE VI—MEDICAL SERVICES FOR THE AGED**SECTION 601. ESTABLISHMENT OF PROGRAM**

Section 601 of the bill adds a new title, "Title XVI—Medical Services for the Aged," to the Social Security Act.

TITLE XVI—MEDICAL SERVICES FOR THE AGED**SECTION 1601. APPROPRIATION**

To enable each State (as far as practicable under the conditions in such State) to assist aged individuals of low income in meeting their medical expenses, section 1601 authorizes the appropriation for each fiscal year of a sum sufficient to carry out the purposes of the new title XVI. The sums made available under the new section 1601 are to be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare, State plans for medical services for the aged. Section 1603(a) of the new title provides that such payments are to be made beginning with the quarter commencing July 1, 1961.

SECTION 1602. STATE PLANS

Section 1602(a) sets forth the requirements with which State plans for medical services for the aged must comply in order to be approved by the Secretary of Health, Education, and Welfare, and thereby qualify the State for payments under the new title XVI.

To be approved, such a State plan must—

(1) provide that it will be in effect in all political subdivisions of the State; if the plan is administered by the subdivisions it must be mandatory upon them;

(2) provide for State financial participation;

(3) provide for establishment or designation of a single State agency to administer the plan or supervise its administration;

(4) provide for inclusion of both institutional and noninstitutional medical services among the medical services for which payments are made under the plan;

(5) include reasonable standards for determining eligibility of individuals for medical benefits under the plan, and the amounts of their medical benefits, and restrict the furnishing of benefits under the plan to individuals meeting the requirements of eligibility set forth in section 1605; the standards established must be consistent with the objectives of the new title XVI;

(6) provide for according all individuals wishing to do so an opportunity to apply for medical benefits under the plan and for furnishing such benefits with reasonable promptness to applicants who are eligible for such benefits under the plan;

(7) provide that benefits will not be furnished to any individual under the plan for any period for which he is receiving old-age assistance, aid to dependent children, aid to the blind, or aid to the permanently and totally disabled under a State plan approved under title I, IV, X, or XIV of the Social Security Act;

(8) provide that property liens will not be imposed on account of benefits received under the plan during a recipient's lifetime (except pursuant to a court judgment on account of benefits incorrectly paid), and limit recovery of benefits correctly paid to recovery from the recipient's estate after the death of his surviving spouse, if any;

(9) provide that no enrollment fee, premium, or similar charge will be imposed as a condition of eligibility for medical benefits under the plan;

(10) provide that the benefits under the plan will not be greater in amount, duration, or scope than the assistance furnished under the State's approved old-age assistance plan both in the form of medical care on behalf of individuals, and in the form of money payments to the extent that such payments include amounts on account of the medical needs of recipients;

(11) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for medical benefits under the plan is denied or not acted upon with reasonable promptness;

(12) provide methods of administration of the plan found necessary by the Secretary for its proper and efficient operation; these methods would include establishment and maintenance of personnel standards on a merit basis, but the Secretary would be precluded from exercising any authority in connection with the selection, tenure, or compensation of individuals employed in accordance with these standards;

(13) provide safeguards against the use or disclosure of information concerning applicants or recipients under the plan except for purposes directly connected with the plan's administration;

(14) provide for a State authority or authorities to establish and maintain standards for hospitals and nursing homes providing hospital services and skilled nursing-home services, respectively, and agencies providing organized home care services, for which expenditures are made under the plan;

(15) include methods for determining rates of payment for institutional services, and schedules of fees or rates of payment for other medical services, for which expenditures are made under the plan;

(16) include provisions regarding the furnishing of medical benefits to eligible residents who are absent from the State, to the extent required by regulations of the Secretary; and

(17) provide for the making of reports and for compliance with provisions necessary to assure their correctness and verification, to the extent required by the Secretary.

Where, in the numbered paragraphs above and generally elsewhere in the discussion of the new title XVI, reference is made to "medical benefits", it refers to such benefits as defined in the new section 1606; otherwise, the benefits referred to include other incidental items of medical care which the State desires to include in its plan (but without Federal financial participation in expenditures therefor).

Section 1602(b) requires the Secretary of Health, Education, and Welfare to approve any State plan for medical services for the aged which complies with the requirements of section 1602(a), except that

he may not approve any plan which imposes as a condition of eligibility for medical benefits under the plan an age requirement of more than 65 years, a citizenship requirement which excludes any citizen of the United States, or a residence requirement which excludes any individual who resides in the State submitting the plan.

Section 1602(c) requires the Secretary of Health, Education, and Welfare, notwithstanding the compliance of a State plan with the requirements of section 1602(a) and the provisions of section 1602(b), not to approve any State plan for medical services for the aged unless the State has established to his satisfaction that the approval and operation of the plan will not result (whether the action is taken before, or is to be taken after, submission or approval of the plan) in a reduction in assistance under any plan of the State approved under title I (old-age assistance), IV (aid to dependent children), X (aid to the blind), or XIV (aid to the permanently and totally disabled) of the Social Security Act.

SECTION 1603. PAYMENTS

Section 1603(a) provides for making Federal payments to the States with respect to their expenditures for medical benefits under approved plans. For States with an approved plan payments would begin with the quarter commencing July 1, 1961. For the fifty States and the District of Columbia the Federal payment for any quarter would be an amount equal to the Federal percentage (as defined in sec. 1101(a)(8) of the Social Security Act) of the total expenditures during the quarter for medical benefits under the State plan. The Federal share would thus be the same as that under the old-age assistance formula now in effect for the portion of average payments above \$30 (and not over \$65) per month. It will range from 50 percent to 65 percent, depending on the per capita income of the State as related to the national per capita income. For Puerto Rico, the Virgin Islands, and Guam the amount would be 50 percent of the total expenditures for medical benefits under the plan.

The Federal Government would not participate financially in expenditures with respect to any individual during any benefit year to the extent that such expenditures during such year exceed—

- (1) in the case of inpatient hospital services, the cost of 120 days of such services;
- (2) in the case of laboratory and X-ray services (not included in inpatient hospital services), \$200; and
- (3) in the case of prescribed drugs (not included in inpatient hospital services), \$200.

Section 1603(a) also provides for making Federal payments to the States with respect to their necessary administrative expenditures under approved plans. The Federal share of these expenditures would be 50 percent.

Section 1603(b) contains provisions relating to the mechanics of making estimates of expenditures and paying to the States the amounts to which they are entitled under section 1603(a). The amount due a State for each quarter would be estimated in advance on the basis of reports filed by the State and other investigations found necessary by the Secretary of Health, Education, and Welfare. The estimate would be adjusted to take into account any previous overpay-

ment or underpayment not already adjusted and the amount so estimated would be paid to the State through the disbursing facilities of the Treasury Department in installments determined by the Secretary. The net amounts recovered by any State or political subdivision with respect to medical benefits furnished under the State plan would also result in reductions of the estimates made, to the extent of the pro rata share to which the Federal Government is equitably entitled.

SECTION 1604. OPERATION OF STATE PLANS

Section 1604 provides for the withholding of further Federal payments to a State if there is any change in the plan of such State which results in noncompliance with the plan requirements in section 1602 or if there is a failure in the administration of the plan to comply substantially with any of those requirements. In the discretion of the Secretary of Health, Education, and Welfare, payments may continue for those parts of the State plan that are not affected by this noncompliance. A State plan would be treated as no longer complying with the requirements of section 1602 if at any time the Secretary determines that the operation of the plan is resulting or will result in a reduction in old-age assistance, aid to dependent children, aid to the blind, or aid to the permanently and totally disabled under an approved plan of the State.

SECTION 1605. ELIGIBLE INDIVIDUALS

Section 1605 defines the term "eligible individual" for purposes of the new title XVI. An eligible individual is any individual—

- (1) who is 65 years of age or over; and
- (2) whose income and resources, taking into account his other living requirements as determined by the State, are insufficient to meet the cost of his medical services.

It is to be noted that under paragraph (7) of section 1602(a) no benefits may be furnished under a plan for medical services for the aged to any individual with respect to any period with respect to which he is receiving assistance under a State plan approved under title I, IV, X, or XIV, and that under section 1602(c) the Secretary of Health, Education, and Welfare may not approve a plan under title XVI unless he is satisfied that there will not be a reduction in assistance under any other such plan. Thus, in effect, medical benefits under the new title XVI will be furnished to aged individuals who do not satisfy the eligibility requirements under title I, IV, X, or XIV, whichever is applicable, but who do satisfy the eligibility requirements of section 1605.

Also, paragraph (5) of section 1602(a) requires a State plan for medical services for the aged to include reasonable standards for determining the eligibility of individuals for medical benefits under the plan (and the amounts thereof). These reasonable standards are to be consistent with the objectives of the new title XVI. For example, a plan which would permit an individual to be eligible for medical benefits without regard to his resources or which would permit an individual to be so eligible where his income and resources are clearly sufficient to meet his medical expenses and other reasonable living requirements would not qualify under the new title XVI.

It is also to be noted that, by reason of section 1602(b)(1), the State may not impose an age requirement higher than 65 years of age. For example, it could not limit the plan to individuals who have attained age 68. Similarly, by reason of paragraph (5) of section 1602(a), the State may not furnish benefits under the plan with respect to individuals who have not yet attained age 65. Paragraph (5) provides that the State plan must restrict the furnishing of benefits under the plan to individuals who are eligible individuals (as defined in sec. 1605).

SECTION 1606. BENEFITS

Section 1606(a) defines "medical benefits" as payment of part or all of the cost of medical services on behalf of "eligible individuals." The State need not pay all of the cost of medical services on behalf of eligible individuals. For example, the State may limit the medical services listed in section 1606(b) with respect to which it will furnish benefits, so long as the plan has provision for furnishing both institutional (that is, hospital services and skilled nursing-home services) and other services (as required by section 1602(a)(4)). On the other hand, it should be noted that where an individual's income and resources are such (after taking into account his requirements for living expenses other than for medical services) that he can meet part of the costs of his medical bills from his income and resources, the State must limit its benefits to the remainder of such costs.

The term "medical services" is defined in section 1606(b) as meaning the following, to the extent determined by the physician to be medically necessary—

(1) Inpatient hospital services: These are defined in subsection (c) to mean bed and board at not to exceed the semiprivate room rate, and physicians' services, furnished by a hospital to an inpatient. These hospital services also include other services furnished by the hospital (directly or through arrangements with other persons) to an inpatient—nursing services, interns' services, laboratory and X-ray services, ambulance service, and other services, drugs, and appliances related to his care and treatment.

Under subsection (m) the term "hospital" does not include a mental or tuberculosis hospital, and is limited to institutions licensed as a hospital by the State in which located, or approved (in the case of a State hospital) by the State licensing agency.

(2) Skilled nursing-home services: These are defined in subsection (d) as meaning skilled nursing care which is provided by a registered professional nurse or a licensed practical nurse, if performed under the general direction of or prescribed by a physician and if furnished to an individual as an inpatient in a nursing home. Also included are medical care and other services related to such skilled nursing care, as well as bed and board in connection with the furnishing of such skilled nursing care to such an inpatient.

Under subsection (n) the term "nursing home" includes only one which is licensed as a nursing home by the State in which located, and then only if it is operated in connection with a hospital or there are medical policies established for it by one or

more physicians to govern the skilled nursing care and related medical care and other services provided by the home (and such physicians are responsible for supervising the execution of such policies).

(3) Physicians' services: These are defined in subsection (e) as services provided in the exercise of his profession in any State by a physician (including a surgeon) who is licensed in the State. Under section 1101(a) (7) of the Social Security Act the term "physician" includes osteopathic practitioners within the scope of their practice as defined by State law.

(4) Outpatient hospital services: These are defined in subsection (f) to mean medical and surgical care furnished by a hospital to an individual as an outpatient.

(5) Organized home care services: These are defined in subsection (g) as visiting nurse services and physicians' services, and services related thereto, if provided in the home through a public or private nonprofit agency. The services must be prescribed by a physician, and the agency through which they are provided must be operated in accordance with medical policies established (to govern such services) by one or more physicians who are also responsible for supervising the execution of the policies so established.

(6) Private duty nursing services: These are defined in subsection (h) to mean nursing care provided in the home by a registered professional nurse or licensed practical nurse to a patient requiring such care on a full-time basis. This nursing care must be provided under the general direction of a physician. It is to be distinguished from the nursing care provided as "organized home care services" which is in the nature of a visiting nurse service rather than nursing care provided on a full-time basis.

(7) Therapeutic services: These are defined in subsection (i) to mean services prescribed by a physician for the treatment of disease or injury by physical nonmedical means. The services would include retraining for the loss of speech and training in the use of prosthetic devices.

(8) Major dental treatment: This is defined in subsection (j) as services provided by a dentist with respect to the condition of a person's teeth, oral cavity, or associated parts, but only where this condition has seriously affected or may seriously affect the person's general health. As indicated above this treatment could be provided only to the extent determined by the physician to be medically necessary. Routine dental services, and other dental services for conditions not seriously affecting the person's general health, are not included within the definition of "major dental treatment."

(9) Laboratory and X-ray services where prescribed by a physician; and

(10) Prescribed drugs: These include any drug or other medicine prescribed by a physician.

The term "medical services" does not include services for any individual who is an inmate of a public institution except as a patient in a medical institution; nor does it include services for any individual who is a patient in a tuberculosis or mental institution. In the

case of an individual who is a patient in a medical institution (other than a tuberculosis or mental institution) as a result of a diagnosis of tuberculosis or psychosis, services provided him after he has been such a patient in the institution for 42 days (whether or not consecutive) as a result of this diagnosis are also not included.

SECTION 1607. BENEFIT YEAR

Section 1607 defines the term "benefit year" for purposes of the new title XVI as a period of 12 consecutive calendar months as designated for the purposes of the title, by the State agency administering or supervising the administration of the plan, in accordance with regulations prescribed by the Secretary of Health, Education, and Welfare.

SECTION 602. IMPROVEMENT OF MEDICAL CARE FOR OLD-AGE ASSISTANCE RECIPIENTS

Section 602(a) of the bill amends section 3(a) of the Social Security Act, which relates to the determination of the amount of Federal payments to the States with respect to expenditures for old-age assistance, by adding a new clause (3) (the present clause (3) would become clause (4)). The new clause (3) provides for Federal matching (in addition to any matching under clause (1) or (2)), in the case of a State which is "qualified" for the quarter for which the Federal payment is made, in an amount equal to 5 percent of the total of the sums expended during the quarter as old-age assistance under the State plan in the form of medical or any other type of remedial care (so-called vendor medical payments). However, in determining the total amount to be paid to a State under the new clause (3), there is not to be counted so much of any expenditure with respect to any month as exceeds whichever of the following products is the smaller:

(1) \$5 multiplied by the total number of recipients of old-age assistance for such month, or

(2) the additional expenditure per recipient of old-age assistance for such month (as defined by the new section 3(c) (2) of the Act), multiplied by such total number.

Under the new section 3(c) (2) of the Act, as added by section 602(b) of the bill, the additional expenditure per recipient of old-age assistance in any State for any month (for purposes of the additional Federal matching under the new clause (3) of sec. 3(a)) would be the excess of—

(1) the quotient obtained by dividing the total expenditure in such month under the State plan as old-age assistance in the form of medical care by the total number of recipients of such assistance (in the form of such care or money payments) for such month, over

(2) the quotient obtained by dividing such total expenditure in the calendar month before enactment of the bill by such total of recipients for that month.

Of course, if there is no additional expenditure in any month of a calendar quarter, determined as indicated above, the State would not receive any payment under the new section 3(a) (3) of the Act with respect to its expenditures in that month.

The new section 3(c)(1) of the Act, as added by section 602(b) of the bill, sets forth the conditions under which a State shall qualify for the increased Federal payment. A State would be qualified for a calendar quarter if it had submitted in or prior thereto a modification of its State old-age assistance plan which the Secretary of Health, Education, and Welfare determines would result in a significant improvement in the vendor medical payments provided under the plan. In determining whether such an improvement would result, the Secretary would compare the vendor medical payments included in the plan as it would be modified with the vendor medical payments included in the plan during the base period (the quarter before the calendar quarter in which the bill is passed). He would also, in determining whether there was any significant improvement, take into account the extent to which there would be any reduction in amounts previously included, on account of medical needs, in old-age assistance money payments. The State would not be entitled to payments under the new clause (3) for any quarter occurring (1) after the Secretary determines (after opportunity for hearing) that because of a change in the plan or its administration a significant improvement no longer exists, and (2) before the first quarter in which the State again qualifies.

These provisions would be effective October 1, 1960.

Section 602(c) of the bill amends the definition of old-age assistance contained in section 6 of the Social Security Act. Effective July 1, 1961, the amendment will permit Federal financial participation in State expenditures for medical care on behalf of an individual who is a patient in a medical institution, as the result of a diagnosis of tuberculosis or psychosis, for 42 days (whether or not consecutive) after such diagnosis.

SECTION 603. PLANNING GRANTS TO STATES

Section 603 of the bill authorizes appropriations for the purpose of assisting the States to make plans and initiate administrative arrangements for operations under the new title XVI of the Social Security Act. Grants will be made to States whose applications, submitted by a State agency designated by the State to carry out the purposes of the section, have been approved by the Secretary of Health, Education, and Welfare. No grant may exceed 50 percent of the costs of carrying out this purpose, and the total paid to any State could not exceed \$50,000. Funds appropriated would be available for grants to and obligation by the States only through June 30, 1962.

SECTION 604. TECHNICAL AMENDMENT

Section 604 of the bill amends section 1101(a)(1) of the Social Security Act so as to include Puerto Rico, the Virgin Islands, and Guam within the term "State" for purposes of the new title XVI as well as for titles I, IV, V, VII, X, and XIV of the Social Security Act.

TITLE VII—MISCELLANEOUS

SECTION 701. INVESTMENT OF TRUST FUNDS

Section 701 of the bill amends section 201 of the Social Security Act, which relates to the Federal old-age and survivors insurance and the Federal disability insurance trust funds.

Section 701(a) amends section 201(c) of the act (relating to the duties of the trustees of the funds) by adding a new sentence requiring that the trustees meet at least once every 6 months.

Section 701(b) amends section 201(c) of the act by removing the present requirement that the trustees report to the Congress whenever the trustees believe that during the following 5 fiscal years either of the trust funds will exceed three times the highest anticipated annual expenditures from that fund. The requirement that the trustees report to the Congress whenever they believe that the amount of either trust fund is unduly small is retained.

Section 701(c) amends section 201(c) of the act by adding a new provision to include in the duties of the trustees a requirement that they review the general policies followed in the management of the trust funds and recommend changes as needed, including changes in the provisions of law that govern the way in which the trust funds are managed.

Section 701(d) amends section 201(d) of the act (relating to investment of the trust funds) so as to provide that obligations of the Federal Government issued exclusively to the Federal old-age and survivors insurance and Federal disability insurance trust funds shall bear interest at a rate equal to the average market yield (rather than the average coupon rate as at present) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are neither due nor callable until after the expiration of 4 years from the time the special obligations are issued (rather than 5 years from the time when the marketable obligations were issued as at present).

The amended section 201(d) also provides that the managing trustee may purchase Government or Government-guaranteed obligations not issued exclusively to the trust funds when he determines that such purchases are in the public interest. Under present law obligations issued exclusively to the trust funds are to be purchased only when the managing trustee determines that the purchase of marketable obligations is not in the public interest.

Section 701(e) amends section 201(e) of the act to make a conforming change by substituting for the words "special obligations" the words "public debt obligations".

Section 701(f) provides that the amendments made by section 701 of the bill are to become effective at the beginning of the month following enactment.

SECTION 702. SURVIVAL OF ACTIONS

Section 702(a) of the bill amends section 205(g) of the Social Security Act to provide that court actions begun under it shall survive even though there is a change in the person occupying the office of

Secretary of Health, Education, and Welfare or a vacancy in that office.

Section 702(b) provides that the amendment made by section 702(a) shall be effective for court actions pending when the bill is enacted or commenced after the date of enactment.

SECTION 703. PERIODS OF LIMITATION ENDING ON NONWORK DAYS

Section 703 of the bill amends section 216 of the Social Security Act by adding a new subsection (j) to provide for extending any deadline date under title II of the Social Security Act, under other United States laws (other than the Internal Revenue Code of 1954) relating to or changing the effect of title II, or under regulations issued by the Secretary of Health, Education, and Welfare pursuant to title II, when such date falls on a Saturday, Sunday, or legal holiday, or on any other day all or part of which is declared, by statute or Executive order, to be a nonwork day for Federal employees. Such a deadline date would be extended to the first full work day immediately following the deadline date. For purposes of the new subsection (j), the day on which a period ends will include the day on which ends any extension of a deadline authorized by law or by the Secretary pursuant to law.

The new subsection (j) does not extend the period during which the payment of monthly benefits can be made retroactive for months prior to the filing of an application or during which an application may be accepted as such.

SECTION 704. ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

Section 704(a) of the bill amends section 116(e) of the Social Security Amendments of 1956 (which established a series of Advisory Councils on Social Security Financing) to provide that an Advisory Council on Social Security Financing shall be appointed by the Secretary of Health, Education, and Welfare during 1963, 1966, and every fifth year thereafter (rather than prior to each scheduled increase in the contribution rates as at present) for the purpose of reviewing the status of the Federal old-age and survivors insurance and Federal disability insurance trust funds in relation to the long-term commitments of the old-age, survivors, and disability insurance program. Each Council is to report its findings and recommendations not later than January 1 of the second year after the year in which it was appointed, after which date that Council will cease to exist.

Section 704(b) of the bill further amends section 116 of the Social Security Amendments of 1956 to provide that the Advisory Council appointed in 1963 shall, in addition to reviewing the status of the Federal old-age and survivors insurance and Federal disability insurance trust funds, report on all other aspects of the old-age, survivors, and disability insurance program.

SECTION 705. MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSISTANCE
AND MEDICAL SERVICES FOR THE AGED

Section 705 of the bill amends title XI of the Social Security Act by adding a new section 1112. Under this section the Secretary would develop and revise from time to time guides or recommended standards as to the level, content, and quality of medical care and medical services for the use of the States in evaluating and improving their public assistance medical care programs and their programs of medical services for the aged. For this purpose, the Secretary would also be directed to secure information from the States on their medical care and medical services under these programs and to publish these reports and other necessary information.

SECTION 706. TEMPORARY EXTENSION OF CERTAIN SPECIAL PROVISIONS
RELATING TO STATE PLANS FOR AID TO THE BLIND

Section 706 of the bill amends section 344(b) of the Social Security Act Amendments of 1950 by postponing its termination date from June 30, 1961 to June 30, 1964. This temporary legislation relates to the approval, by the Secretary of Health, Education, and Welfare under title X of the Social Security Act, of certain State plans for aid to the blind that do not meet in full the requirements of title X.

SECTION 707. MATERNAL AND CHILD WELFARE

Section 707 of the bill contains provisions for amending title V of the Social Security Act, which relates to grants for three programs, namely, maternal and child health services, crippled children's services, and child welfare services.

Section 707(a) increases the amounts authorized for annual appropriation for each of these programs as follows: (1) maternal and child health services—from the present \$21,500,000 to \$25 million; (2) crippled children's services—from the present \$20 million to \$25 million; and (3) child welfare services—from the present \$17 million to \$20 million. The uniform amount in the allotments to each State prescribed by the present law is increased with respect to each of these programs from \$60,000 to \$70,000.

Section 707(b) (1) amends sections 502(b) and 504(c) of the act to provide that special project grants (up to 25 percent of the amount available for distribution under section 502(b)) may be made to State health agencies (as is currently being done), and also directly to public or other nonprofit institutions of higher learning for special projects of regional or national significance which may contribute to the advancement of maternal and child health. These grants would be made in advance or by way of reimbursement, in such installments as the Secretary of Health, Education, and Welfare determines, and on such conditions as the Secretary finds necessary to carry out the purposes of the grants. Section 502(b) is also amended to make clear that the Secretary may make allotments "from time to time," thereby permitting him to allot the funds at such times as will enable him most effectively to consider the financial need of each State. Section 707(b) (2) of the bill contains provisions for amending sec-

tions 512(b) and 514(c) of the act similarly with respect to crippled children's services.

Section 707(b)(3) amends the child welfare provisions of title V of the act to add authorization for appropriating each year such sums as the Congress may determine for grants to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare. These grants are to be made in advance or by way of reimbursement, in such installments as the Secretary determines, and on such conditions as the Secretary finds necessary to carry out the purposes of the grants.

SECTION 708. AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Section 708 makes a technical amendment to preserve the existing relationship between the Railroad Retirement Act of 1937 and the Social Security Act. Under this amendment, references to the Social Security Act in the Railroad Retirement Act of 1937 will be considered to be references to the Social Security Act as amended in 1960.

SECTION 709. MEANING OF TERM "SECRETARY"

Section 709 provides that the term "Secretary", as used in the bill and the provisions of the Social Security Act amended by the bill, means (unless the context otherwise requires) the Secretary of Health, Education, and Welfare.

XI. CHANGES IN EXISTING LAW

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 introduced, 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 I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE

* * * * *

PAYMENT TO STATES

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1958, (1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan (including

expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$30 multiplied by the total number of recipients of old-age assistance for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received old-age assistance in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as old-age assistance in the form of medical or any other type of remedial care); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds the product of \$65 multiplied by the total number of such recipients of old-age assistance for such month; and (2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds \$35 multiplied by the total number of recipients of old-age assistance for such month; [and (3) in the case of any State,] *and (3) in the case of any State which is qualified for such quarter (as determined under subsection (c)(1)), an amount equal to 5 per centum of the total of the sums expended during such quarter as old-age assistance under the State plan in the form of medical or any other type of remedial care, not counting so much of any expenditure with respect to any month as exceeds whichever of the following is the smaller—*

(A) \$5 multiplied by the total number of recipients of old-age assistance for such month, or

(B) *the additional expenditure per recipient of old-age assistance for such month (as determined under subsection (c) (2)), multiplied by the total number of recipients of old-age assistance for such month;* and (4) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of old-age assistance to help them attain self-care.

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

(1) The Secretary of Health, Education, and Welfare shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures,

the source or sources from which the difference is expected to be derived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Secretary may find necessary.

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

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

(c)(1) For the purposes of clause (3) of subsection (a), a State shall be qualified for a quarter if the State agency of such State has submitted, in or prior to such quarter (but in no event prior to the quarter in which this subsection is enacted), a modification of the plan of such State approved under this title which the Secretary is satisfied would result in a significant improvement in old-age assistance in the form of medical or any other type of remedial care under the plan, except that in no event may a State be qualified for a quarter prior to the first quarter for which such modification is effective. Any determination under the preceding sentence with respect to any modification of a State plan shall be based on a comparison with old-age assistance in the form of medical or any other type of remedial care, if any, under the plan during the quarter prior to the quarter in which this subsection was enacted, and in making such determination the Secretary shall take into account the extent to which there would be any reduction in amounts previously included because of medical needs in old-age assistance under the plan in the form of money payments. Such State shall cease to be qualified for any quarter occurring (1) after the quarter in which the Secretary determines, after notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan of such State, that the improvement referred to in the first sentence of this subsection has (through a change in the plan or in its administration) ceased to be a significant improvement, and

(2) prior to the quarter in which such State again qualifies as provided in the preceding sentences.

(2) For the purposes of clause (3) (B) of subsection (a), the additional expenditure per recipient of old-age assistance in any State for any month means the excess of—

(A) the quotient obtained by dividing the total of the sums expended in such month as old-age assistance under the State plan in the form of medical or any other type of remedial care by the total number of recipients of old-age assistance under such plan for such month, over

(B) the quotient obtained by dividing the total of the sums expended in the last month which ended prior to the enactment of this paragraph as old-age assistance under the State plan in the form of medical or any other type of remedial care by the total number of recipients of old-age assistance under such plan for such month.

* * * * *

DEFINITION

SEC. 6. For the purposes of this title, the term “old-age assistance” means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are sixty-five years of age or older, [but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof.] but does not include—

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

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

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

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) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the “Federal Old-Age and Survivors Insurance Trust Fund”. The Federal Old-Age and Survivors Insurance Trust Fund shall consist of the securities held by the Secretary of the Treasury for the Old-Age Reserve Account and the amount standing to the credit of the Old-Age Reserve Account on the books of the Treasury on January 1, 1940,

which securities and amount the Secretary of the Treasury is authorized and directed to transfer to the Federal Old-Age and Survivors Insurance Trust Fund, and, in addition, such amounts as may be appropriated to, or deposited in, the Federal Old-Age and Survivors Insurance Trust Fund as hereinafter provided. There is hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) the taxes (including interest, penalties, and additions to the taxes) received under subchapter A of chapter 9 of the Internal Revenue Code of 1939 (and covered into the Treasury) which are deposited into the Treasury by collectors of internal revenue before January 1, 1951; and

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

(3) the taxes imposed by subchapter A of chapter 9 of such Code with respect to wages (as defined in section 1426 of such Code), and by chapter 21 of the Internal Revenue Code of 1954 with respect to wages (as defined in section 3121 of such Code) reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 after December 31, 1950, or to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954 after December 31, 1954, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such subchapter or chapter 21 to such wages, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports, less the amounts specified in clause (1) of subsection (b) of this section; and

(4) the taxes imposed by subchapter E of chapter 1 of the Internal Revenue Code of 1939, with respect to self-employment income (as defined in section 481 of such Code), and by chapter 2 of the Internal Revenue Code of 1954 with respect to self-employment income (as defined in section 1402 of such Code) reported to the Commissioner of Internal Revenue on tax returns under such subchapter or to the Secretary of the Treasury, or his delegate on tax returns under subtitle F of such Code, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such subchapter or chapter to such self-employment income, 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, less the amounts specified in clause (2) of subsection (b) of this section.

The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the Federal Old-Age and Survivors Insurance Trust Fund, and the

amounts appropriated by clauses (1) and (2) of subsection (b) shall be transferred from time to time from the general fund in the Treasury to the Federal Disability Insurance Trust Fund, such amounts to be determined on the basis of estimates by the Secretary of the Treasury of the taxes, specified in clauses (3) and (4) of this subsection, paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the taxes specified in such clauses (3) and (4) of this subsection.

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

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

(2) $\frac{3}{8}$ of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, 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.

(c) With respect to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (hereinafter in this title called the "Trust Funds") there is hereby created a body to be known as the Board of Trustees of the Trust Funds (hereinafter in this title called the "Board of Trustees") which Board of Trustees shall be composed of the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare, all ex officio. The Secretary of the Treasury shall be the Managing Trustee of the Board of Trustees (hereinafter in this title called the "Managing Trustee"). The Commissioner of Social Security shall serve as Secretary of the Board of Trustees. *The Board of Trustees shall meet not less frequently than once each six months.* It shall be the duty of the Board of Trustees to—

(1) Hold the Trust Funds;

(2) Report to the Congress not later than the first day of March of each year on the operation and status of the Trust Funds during the preceding fiscal year and on their expected operation and status during the next ensuing five fiscal years;

[(3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that during the ensuing five fiscal years either of the Trust Funds will exceed three times the highest annual expenditures from such Trust Fund anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of either of the Trust Funds is unduly small; and]

(3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that the amount of either of the Trust Funds is unduly small;

(4) Recommend improvements in administrative procedures and policies designed to effectuate the proper coordination of the old-age and survivors insurance and Federal-State unemployment compensation [program.] *program; and*

(5) Review the general policies followed in managing the Trust Funds, and recommend changes in such policies, including necessary changes in the provisions of the law which govern the way in which the Trust Funds are to be managed.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Funds during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the Trust Funds during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Funds. Such report shall be printed as a House document of the session of the Congress to which the report is made.

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

(d) It shall be the duty of the Managing Trustee to invest such portion of the Trust Funds as is not, in his judgment, required to meet current

withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of public-debt obligation for purchase by the Trust Funds. Such obligations issued for purchase by the Trust Funds shall have maturities fixed with due regard for the needs of the Trust Funds and shall bear interest at a rate equal to the average market yield (computed by the Managing Trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligations shall be the multiple of one-eighth of 1 per centum nearest such market yield. The Managing Trustee may purchase other interest-bearing obligations of the United States or obligations guaranteed as to both principal and interest by the United States, on original issue or at the market price, only where he determines that the purchase of such other obligations is in the public interest.

(e) Any obligations acquired by the Trust Funds (except [special] public-debt obligations issued exclusively to the Trust Funds) may be sold by the Managing Trustee at the market price, and such [special] public-debt obligations may be redeemed at par plus accrued interest.

(f) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall be credited to and form a part of the Federal Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund, respectively.

(g)(1) The Managing Trustee is directed to pay from the Trust Funds into the Treasury the amounts estimated by him and the Secretary of Health, Education, and Welfare which will be expended, out of moneys appropriated from the general funds in the Treasury, during a three-month period by the Department of Health, Education, and Welfare and the Treasury Department for the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. There are hereby authorized to be made available for expenditure, out of either or both of the Trust Funds, such amounts as the Congress may deem appropriate to pay the costs of administration of this title. After the close of each fiscal year, the Secretary of Health, Education, and Welfare shall analyze the costs of administration of this title incurred during such fiscal year in order to determine the portion of such costs which should have been borne by each of the Trust Funds

and shall certify to the Managing Trustee the amount, if any, which should be transferred from one to the other of such Trust Funds in order to insure that each of the Trust Funds has borne its proper share of the costs of administration of this title incurred during such fiscal year. The Managing Trustee is authorized and directed to transfer any such amount from one to the other of such Trust Funds in accordance with any certification so made.

(2) The Managing Trustee is directed to pay from time to time from the Trust Funds into the Treasury the amount estimated by him as taxes which are subject to refund under section 6413(c) of the Internal Revenue Code of 1954 with respect to wages (as defined in section 1426 of the Internal Revenue Code of 1939 and section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1950. Such taxes shall be determined on the basis of the records of wages established and maintained by the Secretary of Health, Education, and Welfare in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 and to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, and the Secretary shall furnish the Managing Trustee such information as may be required by the Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections. Payments pursuant to the first sentence of this paragraph shall be made from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund in the ratio in which amounts were appropriated to such Trust Funds under clause (3) of subsection (a) of this section and clause (1) of subsection (b) of this section.

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

(h) Benefit payments required to be made under section 223, and benefit payments required to be made under subsection (b), (c), or (d) of section 202 to individuals entitled to benefits on the basis of the wages and self-employment income of an individual entitled to disability insurance benefits, shall be made only from the Federal Disability Insurance Trust Fund. All other benefit payments required to be made under this title shall be made only from the Federal Old-Age and Survivors Insurance Trust Fund.

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

Old-Age Insurance Benefits

SEC. 202. (a) Every individual who—

- (1) is a fully insured individual (as defined in section 214(a)),
 - (2) has attained retirement age (as defined in section 216(a)),
- and

- (3) has filed application for old-age insurance benefits or was entitled to disability insurance benefits for the month preceding the month in which he attained the age of 65,

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

Wife's Insurance Benefits

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

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

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

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

shall be entitled to a wife's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, no child of her husband is entitled to a child's insurance benefit and she has not attained retirement age, she becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of an old-age insurance benefit of her husband, or her husband is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

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

Husband's Insurance Benefits

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

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

(B) has attained retirement age,

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

(i) if she had a period of disability which did not end prior to the month in which she became entitled to old-age or disability insurance benefits, at the beginning of such period or at the time she became entitled to such benefits, or

(ii) if she did not have such a period of disability, at the time she became entitled to such benefits,

and filed proof of such support within two years after the month in which she filed application with respect to such period of dis-

ability or after the month in which she became entitled to such benefits, as the case may be, or, if she did not have such a period, two years after the month in which she became entitled to such benefits, and

(D) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits each of which is less than one-half of the primary insurance amount of his wife, shall be entitled to a husband's insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month preceding the month in which any of the following occurs: he dies, his wife dies, they are divorced a vinculo matrimonii, or he becomes entitled to an old-age or disability insurance benefit equal to or exceeding one-half of the primary insurance amount of his wife, or his wife is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

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

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

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

(3) Such husband's insurance benefit for each month shall be equal to one-half of the primary insurance amount of his wife for such month.

Child's Insurance Benefits

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

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

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

[(C) was dependent upon such individual—

(i) if such individual had a period of disability which did not end prior to the month in which he became entitled to old-age or disability insurance benefits or (if he has died) prior to the month in which he died, at the beginning of such period or at the time he became entitled to such benefits or died,

(ii) if such individual did not have such a period and is living, at the time such application was filed, or

(iii) if such individual did not have such a period and has died, at the time of such death,**]**

(C) *was dependent upon such individual—*

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

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

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

shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950 in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a step-parent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), or attains the age of eighteen and is not under a disability (as defined in section 223 (c)) which began before he attained such age [], or ceases to be under a disability (as so defined) on or after the day on which he attains age eighteen]. *Entitlement of any child to benefits under this subsection shall also end with the month preceding the third month following the month in which he ceases to be under a disability (as so defined) after the month in which he attains age eighteen.* Entitlement of any child to benefits under this subsection on the basis of the wages and self-employment income of an individual entitled to disability insurance benefits shall also end with the month before the first month for which such individual is not entitled to such benefits unless such individual is, for such later month, entitled to old-age insurance benefits or unless he dies in such month. *In the case of an individual entitled to disability insurance benefits, the provisions of clause (i) of subparagraph (C) of this paragraph shall not apply to a child of such individual unless he is the natural child or step-child of such individual (including such a child who was legally adopted by such individual) or was legally adopted by such individual before the end of the twenty-four month period beginning with the month after the month in which such individual most recently became entitled to disability insurance benefits.*

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

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

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

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

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

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

(4) A child shall be deemed dependent upon his stepfather at the time specified in paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

(5) A child shall be deemed dependent upon his natural or adopting mother at the time specified in paragraph (1)(C) if such mother or adopting mother was a currently insured individual. A child shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1)(C) if, at such time, (A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

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

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

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

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

Widow's Insurance Benefits

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

(A) has not remarried,

(B) has attained retirement age,

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

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

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

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

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

(A) who marries another individual, and

(B) whose marriage to the individual referred to in subparagraph (A) is terminated by his death which occurs within one year after such marriage and he did not die a fully insured individual the marriage to the individual referred to in clause (A) shall, for the purposes of paragraph (1), be deemed not to have occurred. No benefits shall be payable under this subsection by reason of the preceding sentence for any month prior to whichever of the following is the latest: (i) the month in which the death referred to in subparagraph (B) of the preceding sentence occurs, (ii) the twelfth month before the month in which such widow files application for purposes of this paragraph, or (iii) November 1956.

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

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

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

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

Widower's Insurance Benefits

(f)(1) The widower (as defined in section 216(g)) of an individual who died a fully and currently insured individual [after August 1950], if such widower—

(A) has not remarried,

(B) has attained retirement age,

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

(D)(i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary.

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

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

(2) The requirement in paragraph (1) that the deceased fully insured individual also be a currently insured individual, and the provisions of subparagraph (D) of such paragraph, shall not be applicable in the case of any individual who—

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

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

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

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

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

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

such widower's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage.

Mother's Insurance Benefits

(g)(1) The widow and every former wife divorced (as defined in section 216(d)) of an individual who died a fully or currently insured individual [after 1939], if such widow or former wife divorced—

(A) has not remarried,

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

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

(D) has filed application for mother's insurance benefits, or was entitled to wife's insurance benefits on the basis of the wages and self-employment income of such individual for the month preceding the month in which he died,

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

(F) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of such death, and the child referred to in subparagraph (E) is her son, daughter, or legally adopted child and the benefits referred to in such subparagraph are payable on the basis of such individual's wages and self-employment income shall be entitled to a mother's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

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

(3) In the case of any widow or former wife divorced of an individual—

(A) who marries another individual, and

(B) whose marriage to the individual referred to in subparagraph (A) is terminated by his death but she is not, and upon filing application therefor in the month in which he died would not be, entitled to benefits for such month on the basis of his wages and self-employment income,

the marriage to the individual referred to in clause (A) shall, for the purpose of paragraph (1), be deemed not to have occurred. No benefits shall be payable under this subsection by reason of the preceding

sentence for any month prior to whichever of the following is the latest: (i) the month in which the death referred to in subparagraph (B) of the preceding sentence occurs, (ii) the twelfth month before the month in which such widow or former wife divorced files application for purposes of this paragraph, or (iii) the month following the month in which this paragraph is enacted.

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

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

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

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

Parent's Insurance Benefits

(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual [after 1939], if such parent—

(A) has attained retirement age,

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

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

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

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

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

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

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

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

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

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

Lump-Sum Death Payments

(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount, or an amount equal to \$255, whichever is the smaller, shall be paid in a lump sum to the person, if any, determined by the Secretary to be the widow or widower of the deceased and to have been living in the same household with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be [paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual, or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died.] paid—

(1) *if all or part of the burial expenses of such insured individual which are incurred by or through a funeral home or funeral homes remains unpaid, to such funeral home or funeral homes to the extent of such unpaid expenses, but only if (A) any person who assumed the responsibility for the payment of all or any part of such burial expenses files an application, prior to the expiration of two years after the date of death of such insured individual, requesting that such payment be made to such funeral home or funeral homes, or (B) at least 90 days have elapsed after the date of death of such insured individual and prior to the expiration of such 90 days no person has assumed responsibility for the payment of any of such burial expenses;*

(2) if all of the burial expenses of such insured individual which were incurred by or through a funeral home or funeral homes have been paid (including payments made under clause (1)), to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid such burial expenses; or

(3) if any part of the amount payable under this subsection remains after payments have been made pursuant to clauses (1) and (2), to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid other expenses in connection with the burial of such insured individual, in the following order of priority: (A) expenses of opening and closing the grave of such insured individual, (B) expenses of providing the burial plot of such insured individual, and (C) any remaining expenses in connection with the burial of such insured individual.

No payment (except a payment authorized pursuant to clause (1)(A) of the preceding sentence) shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual, or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died. In the case of any individual who died outside the forty-eight States and the District of Columbia after December 1953 and before January 1, 1957, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, the Commonwealth of Puerto Rico, [or the Virgin Islands] the Virgin Islands, Guam, or American Samoa for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment. In the case of any individual who died outside the forty-nine States and the District of Columbia after December 1956 while he was performing service, as a member of a uniformed service, to which the provisions of section 210[(m)](l)(1) are applicable, and who is returned to any [of such States] State [or the District of Columbia], or to any Territory or possession of the United States, for interment or reinterment, the provisions of the third sentence of this subsection shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.

Application for Monthly Insurance Benefits

(j)(1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), (f), (g), or (h) for any month after August 1950 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the twelfth month imme-

diately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Secretary has certified for payment for such prior month.

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

(3) Notwithstanding the provisions of paragraph (1), a woman may, at her option, waive entitlement to old-age insurance benefits or wife's insurance benefits for any one or more consecutive months which occur—

(A) after the month before the month in which she attains the age of sixty-two.

(B) prior to the month in which she attains the age of sixty-five, and

(C) prior to the month in which she files application for such benefits;

and, in such case, she shall not be considered as entitled to such benefits for any such month or months before she filed such application. A woman shall be deemed to have waived such entitlement for any such month for which such benefit would, under the second sentence of paragraph (1), be reduced to zero.

Simultaneous Entitlement to Benefits

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

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

(B) Any individual who, under the preceding provisions of this section and under the provisions of section 223, is entitled for any month to more than one monthly insurance benefit (other than old-age or disability insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this subparagraph (B)) would otherwise be entitled for such month.

(3) If an individual is entitled to an old-age or disability insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month, after any reduction under subsection (q) and any reduction under section 203(a), shall be reduced, but not below zero, by an amount equal to such old-age or disability insurance benefit (after reduction under such subsection (q)).

Entitlement to Survivor Benefits Under Railroad Retirement Act

(l) If any person would be entitled, upon filing application therefor to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act) no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month thereafter, shall be paid under this section to any person on the basis of the wages and self-employment income of such employee.

Minimum Survivor's or Dependent's Benefit

(m) In any case in which the benefit of any individual for any month under this section (other than subsection (a)) is, prior to reduction under subsection (k)(3) and subsection (q), less than the first figure in column IV of the table in section 215(a) and no other individual is (without the application of section 202(j)(1)) entitled to a benefit under this section for such month on the basis of the same wages and self-employment income, such benefit for such month shall, prior to reduction under such subsection (k)(3) and subsection (q), be increased to the first figure in column IV of the table in section 215(a).

Termination of Benefits Under Deportation of Primary Beneficiary

(n) (1) If any individual is (after the date of enactment of this subsection) deported under paragraph (1), (2), (4), (5), (6), (7), (10), (11), (12), (14), (15), (16), (17), or (18) of section 241 (a) of the Immigration and Nationality Act, then, notwithstanding any other provisions of this title—

(A) no monthly benefit under this section or section 223 shall be paid to such individual, on the basis of his wages and self-employment income, for any month occurring (i) after the month in which the Secretary is notified by the Attorney General that such individual has been so deported, and (ii) before the month in which such individual is thereafter lawfully admitted to the United States for permanent residence,

(B) if no benefit could be paid to such individual (or if no benefit could be paid to him if he were alive) for any month by reason of subparagraph (A), no monthly benefit under this section shall be paid, on the basis of his wages and self-employment income, for such month to any other person who is not a citizen of the United States and is outside the United States for any part of such month, and

(C) no lump-sum death payment shall be made on the basis of such individual's wages and self-employment income if he dies (i) in or after the month in which such notice is received, and (ii) before the month in which he is thereafter lawfully admitted to the United States for permanent residence.

Section 203 (b) and (c) of this Act shall not apply with respect to any such individual for any month for which no monthly benefit may be paid to him by reason of this paragraph.

(2) As soon as practicable after the deportation of any individual under any of the paragraphs of section 241 (a) of the Immigration and Nationality Act enumerated in paragraph (1) in this subsection, the Attorney General shall notify the Secretary of such deportation.

Application for Benefits by Survivors of Members and Former Members of the Uniformed Services

(o) In the case of any individual who would be entitled to benefits under subsection (d), (e), (g), or (h) upon filing proper application therefor, the filing with the Administrator of Veterans' Affairs by or on behalf of such individual of an application for such benefits, on the form prescribed under section 601 of the Servicemen's and Veterans' Survivor Benefits Act, shall satisfy the requirement of such subsection (d), (e), (g), or (h) that an application for such benefits be filed.

Extension of Period for Filing Proof of Support and Applications for Lump-Sum Death Payment

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

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

(2) to file, in the case of a death after 1946, application for a lump-sum death payment under subsection (i), or under subsection (g) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subsection,

and it is shown to the satisfaction of the Secretary that there was good cause for failure to file such proof or application, as the case may be, within such period, such proof or application shall be deemed to have been filed within such period if it is filed within two years following such period or within two years following August 1956, whichever is later. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.

Adjustment of Old-Age and Wife's Insurance Benefit Amounts in Accordance With Age of Female Beneficiary

(q)(1) The old-age insurance benefit of any woman for any month prior to the month in which she attains the age of sixty-five shall be reduced by—

(A) $\frac{5}{8}$ of 1 per centum, multiplied by

(B) the number equal to the number of months in the period beginning with the first day of the first month for which she is entitled to an old-age insurance benefit and ending with the last day of the month before the month in which she would attain the age of sixty-five.

(2) The wife's insurance benefit of any wife for any month after the month preceding the month in which she attains the age of sixty-two and prior to the month in which she attains the age of sixty-five shall be reduced by—

(A) $\frac{25}{36}$ of 1 per centum, multiplied by

(B) the number equal to the number of months in the period beginning with the first day of the first month for which she is entitled to such wife's insurance benefit and ending with the last day of the month before the month in which she would attain the age of sixty-five, except that in no event shall such period start earlier than the first day of the month in which she attains the age of sixty-two.

The preceding provisions of this paragraph shall not apply to the benefit for any month in which such wife has in her care (individually or jointly with the individual on whose wages and self-employment income such wife's insurance benefit is based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income. With respect to any month in the period specified in clause (B) of the first sentence, if such wife does not have in such month such a child in her care (individually or jointly with such individual), she shall be deemed to have such a child in her care in such month for the purposes of the preceding sentence unless there is in effect for such month a certificate filed by her with the Secretary, in accordance with regulations prescribed by him, in which she elects to receive wife's insurance benefits reduced as provided in this subsection. Any certificate filed pursuant to the preceding sentence shall be effective for purposes of such sentence—

(i) for the month in which it is filed, and for any month thereafter, if in such month she does not have such a child in her care (individually or jointly with such individual), and

(ii) for the period of one or more consecutive months (not exceeding twelve) immediately preceding the month in which such certificate is filed which is designated by her (not including as part of such period any month in which she had such a child in her care (individually or jointly with such individual)).

If such a certificate is filed, the period referred to in clause (B) of the first sentence of this paragraph shall commence with the first day of the first month (i) for which she is entitled to a wife's insurance benefit, (ii) which occurs after the month preceding the month in which she attained the age of sixty-two, and (iii) for which such certificate is effective.

(3) In the case of any woman who is entitled to an old-age insurance benefit to which paragraph (1) is applicable and who, for the

first month for which she is so entitled (but not for any prior month) or for any later month occurring before the month in which she attains the age of sixty-five, is entitled to a wife's insurance benefit to which paragraph (2) is applicable, the amount of such wife's insurance benefit for any month prior to the month in which she attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (2), be reduced by the sum of—

(A) an amount equal to the amount by which such old-age insurance benefit for such month is reduced under paragraph (1), plus

(B) an amount equal to—

(i) the number equal to the number of months specified in clause (B) of paragraph (2), multiplied by

(ii) $\frac{25}{100}$ of 1 per centum, and further multiplied by

(iii) the excess of such wife's insurance benefit prior to reduction under this subsection over the old-age insurance benefit prior to reduction under this subsection.

(4) In the case of any woman who is or was entitled to a wife's insurance benefit to which paragraph (2) is applicable and who, for any month after the first month for which she is or was so entitled (but not for such first month or any earlier month) occurring before the month in which she attains the age of sixty-five, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit for any month prior to the month in which she attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (1), be reduced by the sum of—

(A) an amount equal to the amount by which such wife's insurance benefit is reduced under paragraph (2) for such month (or, if she is not entitled to a wife's insurance benefit for such month, by an amount equal to the amount by which such benefit was reduced for the last month for which she was entitled thereto), plus

(B) if the old-age insurance benefit for such month prior to reduction under this subsection exceeds such wife's insurance benefit prior to reduction under this subsection, an amount equal to—

(i) the number equal to the number of months specified in clause (B) of paragraph (1), multiplied by

(ii) $\frac{5}{100}$ of 1 per centum, and further multiplied by

(iii) the excess of such old-age insurance benefit over such wife's insurance benefit.

(5) In the case of any woman who is entitled to an old-age insurance benefit for the month in which she attains the age of sixty-five or any month thereafter, such benefit for such month shall, if she was also entitled to such benefit for any one or more months prior to the month in which she attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (1) or (4), be reduced as provided in such paragraph, except that there shall be subtracted, from the number specified in clause (B) of such paragraph—

(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b),

and except that, in the case of any such benefit reduced under paragraph (4), there also shall be subtracted from the number specified in clause (B) of paragraph (2), for the purpose of computing the amount referred to in clause (A) of paragraph (4)—

(B) the number equal to the number of months for which the wife's insurance benefit was reduced under such paragraph (2), but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b), under section 203(c), or under section 222(b).

(C) the number equal to the number of months occurring after the first month for which such wife's insurance benefit was reduced under such paragraph (2) in which she had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits, and

(D) the number equal to the number of months for which such wife's insurance benefit was reduced under such paragraph (2), but in or after which her entitlement to wife's insurance benefits was terminated because her husband ceased to be under a disability, not including in such number of months any month after such termination in which she was entitled to wife's insurance benefits.

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three. For purposes of clauses (B) and (C) of this paragraph, a wife's insurance benefit shall not be considered terminated for any reason prior to the month in which she attains the age of sixty-five.

(6) In the case of any woman who is entitled to a wife's insurance benefit for the month in which she attains the age of sixty-five or any month thereafter, such benefit for such month shall, if she was also entitled to such benefit for any one or more months prior to the month in which she attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (2) or (3), be reduced as provided in such paragraph, except that there shall be subtracted from the number specified in clause (B) of such paragraph—

(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under section 203(b) (1) or (2), under section 203(c), or under section 222(b),

(B) the number equal to the number of months, occurring after the first month for which such benefit was reduced under such paragraph, in which she had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits,

and except that, in the case of any such benefit reduced under paragraph (3), there also shall be subtracted from the number specified in clause (B) of paragraph (1), for the purpose of computing the amount referred to in clause (A) of paragraph (3) and—

(C) the number equal to the number of months for which such benefit was reduced under such paragraph, but in or after which her entitlement to wife's insurance benefits was terminated because her husband ceased to be under a disability, not including in

such number of months any month after such termination in which she was entitled to wife's insurance benefits.

(D) the number equal to the number of months for which the old-age insurance benefit was reduced under such paragraph (1) but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b).

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three.

(7) In the case of a woman who is entitled to an old-age insurance benefit to which paragraph (5) is applicable and who, for the month in which she attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to a wife's insurance benefit, the amount of such wife's insurance benefit for any month shall be reduced by an amount equal to the amount by which the old-age insurance benefit is reduced under paragraph (5) for such month.

(8) In the case of a woman who is or was entitled to a wife's insurance benefit to which paragraph (2) was applicable and who, for the month in which she attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit for any month shall be reduced by an amount equal to the amount by which the wife's insurance benefit is reduced under paragraph (6) for such month (or, if she is not entitled to a wife's insurance benefit for such month, by (i) an amount equal to the amount by which such benefit for the last month for which she was entitled thereto was reduced, or (ii) if smaller, an amount equal to the amount by which such benefit would have been reduced under paragraph (6) for the month in which she attained the age of sixty-five if entitlement to such benefit had not terminated before such month).

(9) The preceding paragraphs shall be applied to old-age insurance benefits and wife's insurance benefits after reduction under section 203(a) and application of section 215(g). If the amount of any reduction computed under paragraph (1), under paragraph (2), under clause (A) or clause (B) of paragraph (3), or under clause (A) or clause (B) of paragraph (4) is not a multiple of \$0.10, it shall be reduced to the next lower multiple of \$0.10.

Presumed Filing of Application by Woman Eligible for Old-Age and Wife's Insurance Benefits

(r) Any woman who becomes entitled to an old-age insurance benefit for any month prior to the month in which she attains the age of sixty-five and who is eligible for a wife's insurance benefit for the same month shall be deemed to have filed an application in such month for wife's insurance benefits. Any woman who becomes entitled to a wife's insurance benefit for any month prior to the month in which she attains the age of sixty-five and who is eligible for an old-age insurance benefit for the same month shall be deemed, unless she has in such month a child in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefits are based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income, to have filed an application in such month for old-age insurance benefits. For

purposes of this subsection an individual shall be deemed eligible for a benefit for a month if, upon filing application therefor in such month, she would have been entitled to such benefit for such month.

Female Disability Insurance Beneficiary

(s) (1) If any woman becomes entitled to a widow's insurance benefit or parent's insurance benefit for a month before the month in which she attains the age of sixty-five, or becomes entitled to an old-age insurance benefit or wife's insurance benefit for a month before the month in which she attains the age of sixty-five which is reduced under the provisions of subsection (q), such individual may not thereafter become entitled to disability insurance benefits under this title.

(2) If a woman would, but for the provisions of subsection (k) (2) (B), be entitled for any month to a disability insurance benefit and to a wife's insurance benefit, subsection (q) shall be applicable to such wife's insurance benefit for such month only to the extent it exceeds such disability insurance benefit for such month.

(3) The entitlement of any woman to disability insurance benefits shall terminate with the month before the month in which she becomes entitled to old-age insurance benefits.

Suspension of Benefits of Aliens Who Are Outside the United States

(t) (1) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section or under section 223 to any individual who is not a citizen or national of the United States for any month which is—

(A) after the sixth consecutive calendar month during all of which the Secretary finds, on the basis of information furnished to him by the Attorney General or information which otherwise comes to his attention, that such individual is outside the United States, and

(B) prior to the first month thereafter for all of which such individual has been in the United States.

(2) Paragraph (1) shall not apply to any individual who is a citizen of a foreign country which the Secretary finds has in effect a social insurance or pension system which is of general application in such country and under which—

(A) periodic benefits, or the actuarial equivalent thereof, are paid on account of old age, retirement, or death, and

(B) individuals who are citizens of the United States but not citizens of such foreign country and who qualify for such benefits are permitted to receive such benefits or the actuarial equivalent thereof while outside such foreign country without regard to the duration of the absence.

(3) Paragraph (1) shall not apply in any case where its application would be contrary to any treaty obligation of the United States in effect on the date of the enactment of this subsection.

(4) Paragraph (1) shall not apply to any benefit for any month if—

(A) not less than forty of the quarters elapsing before such month are quarters of coverage for the individual on whose wages and self-employment income such benefit is based, or

(B) the individual on whose wages and self-employment income such benefit is based has, before such month, resided in the United States for a period or periods aggregating ten years or more, or

(C) the individual entitled to such benefit is outside the United States while in the active military or naval service of the United States, or

(D) the individual on whose wages and self-employment income such benefit is based died, before such month, either (i) while on active duty or inactive duty training (as those terms are defined in section 210 [(m)] (l) (2) and (3)) as a member of a uniformed service (as defined in section 210 [(n)] (m)), or (ii) as the result of a disease or injury which the Administrator of Veterans' Affairs determines was incurred or aggravated in line of duty while on active duty (as defined in section 210 [(m)] (l) (2)), or an injury which he determines was incurred or aggravated in line of duty while on inactive duty training (as defined in section 210 [(m)] (l) (3)), as a member of a uniformed service (as defined in section 210 [(n)] (m)), if the Administrator determines that such individual was discharged or released from the period of such active duty or inactive duty training under conditions other than dishonorable, and if the Administrator certifies to the Secretary his determinations with respect to such individual under this clause, or

(E) the individual on whose employment such benefit is based had been in service covered by the Railroad Retirement Act which was treated as employment covered by this Act pursuant to the provisions of section 5 (k) (1) of the Railroad Retirement Act.

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

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

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

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

Conviction of Subversive Activities, Etc.

(u) (1) If any individual is convicted of any offense (committed after the date of the enactment of this subsection) under—

(A) chapter 37 (relating to espionage and censorship), chapter 105 (relating to sabotage), or chapter 115 (relating to treason, sedition, and subversive activities) of title 18 of the United States Code, or

(B) section 4, 112, or 113 of the Internal Security Act of 1950, as amended,

then the court may, in addition to all other penalties provided by law, impose a penalty that in determining whether any monthly insurance benefit under this section or section 223 is payable to such individual for the month in which he is convicted or for any month thereafter, and in determining the amount of any such benefit payable to such individual for any such month, there shall not be taken into account—

(C) any wages paid to such individual or to any other individual in the calendar quarter in which such conviction occurs or in any prior calendar quarter, and

(D) any net earnings from self-employment derived by such individual or by any other individual during a taxable year in which such conviction occurs or during any prior taxable year.

(2) As soon as practicable after an additional penalty has, pursuant to paragraph (1), been imposed with respect to any individual, the Attorney General shall notify the Secretary of such imposition.

(3) If any individual with respect to whom an additional penalty has been imposed pursuant to paragraph (1) is granted a pardon of the offense by the President of the United States, such additional penalty shall not apply for any month beginning after the date on which such pardon is granted.

REDUCTION OF INSURANCE BENEFITS

Maximum Benefits

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

(1) when any of such individuals so entitled would (but for the provisions of section 202(k)(2)(A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall not be reduced to less than the smaller of: (A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or (B) the last figure in column V of the table appearing in section 215(a), or

(2) when any of such individuals was entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or section 223 for December 1958, and the primary insurance amount of the insured individual on the

basis of whose wages and self-employment income such monthly benefits are payable is determined under the provisions of section 215(a)(2), then such total benefits shall not be reduced to less than the larger of—

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

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

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

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

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

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

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

(C) [the last figure in column V of the table appearing in section 215 (a)] *the amount determined under this subsection without regard to this paragraph, or \$206.60, whichever is larger, or*

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

(i) such primary insurance amount, over

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

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

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

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

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

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

(3) in which such individual, if a wife under age 65 entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit and such wife's insurance benefit for such month was not reduced under the provisions of section 202 (q); or

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

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

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

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

(c)(1) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to old-age insurance benefits to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—

(A) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-two and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or

(B) in which the individual referred to in subparagraph (A) is under the age of seventy-two and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States.

(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or

from any mother's insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or mother's insurance benefit or benefits under section 202 for any month—

(A) in which such child or person entitled to mother's insurance benefit is married to an individual entitled to old-age insurance benefits under section 202(a) who is under the age of seventy-two and for which month such individual is charged with any earnings under the provisions of subsection (e) of this section, or

(B) in which such child or person entitled to mother's insurance benefits is married to the individual referred to in subparagraph (A) and on seven or more different calendar days of which such individual engaged in noncovered remunerative activity outside the United States.

Occurrence of More Than One Event

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

Months to Which Earnings Are Charged

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

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

(2) If an individual's earnings for a taxable year of twelve months are in excess of \$1,200, the amount of his earnings in excess of \$1,200 shall be charged to months as follows: The first \$80 of such excess shall be charged to the first month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of \$80 per month to each succeeding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. If an individual's earnings for a taxable year of less than twelve months are more than the product of \$100 times the number of months in such year, the amount of such earnings in excess of such product shall be charged to months as follows: The first \$80 of such excess shall be charged to the first month of such taxable year, and the balance, if any, shall be charged at the rate of \$80 per month to each succeeding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. Notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month (A) for which the individual whose earnings are involved was not entitled to a benefit under this title, (B) in which an event described in paragraph (2), (3), (4), or (5) of subsection

(b) occurred, (C) in which such individual was age seventy-two or over, or (D) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (4) of this subsection) of more than \$100.

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

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

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

(ii) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (4) of this subsection) of more than \$100 until it is shown to the satisfaction of the Secretary that such individual did not render such services in such month for more than such amount.

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

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

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

(5) For purposes of this subsection, wages (determined as provided in paragraph (4)(C)) which, according to reports re-

ceived by the Secretary, are paid to an individual during a taxable year shall be presumed to have been paid to him for services performed in such year until it is shown to the satisfaction of the Secretary that they were paid for services performed in another taxable year. If such reports with respect to an individual show his wages for a calendar year, such individual's taxable year shall be presumed to be a calendar year for purposes of this subsection until it is shown to the satisfaction of the Secretary that his taxable year is not a calendar year.

Penalty for Failure To Report Certain Events

(f) Any individual in receipt of benefits subject to deduction under subsection (b) **[or (c)]**, (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event specified in subsection (b)(1) **[or (c)(1)]**), who fails to report such occurrence to the Secretary prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred, shall suffer an additional deduction equal to that imposed under subsection (b) **[or (c)]**, except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

Report of Earnings to Secretary

(g)(1)(A) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (4) of subsection (e), in excess of the product of \$100 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of his earnings (or wages) for such taxable year. Such report shall be made on or before the fifteenth day of the fourth month following the close of such year, and shall contain such information and be made in such manner as the Secretary may by regulations prescribe. Such report need not be made for any taxable year (i) beginning with or after the month in which such individual attained the age of 72, or (ii) if benefit payments for all months (in such taxable year) in which such individual is under age 72 have been suspended under the provisions of the first sentence of paragraph (3) of this subsection.

(B) If the benefit payments of an individual have been suspended for all months in any taxable year under the provisions of the first sentence of paragraph (3) of subsection (g), no benefit payment shall be made to such individual for any such month in such taxable year after the expiration of the period of three years, three months, and fifteen days following the close of such taxable year unless within such period the individual, or some other person entitled to benefits under this title on the basis of the same wages and self-employment income, files with the Secretary information showing that a benefit for such month is payable to such individual.

(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, for any taxable year and

any deduction is imposed under subsection (b)(1) by reason of his earnings for such year, he shall suffer additional deductions as follows:

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

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

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

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

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

request, such failure shall in itself constitute justification for a determination that such individual's benefits are subject to deductions under subsection (b)(1) for each month in such taxable year (or only for such months thereof as the Secretary may specify) by reason of his earnings for such year.

Circumstances Under Which Deductions and Reductions Not Required

(h) In the case of any individual, deductions by reason of the provisions of subsection (b), (f), or (g) of this section, or the provisions of section 222(b), shall, notwithstanding such provisions, be made from the benefits to which such individual is entitled only to the extent that such deductions reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to such individual and the other individuals living in the same household.

(i) [Repealed.]

Attainment of Age Seventy-two

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

Noncovered Remunerative Activity Outside the United States

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

Good Cause for Failure to Make Reports Required

(1) The failure of an individual to make any report required by subsection (f) or (g) (1) (A) within the time prescribed therein shall not be regarded as such a failure if it is shown to the satisfaction of the Secretary that he had good cause for failing to make such report within such time. The determination of what constitutes good cause

for purposes of this subsection shall be made in accordance with regulations of the Secretary.

OVERPAYMENTS AND UNDERPAYMENTS

SEC. 204. (a) Whenever an error has been made with respect to payments to an individual under this title (including payments made prior to January 1, 1940), proper adjustments shall be made, under regulations prescribed by the Secretary, by increasing or decreasing subsequent payments to which such individual is entitled. If such individual dies before such adjustment has been completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages and self-employment income which were the basis of benefits of such deceased individual.

(b) There shall be no adjustment or recovery by the United States in any case where incorrect payment has been made to an individual who is without fault (including payments made prior to January 1, 1940), and where adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience.

(c) No certifying or disbursing officer shall be held liable for any amount certified or paid by him to any person where the adjustment or recovery of such amount is waived under subsection (b), or where adjustment under subsection (a) is not completed prior to the death of all persons against whose benefits deductions are authorized.

EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. (a) The Secretary shall have full power and authority to make rules and regulations and to establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out such provisions, and shall adopt reasonable and proper rules and regulations to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the same in order to establish the right to benefits hereunder.

(b) The Secretary is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Upon request by any such individual or upon request by a wife, widow, former wife divorced, husband, widower, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Secretary has rendered, he shall give such applicant and such other individual reasonable notice and opportunity for a hearing with respect to such decision, and, if a hearing is held, shall, on the basis of evidence adduced at the hearing, affirm, modify, or reverse his findings of fact and such decision. Any such request with respect to such a decision must be filed within such period after such decision as may be prescribed in regulations of the Secretary, except that the period so prescribed may not be less than six months after notice of such decision is mailed to the individual making such request. The Secretary is further authorized, on his own motion, to hold such hearings and to conduct such investigations and other proceedings as he may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, he may administer oaths and affirmations, examine wit-

nesses, and receive evidence. Evidence may be received at any hearing before the Secretary even though inadmissible under rules of evidence applicable to court procedure.

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

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

(B) The term “time limitation” means a period of three years, three months, and fifteen days.

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

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

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

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

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

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

(C) the absence of an entry in the Secretary’s records as to the self-employment income alleged to have been derived by an individual in such year shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such year unless it is shown that he filed a tax return of his self-employment income for such year before the

expiration of the time limitation following such year, in which case the Secretary shall include in his records the self-employment income of such individual for such year.

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

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

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

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

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

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

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

(F) to conform his records to—

(i) tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A of chapter 9

of the Internal Revenue Code of 1939, under chapter 2 or 21 of the Internal Revenue Code of 1954, or under regulations made under authority of such title, subchapter, or chapter;

(ii) wage reports filed by a State pursuant to an agreement under section 218 or regulations of the Secretary thereunder; or

(iii) assessments of amounts due under an agreement pursuant to section 218, if such assessments are made within the period specified in subsection (q) of such section, or allowances of credits or refunds of overpayments by a State under an agreement pursuant to such section;

except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Secretary's records pursuant to this subparagraph;

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

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

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

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

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

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

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

(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within his jurisdiction hereunder, the Secretary shall have power to issue subpoenas requiring the attendance and testimony of witnesses and the production of any evidence that relates to any matter under investigation or in question before the Secretary. Such attendance of witnesses and production of evidence at the designated place of such hearing, investigation, or other proceeding may be required from any place in the United States or in any Territory or possession thereof. Subpoenas of the Secretary shall be served by anyone authorized by him (1) by delivering a copy thereof to the individual named therein, or (2) by registered mail addressed to such individual at his last dwelling place or principal place of business. A verified return by the individual so serving the subpoena setting forth the manner of service, or, in the case of service by registered mail, the returned post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpoenaed shall be paid the same fees and mileage as are paid witnesses in the district courts of the United States.

(e) In case of contumacy by, or refusal to obey a subpoena duly served upon, any person, any district court of the United States for the judicial district in which said person charged with contumacy or refusal to obey is found or resides or transacts business, upon application by the Secretary, shall have jurisdiction to issue an order requiring such person to appear and give testimony, or to appear and produce evidence, or both; any failure to obey such order of the court may be punished by said court as contempt thereof.

(f) No person so subpoenaed or ordered shall be excused from attending and testifying or from producing books, records, correspondence, documents, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no person shall be prosecuted or subjected to any penalty or forfeiture for, or on account of, any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, except that such person so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

(g) Any individual, after any final decision of the Secretary made after a hearing to which he was a party, irrespective of the amount in controversy, may obtain a review of such decision by a civil action commenced within sixty days after the mailing to him of notice of such decision or within such further time as the Secretary may allow. Such action shall be brought in the district court of the United States for the judicial district in which the plaintiff resides, or has his principal place of business, or, if he does not reside or have his principal place of business within any such judicial district, in the District Court of the United States for the District of Columbia. As part of his answer the Secretary shall file a certified copy of the transcript of the record including the evidence upon which the findings and decision complained of are based. The court shall have power to enter,

upon the pleadings and transcript of the record, a judgment affirming, modifying, or reversing the decision of the Secretary, with or without remanding the cause for a rehearing. The findings of the Secretary as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Secretary or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Secretary, because of failure of the claimant or such individual to submit proof in conformity with any regulation prescribed under subsection (a) hereof, the court shall review only the question of conformity with such regulations and the validity of such regulations. The court shall, on motion of the Secretary made before he files his answer, remand the case to the Secretary for further action by the Secretary, and may, at any time, on good cause shown, order additional evidence to be taken before the Secretary, and the Secretary shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm his findings of fact or his decision, or both, and shall file with the court any such additional and modified findings of fact and decision, and a transcript of the additional record and testimony upon which his action in modifying or affirming was based. Such additional or modified findings of fact and decision shall be reviewable only to the extent provided for review of the original findings of fact and decision. The judgment of the court shall be final except that it shall be subject to review in the same manner as a judgment in other civil actions. *Any action instituted in accordance with this subsection shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.*

(h) The findings and decision of the Secretary after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Secretary shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Secretary, or any officer or employee thereof shall be brought under section 24 of the Judicial Code of the United States to recover on any claim arising under this title.

(i) Upon final decision of the Secretary, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Secretary shall certify to the Managing Trustee the name and address of the person so entitled to receive such payment or payments, the amount of such payment or payments, and the time at which such payment or payments should be made, and the Managing Trustee, through the Fiscal Service of the Treasury Department, and prior to any action thereon by the General Accounting Office, shall make payment in accordance with the certification of the Secretary: *Provided*, That where a review of the Secretary's decision is or may be sought under subsection (g) the Secretary may withhold certification of payment pending such review. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Secretary.

(j) When it appears to the Secretary that the interest of an applicant entitled to a payment would be served thereby, certification of payment may be made, regardless of the legal competency or incompetency of the individual entitled thereto, either for direct payment

to such applicant, or for his use and benefit to a relative or some other person.

(k) Any payment made after December 31, 1939, under conditions set forth in subsection (j), any payment made before January 1, 1940, to, or on behalf of, a legally incompetent individual, and any payment made after December 31, 1939, to a legally incompetent individual without knowledge by the Secretary of incompetency prior to certification of payment, if otherwise valid under this title, shall be a complete settlement and satisfaction of any claim, right, or interest in and to such payment.

(l) The Secretary is authorized to delegate to any member, officer or employee of the Department of Health, Education, and Welfare designated by him any of the powers conferred upon him by this section, and is authorized to be represented by his own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

(m) [Repealed.]

(n) The Secretary may, in his discretion, certify to the Managing Trustee any two or more individuals of the same family for joint payment of the total benefits payable to such individuals.

Crediting of Compensation Under the Railroad Retirement Act

(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f)(1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210(a)(9) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under subsection (a) or (e) of section 217 of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages and self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.

Special Rules in Case of Federal Service

(p)(1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, including service, performed as a member of a uniformed service, to which the provisions of subsection [(m)(1)] (l)(1) of such section are applicable, the Secretary shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or the

periods in which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 3122 of the Internal Revenue Code of 1954 and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

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

(3) The provisions of paragraphs (1) and (2) shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; and for purposes of paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality. The provisions of paragraphs (1) and (2) shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of paragraphs (1) and (2) the Secretary of the Treasury shall be deemed to be the head of such instrumentality.

REPRESENTATION OF CLAIMANTS BEFORE THE SECRETARY

SEC. 206. The Secretary may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Secretary, and may require of such agents or other persons, before being recognized as representatives of claimants that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimant valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good standing who is admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Secretary. The Secretary may, after due notice and opportunity for hearing, suspend or prohibit from further practice before him any such person, agent, or attorney who refuses to comply with the Secretary's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Secretary may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in

connection with any claim before the Secretary under this title, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this title by word, circular, letter, or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee, prescribed by the Secretary shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding \$500 or by imprisonment not exceeding one year, or both.

ASSIGNMENT

SEC. 207. The right of any person to any future payment under this title shall not be transferable or assignable, at law or in equity, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

PENALTIES

SEC. 208. Whoever—

(a) for the purpose of causing an increase in any payment authorized to be made under this title, or for the purpose of causing any payment to be made where no payment is authorized under this title, shall make or cause to be made any false statement or representation (including any false statement or representation in connection with any matter arising under subchapter E of chapter 1, or subchapter A or E of chapter 9 of the Internal Revenue Code of 1939, or chapter 2 or 21 or subtitle F of the Internal Revenue Code of 1954) as to—

(1) whether wages were paid or received for employment (as said terms are defined in this title and the Internal Revenue Code), or the amount of wages or the period during which paid or the person to whom paid; or

(2) whether net earnings from self-employment (as such term is defined in this title and in the Internal Revenue Code) were derived, or as to the amount of such net earnings or the period during which or the person by whom derived; or

(3) whether a person entitled to benefits under this title had earnings in or for a particular period (as determined under section 203 (e) of this title for purposes of deductions from benefits), or as to the amount thereof; or

(b) makes or cause to be made any false statement or representation of a material fact in any application for any payment or for a disability determination under this title; or

(c) at any time makes or causes to be made any false statement or representation of a material fact for use in determining rights to payment under this title; or

(d) having knowledge of the occurrence of any event affecting (1) his initial or continued right to any payment under this title, or (2) the initial or continued right to any payment of any other individual in whose behalf he has applied for or is receiving

such payment, conceals or fails to disclose such event with an intent fraudulently to secure payment either in a greater amount than is due or when no payment is authorized; or

(e) having made application to receive payment under this title for the use and benefit of another and having received such a payment, knowingly and willfully converts such a payment, or any part thereof, to a use other than for the use and benefit of such other person:

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$1,000 or imprisoned for not more than one year, or both.

DEFINITION OF WAGES

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

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

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

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

(b) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (1) retirement, or (2) sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

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

(d) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf

of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

(e) Any payment made to, or on behalf of, an employee or his beneficiary (1) from or to a trust exempt from tax under section 165(a) of the Internal Revenue Code of 1939 at the time of such payment or, in the case of a payment after 1954, under sections 401 and 501(a) of the Internal Revenue Code of 1954, unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165(a) (3), (4), (5), and (6) of the Internal Revenue Code of 1939 or, in the case of a payment after 1954, the requirements of sections 401 and 501(a) of the Internal Revenue Code of 1954;

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

(g)(1) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than **[\$50]** \$25. As used in this paragraph, the term "domestic service in a private home of the employer" does not include service described in section 210 (f)(5);

(3) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than **[\$50]** \$25. As used in this paragraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in section 210 (f)(5);

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

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

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

in this subsection, the term "sick pay" includes remuneration for service in the employ of a State, a political subdivision (as defined in section 218 (b)(2)) of a State, or an instrumentality of two or more States, paid to an employee thereof for a period during which he was absent from work because of sickness, or

(j) Remuneration paid by an employer in any quarter to an employee for service described in section 210 [(k)](j)(3)(C) (relating to home workers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than \$50.

For purposes of this title, in the case of domestic service described in subsection (g)(2), any payment of cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this title, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to \$1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (g)(2).

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

DEFINITION OF EMPLOYMENT

SEC. 210. For the purposes of this title—

Employment

(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee (i) of an American employer (as defined in subsection (e)), or (ii) of a foreign subsidiary (as defined in section 3121 (l) of the Internal Revenue Code of 1954) of a domestic corporation (as determined in accordance with section 7701 of the Internal Revenue Code of 1954) during any period for which there is in effect an agreement, entered into pursuant to section 3121 (l) of the Internal

Revenue Code of 1954, with respect to such subsidiary; except that, in the case of service performed after 1950, such term shall not include—

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

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

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

(3) (A) *Service performed by an individual in the employ of his spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;*

(B) *Service not in the course of the employer's trade or business or domestic service in a private home of the employer, performed by an individual in the employ of his son or daughter;*

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

(5) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 3111 of the Internal Revenue Code of 1954 by virtue of any provision of law which specifically refers to such section in granting such exemption;

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

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

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

(ii) service performed in the employ of a *Federal land bank, a Federal intermediate credit bank, a bank for cooperatives, a national farm loan association, a production credit association, a Federal Reserve Bank, a Federal Home Loan Bank, or a Federal Credit Union;*

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

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

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

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

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

(ii) in the legislative branch;

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

(iv) by any individual as an employee included under section 2 of the Act of August 4, 1947 [(relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);] (*relating to certain student employees of hospitals of the Federal Government; 5 U.S.C. 1052*), other than as a medical or dental intern or a medical or dental resident-in-training;

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

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

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

(7) *Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, except that this paragraph shall not apply in the case of—*

(A) *service included under an agreement under section 218,*

(B) *service which, under subsection (k), constitutes covered transportation service, or*

(C) *service in the employ of the Government of Guam or the Government of American Samoa or any political subdivision*

thereof, or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, performed by an officer or employee thereof (including a member of the legislature of any such Government or political subdivision), and, for purposes of this title—

(i) any person whose service as such an officer or employee is not covered by a retirement system established by a law of the United States shall not, with respect to such service, be regarded as an officer or employee of the United States or any agency or instrumentality thereof, and

(ii) the remuneration for service described in clause (i) (including fees paid to a public official) shall be deemed to have been paid by the Government of Guam or the Government of American Samoa or by a political subdivision thereof or an instrumentality of any one or more of the foregoing which is wholly owned thereby, whichever is appropriate;

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

(B) Service performed in the employ of a religious, charitable, educational, or other organization described in section 501(c)(3) of the Internal Revenue Code of 1954, which is exempt from income tax under section 501(a) of such Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 3121(k) of the Internal Revenue Code of 1954, is in effect if such service is performed by an employee—

(i) whose signature appears on the list filed by such organization under such section 3221(k),

(ii) who became an employee of such organization after the calendar quarter in which the certificate (other than a certificate referred to in clause (iii)) was filed, or

(iii) who, after the calendar quarter in which the certificate was filed with respect to a group described in paragraph (1)(E) of such section 3121(k), became a member of such group,

except that this subparagraph shall apply with respect to service performed by an employee as a member of a group described in paragraph (1)(E) of such section 3121(k) with respect to which no certificate is in effect;

(9) Service performed by an individual as an employee or employee representative as defined in section 3231 of the Internal Revenue Code of 1954;

(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 501 of the Internal Revenue Code of 1954, if the remuneration for such service is less than \$50;

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

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

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

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

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

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

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

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

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

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

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

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

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

(17) Service in the employ of any organization which is performed (A) in any quarter during any part of which such organization is registered, or there is in effect a final order of the

Subversive Activities Control Board requiring such organization to register, under the Internal Security Act of 1950, as amended, as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization, and (B) after June 30, 1956 [];

(18) *Service performed in Guam by a resident of the Republic of the Philippines while in Guam on a temporary basis as a non-immigrant alien admitted to Guam pursuant to section 101(a)(15)(H)(ii) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)(ii)); or*

(19) *Service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual under the age of sixteen.*

Included and Excluded Service

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

American Vessel

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

American Aircraft

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

American Employer

(e) The term "American employer" means an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, [or] (6) a corporation organized under the laws of the United States or of any State, or (7) *a labor organization created or organized in the Canal Zone, if such organization is chartered*

by a labor organization (described in section 501(c)(5) of the Internal Revenue Code of 1954 and exempt from tax under section 501(a) of such Code) created or organized in the United States.

Agricultural Labor

(f) The term "agricultural labor" includes all service performed—

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

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

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

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

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

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

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

Farm

(g) The term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges,

greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

State

(h) The term "State" includes **[Hawaii,]** the District of Columbia, **[and the Virgin Islands;** and on and after the effective date specified in section 219 such term includes Puerto Rico **]** *the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.*

United States

(i) The term "United States" when used in a geographical sense means the States, **[Hawaii,]** the District of Columbia, **[and the Virgin Islands;** and on and after the effective date specified in section 219 such term includes Puerto Rico **]** *the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.*

[Citizen of Puerto Rico

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

Employee

[(k)] (j) The term "employee" means—

(1) any officer of a corporation; or

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

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

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

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

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

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

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual;

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

Covered Transportation Service

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

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

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

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

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

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

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

(4) For the purposes of this subsection—

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

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

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

Service in the Uniformed Services

[(m)] (l) (1) Except as provided in paragraph (4), the term “employment” shall, notwithstanding the provisions of subsection (a) of this section, include service performed after December 1956 by an individual as a member of a uniformed service on active duty; but such term shall not include any such service which is performed while on leave without pay.

(2) The term “active duty” means “active duty” as described in section 102 of the Servicemen’s and Veterans’ Survivor Benefits Act, except that it shall also include “active duty for training” as described in such section.

(3) The term “inactive duty training” means “inactive duty training” as described in such section 102.

(4) (A) Paragraph (1) of this subsection shall not apply in the case of any service, performed by an individual as a member of a uniformed service, which is creditable under section 4 of the Railroad Retirement Act of 1937. The Railroad Retirement Board shall notify the Secretary of Health, Education, and Welfare, as provided in section 4(p)(2) of that Act, with respect to all such service which is so creditable.

(B) In any case where benefits under this title are already payable on the basis of such individual’s wages and self-employment income at the time such notification (with respect to such individual) is received by the Secretary, the Secretary shall certify no further benefits for payment under this title on the basis of such individual’s wages and self-employment income, or shall recompute the amount of any further benefits payable on the basis of such wages and self-employment income, as may be required as a consequence of subparagraph (A) of this paragraph. No payment of a benefit to any person on the basis of such individual’s wages and self-employment income, certified by the Secretary prior to the end of the month in which he receives such notification from the Railroad Retirement Board, shall be deemed by reason of this subparagraph to have been an erroneous

payment or a payment to which such person was not entitled. The Secretary shall, as soon as possible after the receipt of such notification from the Railroad Retirement Board, advise such Board whether or not any such benefit will be reduced or terminated by reason of subparagraph (A), and if any such benefit will be so reduced or terminated, specify the first month with respect to which such reduction or termination will be effective.

Member of a Uniformed Service

[(n)] (m) The term "member of a uniformed service" means any person appointed, enlisted, or inducted in a component of the Army, Navy, Air Force, Marine Corps, or Coast Guard (including a reserve component of a uniformed service as defined in section 102 (3) of the Servicemen's and Veterans' Survivor Benefits Act), or in one of those services without specification of component, or as a commissioned officer of the Coast and Geodetic Survey or the Regular or Reserve Corps of the Public Health Service, and any person serving in the Army or Air Force under call or conscription. The term includes—

(1) a retired member of any of those services;

(2) a member of the Fleet Reserve or Fleet Marine Corps Reserve;

(3) a cadet at the United States Military Academy, a midshipman at the United States Naval Academy, and a cadet at the United States Coast Guard Academy or United States Air Force Academy;

(4) a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps, or the Air Force Reserve Officers' Training Corps, when ordered to annual training duty for fourteen days or more, and while performing authorized travel to and from that duty; and

(5) any person while en route to or from, or at, a place for final acceptance or for entry upon active duty in the military or naval service—

(A) who has been provisionally accepted for such duty;

or

(B) who, under the Universal Military Training and Service Act, has been selected for active military or naval service;

and has been ordered or directed to proceed to such place.

The term does not include a temporary member of the Coast Guard Reserve.

Crew Leader

[(o)] (n) The term "crew leader" means an individual who furnishes individuals to perform agricultural labor for another person, if such individual pays (either on his own behalf or on behalf of such person) the individuals so furnished by him for the agricultural labor performed by them and if such individual has not entered into a written agreement with such person whereby such individual has been designated as an employee of such person; and such individuals furnished by the crew leader to perform agricultural labor for another person shall be deemed to be the employees of such crew leader. A crew leader shall, with respect to services performed in furnishing individuals to perform agricultural labor for another person and

services performed as a member of the crew, be deemed not to be an employee of such other person.

SELF-EMPLOYMENT

SEC. 211. For the purposes of this title—

Net Earnings From Self-Employment

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

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

(2) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 35 of the Internal Revenue Code of 1954) are received in the course of a trade of business as a dealer in stocks or securities;

(3) There shall be excluded any gain or loss (A) which is considered under Subtitle A of the Internal Revenue Code of 1954 as gain or loss from the sale or exchange of a capital asset, (B) from the cutting of timber, or the disposal of timber or coal, if section 1231 of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

(4) The deduction for net operating losses provided in section 172 of such code shall not be allowed;

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

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

(6)(A) In the case of any taxable year beginning before the effective date specified in section 219, the term "possession of the United States" when used in section 931 of the Internal Revenue Code of 1954 with respect to citizens of the United States shall include Puerto Rico;

(B) In the case of any taxable year beginning on or after the effective date specified in section 219, a resident **]** *A resident of the Commonwealth of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 933 of [such code] the Internal Revenue Code of 1954;*

(7) An individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order shall compute his net earnings from self-employment derived from the performance of service described in subsection (c)(4) without regard to section 107 (relating to rental value of parsonages) and section 119 (relating to meals and lodging furnished for the convenience of the employer) of the Internal Revenue Code of 1954 and, in addition, if he is a citizen of the United States performing such service as an employee of an American employer (as defined in section 210(e)) or as a minister in a foreign country who has a congregation which is composed predominantly of citizens of the United States, without regard to section 911 (relating to earned income from sources without the United States) and section 931 (relating to income from sources within possessions of the United States) of such Code **[.]**; and

(8) *The term "possession of the United States" as used in sections 931 (relating to income from sources within possessions of the United States) and 932 (relating to citizens of possessions of the United States) of the Internal Revenue Code of 1954 shall be deemed not to include the Virgin Islands, Guam, or American Samoa.*

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

ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year. In the case of any trade or business which is carried on by an individual or by a partnership and in which, if such trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210(f)—

(i) in the case of an individual, if the gross income derived by him from such trade or business is not more than \$1,800, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be 66⅔ percent of such gross income; or

(ii) in the case of an individual, if the gross income derived by him from such trade or business is more than \$1,800 and the net earnings from self-employment derived by him from such trade or business (computed under this subsection without regard to this sentence) are less than \$1,200, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be \$1,200; and

(iii) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) of the Internal Revenue Code of 1954 applies) is not more than \$1,800, his distributive share of income described in section 702(a)(9) of such Code derived from such trade or business may, at his option, be deemed to be an amount equal to 66⅔ percent of his distributive share of such gross income (after such gross income has been so reduced); or

(iv) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) of the Internal Revenue Code of 1954 applies) is more than \$1,800 and his distributive share (whether or not distributed) of income described in section 702(a)(9) of such Code derived from such trade or business (computed under this subsection without regard to this sentence) is less than \$1,200, his distributive share of income described in such section 702(a)(9) derived from such trade or business may, at his option, be deemed to be \$1,200.

For purposes of the preceding sentence, gross income means—

(v) in the case of any such trade or business in which the income is computed under a cash receipts and disbursements method, the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the provisions of paragraphs (1) through (6) *and paragraph (8)* of this subsection; and

(vi) in the case of any such trade or business in which the income is computed under an accrual method, the gross income from such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (6) *and paragraph (8)* of this subsection;

and, for purposes of such sentence, if an individual (including a member of a partnership) derives gross income from more than one such

trade or business, such gross income (including his distributive share of the gross income of any partnership derived from any such trade or business) shall be deemed to have been derived from one trade or business.

Self-Employment Income

(b) The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a non-resident alien individual) during any taxable year beginning after 1950; except that such term shall not include—

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

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

(B) For any taxable year ending after 1954 and prior to 1959, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

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

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

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

Trade or Business

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

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

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

(2) *The performance of service by an individual as an employee, other than—*

(A) *service described in section 210(a)(14)(B) performed by an individual who has attained the age of eighteen,*

(B) *service described in section 210(a)(16),*

(C) service described in section 210(a)(11), (12), or (15) performed in the United States by a citizen of the United States, and

(D) service described in paragraph (4) of this subsection;

(3) The performance of service by an individual as an employee or employee representative as defined in section 3231 of the Internal Revenue Code of 1954.

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

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

The provisions of paragraph (4) or (5) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by [such individual] *him* under section 1402(e) of the Internal Revenue Code of 1954 is in effect. [The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during the period for which a certificate filed by him under section 1402(e) of the Internal Revenue Code of 1954 is in effect.]

Partnership and Partner

(d) The term "partnership" and the term "partner" shall have the same meaning as when used in subchapter K of chapter 1 of the Internal Revenue Code of 1954.

Taxable Year

(e) The term "taxable year" shall have the same meaning as when used in subtitle A of the Internal Revenue Code of 1954; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of subtitle A of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such subtitle A.

Partner's Taxable Year Ending as Result of Death

(f) In computing a partner's net earnings from self-employment for his taxable year which ends as a result of his death (but only if such taxable year ends within, and not with, the taxable year of the partnership), there shall be included so much of the deceased partner's distributive share of the partnership's ordinary income or loss for the partnership taxable year as is not attributable to an interest in the partnership during any period beginning on or after the first day of the first calendar month following the month in which such partner died. For purposes of this subsection—

(1) in determining the portion of the distributive share which is attributable to any period specified in the preceding sentence, the ordinary income or loss of the partnership shall be treated as

having been realized or sustained ratably over the partnership taxable year; and

(2) the term "deceased partner's distributive share" includes the share of his estate or of any other person succeeding, by reason of his death, to rights with respect to his partnership interest.

CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR QUARTERS

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

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

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

QUARTER AND QUARTER OF COVERAGE

Definitions

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

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

[(2) (A) The term "quarter of coverage" means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid \$50 or more in wages, except that no quarter any part of which was included in a period of disability (as defined in section 216(i)), other than the initial quarter of such period, shall be a quarter of coverage. In the case of any individual who has been paid, in a calendar year prior to 1951, \$3,000 or more in wages, each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled, and excepting any quarter any part of which was included in a period of disability, other than the initial quarter of such period.

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

[(i) no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;

[(ii) if the wages paid to any individual in any calendar year equal]

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

(i) *no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;*

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

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

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

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

If, in the case of any individual who has attained retirement age or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216 (i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters.

Crediting of Wages Paid in 1937

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

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

SEC. 214. For the purposes of this title—

Fully Insured Individual

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

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

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

[(B) forty quarters of coverage,
not counting as an elapsed quarter for purposes of subparagraph (A) any quarter any part of which was included in a period of disability (as defined in section 216(i)) unless such quarter was a quarter of coverage.

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

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

(a) *The term "fully insured individual" means any individual who had not less than—*

(1) *one quarter of coverage (whenever acquired) for each four of the quarters elapsing—*

(A) *after (i) December 31, 1950, or (ii) if later, December 31 of the year in which he attained the age of twenty-one, and*

(B) *prior to (i) the year in which he died, or (ii) if earlier, the year in which he attained retirement age, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or*

(2) *forty quarters of coverage; or*

(3) *in the case of an individual who died prior to September 1, 1950, six quarters of coverage;*

not counting as an elapsed quarter for purposes of subparagraph (1) any quarter any part of which was included in a period of disability (as defined in section 216(i)) unless such quarter was a quarter of coverage. When the number of elapsed quarters referred to in subparagraph (1) is not a multiple of four such number shall, for purposes of such subparagraph, be reduced to the next lower multiple of four.

Currently Insured Individual

(b) The term "currently insured individual" means any individual who has not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section, or (4) in the case of any individual entitled to disability insurance benefits, the quarter in which he most recently became entitled to disability insurance benefits, not counting as part of such thirteen-quarter period any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage.

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 became entitled to old-age insurance benefits or died, the amount in column IV which is equal to his disability insurance benefit.

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1954 Act)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
	\$10.00		\$30.00		\$54	\$33	\$53.00
\$10.01	10.48	\$30.10	31.00	\$55	56	34	54.00
10.49	11.00	31.10	32.00	57	58	35	55.00
11.01	11.48	32.10	33.00	59	60	36	56.00
11.49	12.00	33.10	34.00	61	61	37	57.00
12.01	12.48	34.10	35.00	62	63	38	58.00
12.49	13.00	35.10	36.00	64	65	39	59.00
13.01	13.48	36.10	37.00	66	67	40	60.00
13.49	14.00	37.10	38.00	68	69	41	61.50
14.01	14.48	38.10	39.00	70	70	42	63.00
14.49	15.00	39.10	40.00	71	72	43	64.50
15.01	15.60	40.10	41.00	73	74	44	66.00
15.61	16.20	41.10	42.00	75	76	45	67.50
16.21	16.84	42.10	43.00	77	78	46	69.00
16.85	17.60	43.10	44.00	79	80	47	70.50
17.61	18.40	44.10	45.00	81	81	48	72.00
18.41	19.24	45.10	46.00	82	83	49	73.50
19.25	20.00	46.10	47.00	84	85	50	75.00
20.01	20.64	47.10	48.00	86	87	51	76.50
20.65	21.28	48.10	49.00	88	89	52	78.00
21.29	21.88	49.10	50.00	90	90	53	79.50
21.89	22.28	50.10	50.90	91	92	54	81.00
22.29	22.68	51.00	51.80	93	94	55	82.50
22.69	23.08	51.90	52.80	95	96	56	84.00
23.09	23.44	52.90	53.70	97	97	57	85.50
23.45	23.76	53.80	54.60	98	99	58	87.00
23.77	24.20	54.70	55.60	100	101	59	88.50
24.21	24.60	55.70	56.50	102	102	60	90.00
24.61	25.00	56.60	57.40	103	104	61	91.50
25.01	25.48	57.50	58.40	105	106	62	93.00
25.49	25.92	58.50	59.30	107	107	63	94.50
25.93	26.40	59.40	60.20	108	109	64	96.00
26.41	26.94	60.30	61.20	110	113	65	97.50
26.95	27.46	61.30	62.10	114	118	66	99.00
27.47	28.00	62.20	63.00	119	122	67	100.50
28.01	28.68	63.10	64.00	123	127	68	102.00
28.69	29.25	64.10	64.90	128	132	69	105.60
29.26	29.68	65.00	65.80	133	136	70	108.80
29.69	30.36	65.90	66.80	137	141	71	112.80
30.37	30.92	66.90	67.70	142	146	72	116.80
30.93	31.36	67.80	68.60	147	150	73	120.00
31.37	32.00	68.70	69.60	151	155	74	124.00
32.01	32.60	69.70	70.50	156	160	75	128.00
32.61	33.20	70.60	71.40	161	164	76	131.20
33.21	33.88	71.50	72.40	165	169	77	135.20
33.89	34.50	72.50	73.30	170	174	78	139.20
34.51	35.00	73.40	74.20	175	178	79	142.40
35.01	35.80	74.30	75.20	179	183	80	146.40
35.81	36.40	75.30	76.10	184	188	81	150.40
36.41	37.08	76.20	77.10	189	193	82	154.40
37.09	37.60	77.20	78.00	194	197	83	157.60
37.61	38.20	78.10	78.90	198	202	84	161.60
38.21	39.12	79.00	79.90	203	207	85	165.60
39.13	39.68	80.00	80.80	208	211	86	168.80
39.69	40.33	80.90	81.70	212	216	87	172.80
40.34	41.12	81.80	82.70	217	221	88	176.80
41.13	41.76	82.80	83.60	222	225	89	180.00

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

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1954 Act)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
\$41.77	\$42.44	\$83.70	\$84.50	\$226	\$230	\$90	\$184.00
42.45	43.20	84.60	85.50	231	235	91	188.00
43.21	43.76	85.60	86.40	236	239	92	191.20
43.77	44.44	86.50	87.30	240	244	93	195.20
44.45	44.88	87.40	88.30	245	249	94	199.20
44.89	45.60	88.40	89.20	250	253	95	202.40
		89.30	90.10	254	258	96	206.40
		90.20	91.10	259	263	97	210.40
		91.20	92.00	264	267	98	213.60
		92.10	92.90	268	272	99	217.60
		93.00	93.90	273	277	100	221.60
		94.00	94.80	278	281	101	224.80
		94.90	95.80	282	286	102	228.80
		95.90	96.70	287	291	103	232.80
		96.80	97.60	292	295	104	236.00
		97.70	98.60	296	300	105	240.00
		98.70	99.50	301	305	106	244.00
		99.60	100.40	306	309	107	247.20
		100.50	101.40	310	314	108	251.20
		101.50	102.30	315	319	109	254.00
		102.40	103.20	320	323	110	254.00
		103.30	104.20	324	328	111	254.00
		104.30	105.10	329	333	112	254.00
		105.20	106.00	334	337	113	254.00
		106.10	107.00	338	342	114	254.00
		107.10	107.90	343	347	115	254.00
		108.00	108.50	348	351	116	254.00
				352	356	117	254.00
				357	361	118	254.00
				362	365	119	254.00
				366	370	120	254.00
				371	375	121	254.00
				376	379	122	254.00
				380	384	123	254.00
				385	389	124	254.00
				390	393	125	254.00
				394	398	126	254.00
				399	400	127	254.00

【Average Monthly Wage

【(b)(1) For the purposes of column III of the table appearing in subsection (a) of this section, an individual's "average monthly wage" shall be the quotient obtained by dividing the total of his wages and self-employment income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), by the number of months elapsing after such starting date and prior to such closing date, excluding from such elapsed months—

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

【(B) the months in any year any part of which was included in a period of disability except the months in the year in which

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

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

[(2) An individual's "starting date" shall be—

[(A) December 31, 1950, or

[(B) if later, the last day of the year in which he attains the age of twenty-one,

whichever results in the higher primary insurance amount.

[(3) An individual's "closing date" shall be whichever of the following results in the higher primary insurance amount;

[(A) the first day of the year in which he died or became entitled to old-age insurance benefits, whichever first occurred; or

[(B) the first day of the first year in which he both was fully insured and had attained retirement age:

except that if the Secretary determines, on the basis of the evidence available to him at the time of the computation of the individual's primary insurance amount with respect to which such closing date is applicable, that it would result in a higher primary insurance amount for such individual, his closing date shall be the first day of the year following the year referred to in subparagraph (A).

[(4) In the case of any individual, the Secretary shall determine the five or fewer full calendar years after his starting date and prior to his closing date which, if the months of such years and his wages and self-employment income for such years were excluded in computing his average monthly wage, would produce the highest primary insurance amount. Such months and such wages and self-employment income shall be excluded for purposes of computing such individual's average monthly wage.

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

[(A) who becomes entitled to benefits under section 202(a) or section 223 after December 1958, or

[(B) who dies after such month without being entitled to benefits under such section 202(a) or section 223, or

[(C) who files an application for a recomputation under section 215(f)(2)(A) after such month and is (or would, but for the provisions of section 215(f)(6), be) entitled to have his primary insurance amount recomputed under such section, or

[(D) who dies after such month and whose survivors are (or would, but for the provisions of section 215(f)(6), be) entitled to a recomputation of his primary insurance amount under section 215(f)(4); or

[(E) who files an application for a recomputation under subparagraph (B) of section 102(f)(2) of the Social Security Amendments of 1954 after such month and is (or would, but for the fact that such recomputation would not result in a higher primary insurance amount for such individual, be) entitled to have his primary insurance amount recomputed under such subparagraph.]

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

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

(B) the number of months in such years.

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

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

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

(i) after December 31, 1950, and

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

(3) For the purposes of paragraph (2), an individual's "elapsed years" shall be the number of calendar years—

(A) after (i) December 31, 1950, or (ii) if later, December 31 of the year in which he attained the age of twenty-one, and

(B) prior to (i) the year in which he died, or (ii) if earlier, the first year after December 31, 1960, in which he both was fully insured and had attained retirement age.

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

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

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

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

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

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

(5) *In the case of any individual—*

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

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

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

Primary Insurance Amount Under 1954 Act

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

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

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

[(B) to whom the provisions of paragraph (5) of subsection (b) are not applicable.]

(B) *to whom the provisions of neither paragraph (4) nor paragraph (5) are applicable.*

Primary Insurance Benefit Under 1939 Act

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

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

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

(C) The 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of the Social Security Act Amendments of 1950 shall be applicable only with respect to calendar years prior to 1951, except that any wages paid in any year prior to such year [any part] all of which was included in a period of disability shall not be counted. [Not-

withstanding the preceding sentence, the wages paid in the year in which such period of disability began shall be counted if the counting of such wages would result in a higher primary insurance amount.】

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

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

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

(B) who meets the requirements of any of the subparagraphs of paragraph 【(5)】 (4) of subsection (b) of this section; and

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

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

Certain Wages and Self-Employment Income Not to be Counted

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

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

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

【(3) if an individual's closing date is determined under paragraph (3) (A) of subsection (b) and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he becomes entitled to old-age insurance benefits, there shall not be counted, in determining his average monthly wage, his self-employment income in such taxable year, except as provided in section 215(f)(3)(C); and】

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

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

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

【(B) any self-employment income of such individual credited pursuant to section 212 to any year any part of which was included in a period of disability, unless the months of such year are included as elapsed months pursuant to section 215(b)(1)(B).】

Recomputation of Benefits

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

(2)(A) Upon application filed after **【1954】 1960** by an individual entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount if—

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

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

(iii) he filed such application **【no earlier than six months】** after such calendar year referred to in clause (ii) in which he had such wages and self-employment income.

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

【(B) A recomputation pursuant to subparagraph (A) shall be made as provided in subsection (a) of this section and as though the individual first became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, but only if the provisions of subsection (b)(4) were not applicable to the last previous computation of his primary insurance amount. If the provisions of subsection (b)(4) were applicable to such previous computation, the recomputation under subparagraph (A) of this paragraph shall be made only as provided in subsection (a)(1) (other than subparagraph (B) thereof) and for such purposes his average monthly wage shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed the application for recomputation under subparagraph (A), except that, of the provisions of paragraph (3) of subsection (b), only the provisions of subparagraph (A) thereof shall be applicable.】

(B) A recomputation pursuant to subparagraph (A) shall be made—
 (i) only as provided in subsection (a)(1), if the provisions of subsection (b), as amended by the Social Security Amendments of 1960, were applicable to the last previous computation of the individual's primary insurance amount, or

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

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

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

[(i) who became (without the application of section 202(j)(1)) entitled to old-age insurance benefits under section 202(a) after August 1954, or

[(ii) whose primary insurance amount was recomputed under section 103(e)(5) or 102(f)(2)(B) of the Social Security Amendments of 1954, or

[(iii) whose primary insurance amount was recomputed as provided in the first sentence of paragraph (2)(B) of this subsection on the basis of an application filed after August 1954,

the Secretary shall recompute his primary insurance amount if such application is filed after the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made in the manner provided in the preceding subsections of this section for computation of his primary insurance amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of the preceding sentence, whichever is the later. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

[(B) In the case of an individual who dies after August 1954—

[(i) who, at the time of death, was not entitled to old-age insurance benefits under section 202(a), or who became entitled to old-age insurance benefits under section 202(a) after August 1954, or whose primary insurance amount was recomputed under paragraph (2) or (4) of this subsection, or section 102(e)(5) or section 102(f)(2)(B) of the Social Security Amendments of 1954, on the basis of an application filed after August 1954; and

[(ii) with respect to whom the last previous computation or recomputation of his primary insurance amount was based upon a closing date determined under subparagraph (A) or (B) of subsection (b)(3) of this section,

the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount, except that his closing date for purposes of subsection (b) shall be the day following the year of death in case he died without becoming entitled to old-age insurance benefits, or, in case he was entitled to old-age insurance benefits, the day following the year in which was filed the application for the last previous computation of his primary insurance amount or in which the individual died, whichever first occurred. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

[(C) If an individual's closing date is determined under paragraph (3)(A) of subsection (b) of this section and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount after the close of such taxable year, taking into account only such self-employment income in such taxable year as is, pursuant to section 212, allocated to calendar quarters prior to such closing date. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.]

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

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

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

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

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

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

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

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

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

(C) In the case of an individual who becomes entitled to old-age insurance benefits in a calendar year after 1960, if such individual has self-employment income in a taxable year which begins prior to such calendar year and ends after the last day of the month preceding the month in which he became so entitled, the Secretary shall recompute such individual's primary insurance amount after the close of such taxable year and shall take into account in determining the individual's benefit computation years only such self-employment income in such taxable year as is credited, pursuant to section 212, to the year preceding the year in which he became so entitled. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

(4) Upon the death after **[1954]** 1960 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if—

(A) the decedent would have been entitled to a recomputation under paragraph (2) (A) **[(without the application of clause (iii) thereof)]** if he had filed application therefor in the month in which he died; or

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

If the recomputation is permitted by subparagraph (A) the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) (A) in the month in which he died **[**, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the closing date which would have been applicable under such paragraph**]**. If the recomputation is permitted by subparagraph (B) the recomputation shall take into account only the wages and self-employment income which were **[taken into account]** considered in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him **[prior to the closing date applicable to such computation]** in the years in which such wages were

paid or to which such self-employment income was credited. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

(5) In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year which began in 1952 (and without the application of section 202(j)(1)), or who died in 1952 or in a taxable year which began in 1952 but did not become entitled to such benefits prior to 1952, and who had self-employment income for a taxable year which ended within or with 1952 or which began in 1952, then upon application filed [after the close of such taxable year by such individual or (if he died without filing such application)] *by such individual after the close of such taxable year and prior to January 1961 or (if he died without filing such application and such death occurred prior to January 1961)* by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Secretary shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsection (b)(4)(A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by such individual, for and after the first month in which he became entitled to old-age insurance benefits, and (B) in the case of an application filed by any other person, for and after the month in which such person who filed such application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph pursuant to an application filed after such individual's death shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Secretary prior to the effective date of the recomputation.

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

Rounding of Benefits

(g) The amount of any primary insurance amount and the amount of any monthly benefit computed under section 202 or 223 which (after reduction under section 203(a)) is not a multiple of \$0.10 shall be raised to the next higher multiple of \$0.10.

Remuneration for Service as Public Health Officer

(h) (1) Notwithstanding the provisions of the Civil Service Retirement Act, remuneration paid for service to which the provisions of section 210[(m)](l)(1) of this Act are applicable and which is performed by an individual as a commissioned officer of the Reserve Corps of the Public Health Service prior to July 1, 1959, shall not be included in computing entitlement to or the amount of any monthly benefit under this title, on the basis of his wages and self-employment income, for any month after June 1959 and prior to the first month

with respect to which the Civil Service Commission certifies to the Secretary that, by reason of a waiver filed as provided in paragraph (2), no further annuity will be paid to him, his wife, and his children, or, if he has died, to his widow and children, under the Civil Service Retirement Act on the basis of such service.

(2) In the case of a monthly benefit for a month prior to that in which the individual, on whose wages and self-employment income such benefit is based, dies, the waiver must be filed by such individual; and such waiver shall be irrevocable and shall constitute a waiver on behalf of himself, his wife, and his children. If such individual did not file such a waiver before he died, then in the case of a benefit for the month in which he died or any month thereafter, such waiver must be filed by his widow, if any, and by or on behalf of all his children, if any; and such waivers shall be irrevocable. Such a waiver by a child shall be filed by his legal guardian or guardians, or, in the absence thereof, by the person (or persons) who has the child in his care.

OTHER DEFINITIONS

SEC. 216. For the purposes of this title—

Retirement Age

- (a) The term “retirement age” means—
- (1) in the case of a man, age sixty-five, or
 - (2) in the case of a woman, age sixty-two.

Wife

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

Widow

(c) The term “widow” (except when used in section 202 (i)) means the surviving wife of an individual, but only if (1) she is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (4) she was married to him at the time both of them legally adopted a child under the age of eighteen, (5) she was married to him for a period of not less than one year immediately prior to the day on which he died, or (6) in the month prior to the month of her marriage to him (A) she was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (e) and (h) of

section 202, or (B) she had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Former Wife Divorced

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

Child

(e) **¶**The term "child" means (1) the child or legally adopted child of an individual, and (2) in the case of a living individual, a stepchild who has been such stepchild for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. *The term "child" means (1) the child or legally adopted child of an individual, and (2) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which application for child's insurance benefits is filed or (if the insured individual is deceased) the day on which such individual died.* For purposes of clause (1), a person shall be deemed, as of the date of death of an individual, to be the legally adopted child of such individual if such person was at the time of such individual's death living in such individual's household and was legally adopted by such individual's surviving spouse after such individual's death but before the end of two years after the day on which such individual died or the date of enactment of this Act; except that this sentence shall not apply if at the time of such individual's death such person was receiving regular contributions toward his support from someone other than such individual or his spouse, or from any public or private welfare organization which furnishes services or assistance for children. *For purposes of clause (2), a person who is not the stepchild of an individual shall be deemed the stepchild of such individual if such individual was not the mother or adopting mother or the father or adopting father of such person and such individual and the mother or adopting mother, or the father or adopting father, as the case may be, of such person went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of subsection (h)(1)(B), would have been a valid marriage.*

Husband

(f) the term "husband" means the husband of an individual, but only if (1) he is the father of her son or daughter, (2) he was married to her for a period of not less than **¶**three years**¶** *one year* immediately preceding the day on which his application is filed, or (3) in the month

prior to the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (f) or (h) of section 202, or (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Widower

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

Determination of Family Status

(h)(1)(A) An applicant is the wife, husband, widow, or widower of a fully or currently insured individual for purposes of this title if the courts of the State in which such insured individual is domiciled at the time such applicant files an application, or, if such insured individual is dead, the courts of the State in which he was domiciled at the time of death, or, if such insured individual is or was not so domiciled in any State, the courts of the District of Columbia, would find that such applicant and such insured individual were validly married at the time such applicant files such application or, if such insured individual is dead, at the time he died. If such courts would not find that such applicant and such insured individual were validly married at such time, such applicant shall, nevertheless be deemed to be the wife, husband, widow, or widower, as the case may be, of such insured individual if such applicant would, under the laws applied by such courts in determining the devolution of intestate personal property, have the same status with respect to the taking of such property as a wife, husband, widow, or widower of such insured individual.

(B) In any case where under subparagraph (A) an applicant is not (and is not deemed to be) the wife, widow, husband, or widower of a fully or currently insured individual, or where under subsection (b), (c), (f), or (g) such applicant is not the wife, widow, husband, or widower of such individual, but it is established to the satisfaction of the Secretary that such applicant in good faith went through a marriage ceremony with such individual resulting in a purported marriage between them which, but for a legal impediment not known to the applicant at the time of such

ceremony, would have been a valid marriage, and such applicant and the insured individual were living in the same household at the time of the death of such insured individual or (if such insured individual is living) at the time such applicant files the application, then, for purposes of subparagraph (A) and subsections (b), (c), (f), and (g), such purported marriage shall be deemed to be a valid marriage. The provisions of the preceding sentence shall not apply (i) if another person is or has been entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual and such other person is (or is deemed to be) a wife, widow, husband, or widower of such insured individual under subparagraph (A) at the time such applicant files the application, or (ii) if the Secretary determines, on the basis of information brought to his attention, that such applicant entered into such purported marriage with such insured individual with knowledge that it would not be a valid marriage. The entitlement to a monthly benefit under subsection (b), (c), (e), (f), or (g) of section 202, based on the wages and self-employment income of such insured individual, of a person who would not be deemed to be a wife, widow, husband, or widower of such insured individual but for this subparagraph, shall end with the month before the month (i) in which the Secretary certifies, pursuant to section 205(i), that another person is entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual, if such other person is (or is deemed to be) the wife, widow, husband, or widower of such insured individual under subparagraph (A), or (ii) if the applicant is entitled to a monthly benefit under subsection (b) or (c) of section 202, in which such applicant entered into a marriage, valid without regard to this subparagraph, with a person other than such insured individual. For purposes of this subparagraph, a legal impediment to the validity of a purported marriage includes only an impediment (i) resulting from the lack of dissolution of a previous marriage or otherwise arising out of such previous marriage or its dissolution, or (ii) resulting from a defect in the procedure followed in connection with such purported marriage.

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

(B) *If an applicant is a son or daughter of a fully or currently insured individual but is not (and is not deemed to be) the child of such insured individual under subparagraph (A), such applicant shall nevertheless be deemed to be the child of such insured individual if such insured individual and the mother or father, as the case may be, of such applicant went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of paragraph (1) (B), would have been a valid marriage.*

Disability; Period of Disability

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

(2) [The term "period of disability" means a continuous period of not less than six full calendar months (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)).] *The term "period of disability" means a continuous period (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph 1), but only if such period is of not less than six full calendar months' duration or such individual was entitled to benefits under section 223 for one or more months in such period. No such period shall begin as to any individual unless such individual, while under such disability, files an application for a disability determination with respect to such period; and no such period shall begin as to any individual after such individual attains the age of sixty-five. Except as provided in paragraph (4), a period of disability shall begin—*

(A) if the individual satisfies the requirements of paragraph (3) on such day,

(i) on the day the disability began, or

(ii) on the first day of the eighteen-month period which ends with the day before the day on which the individual files such application,

whichever occurs later;

(B) If such individual does not satisfy the requirements of paragraph (3) on the day referred to in subparagraph (A), then on the first day of the first quarter thereafter in which he satisfies such requirements.

A period of disability shall end with the close of the last day of [the first month in which either the disability ceases or the individual attains the age of sixty-five.] *the month preceding whichever of the following months is the earlier: the month in which the individual attains age sixty-five or the third month following the month in which the disability ceases. No application for a disability determination which is filed more than three months before the first day on which a period of disability can begin (as determined under this paragraph), or, in any case in which clause (ii) of section 223(a)(1) is applicable, more than six months before the first month for which such applicant becomes en-*

titled to benefits under section 223, shall be accepted as an application for purposes of this paragraph, and no such application which is filed prior to January 1, 1955, shall be accepted. Any application for a disability determination which is filed within such three months' period or six months' period shall be deemed to have been filed on such first day or in such first month, as the case may be.

(3) The requirements referred to in clauses (A) and (B) of paragraphs (2) and (4) are satisfied by an individual with respect to any quarter only if—

(A) he would have been a fully insured individual (as defined in section 214) had he attained retirement age and filed application for benefits under section 202(a) on the first day of such quarter; and

(B) he had not less than twenty quarters of coverage during the forty-quarter period which ends with such quarter, not counting as part of such forty-quarter period any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage;

except that the provisions of subparagraph (A) of this paragraph shall not apply in the case of any individual with respect to whom a period of disability would, but for such subparagraph, begin prior to 1951.

(4) If an individual files an application for a disability determination after December 1954, and before July 1961, with respect to a disability which began before July 1960, and continued without interruption until such application was filed, then the beginning day for the period of disability shall be—

(A) the day such disability began, but only if he satisfies the requirements of paragraph (3) on such day;

(B) if he does not satisfy such requirements on such day, the first day of the first quarter thereafter in which he satisfies such requirements.

Periods of Limitation Ending on Nonwork Days

(j) *Where this title, any provision of another law of the United States (other than the Internal Revenue Code of 1954) relating to or changing the effect of this title, or any regulation issued by the Secretary pursuant thereto provides for a period within which an act is required to be done which affects eligibility for or the amount of any benefit or payment under this title or is necessary to establish or protect any rights under this title, and such period ends on a Saturday, Sunday, or legal holiday, or on any other day all or part of which is declared to be a nonwork day for Federal employees by statute or Executive order, then such act shall be considered as done within such period if it is done on the first day thereafter which is not a Saturday, Sunday, or legal holiday or any other day all or part of which is declared to be a nonwork day for Federal employees by statute or Executive order. For purposes of this subsection, the day on which a period ends shall include the day on which an extension of such period, as authorized by law or by the Secretary pursuant to law, ends. The provisions of this subsection shall not extend the period during which benefits under this title may (pursuant to section 202(j)(1) or 223(b) be paid for months prior to the day application for such benefits is filed, or during which an application for benefits under this title may (pursuant to section 202(j)(2) or 223(b) be accepted as such.*

BENEFITS IN CASE OF VETERANS

SEC. 217. (a)(1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any World War II veteran, and for purposes of section 216(i)(3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

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

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality. The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant of subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216(i)(3).

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

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service during World War II shall, at the request of the Secretary of Health, Education, and Welfare, certify

to him, with respect to any veteran, such information as the Secretary deems necessary to carry out his functions under paragraph (2) of this subsection.

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

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

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

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

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

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

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

(d) For the purposes of this section—

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

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

(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of wages and self-employment income of any veteran (as defined in paragraph (4)), and for purposes of section 216(i)(3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to January 1, 1957. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

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

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1957, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lumps-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216(i)(3). In the case of monthly benefits under this title for months after December 1956 (and any lump-sum death payment under this title with respect to a death occurring after December 1956) based on the wages and self-employment income of a veteran who performed service (as a member of a uniformed service) to which the provisions

of section [210(m)(1)] 210(l)(1) are applicable, wages which would, but for the provisions of clause (B), be deemed under this subsection to have been paid to such veteran with respect to his active military or naval service performed after December 1950 shall be deemed to have been paid to him with respect to such service notwithstanding the provisions of such clause, but only if the benefits referred to in such clause which are based (in whole or in part) on such service are payable solely by the Army, Navy, Air Force, Marine Corps, Coast Guard, Coast and Geodetic Survey or Public Health Service.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Secretary of Health, Education, and Welfare shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1957, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Secretary of Health, Education, and Welfare shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Secretary of Health, Education, and Welfare, and the Secretary shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to January 1, 1957, shall, at the request of the Secretary of Health, Education, and Welfare, certify to him, with respect to any veteran, such information as the Secretary deems necessary to carry out his functions under paragraph (2) of this subsection.

(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to January 1, 1957, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

(f) (1) In any case where a World War II veteran (as defined in subsection (d) (2)) or a veteran (as defined in subsection (e) (4)) has died or shall hereafter die, and his widow or child is entitled under the Civil Service Retirement Act of May 29, 1930, as amended, to an annuity in the computation of which his active military or naval service was included, clause (B) of subsection (a) (1) or clause (B)

of subsection (e) (1) shall not operate (solely by reason of such annuity) to make such subsection inapplicable in the case of any monthly benefit under section 202 which is based on his wages and self-employment income; except that no such widow or child shall be entitled under section 202 to any monthly benefit in the computation of which such service is included by reason of this subsection (A) unless such widow or child after December 1956 waives his or her right to receive such annuity, or (B) for any month prior to the first month with respect to which the Civil Service Commission certifies to the Secretary of Health, Education, and Welfare that (by reason of such waiver) no further annuity will be paid to such widow or child under such Act of May 29, 1930, as amended, on the basis of such veteran's military or civilian service. Any such waiver shall be irrevocable.

(2) Whenever a widow waives her right to receive such annuity such waiver shall constitute a waiver on her own behalf; a waiver by a legal guardian or guardians, or, in the absence of a legal guardian the person (or persons) who has the child in his care, of the child's right to receive such annuity shall constitute a waiver on behalf of such child. Such a waiver with respect to an annuity based on a veteran's service shall be valid only if the widow and all children, or, if there is no widow, all the children, waive their rights to receive annuities under the Civil Service Retirement Act of May 29, 1930, as amended, based on such veteran's military or civilian service.

(g)(1) There are hereby authorized to be appropriated to the Trust Funds annually, as benefits under this title are paid after June 1956, such sums as the Secretary of Health, Education, and Welfare determines to be necessary to meet the additional costs, resulting from subsections (a), (b), and (e), of such benefits (including lump-sum death payments).

(2) The Secretary shall, before October 1, 1958, determine the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund in the same position in which it would have been at the close of June 30, 1956, if section 210 of this Act, as in effect prior to the Social Security Act Amendments of 1950, and section 217 of this Act (including amendments thereof), had not been enacted. There are hereby authorized to be appropriated to such Trust Fund annually, during the first ten fiscal years beginning after such determination is made, sums aggregating the amount so determined, plus interest accruing on such amount (as reduced by appropriations made pursuant to this paragraph) for each fiscal year beginning after June 30, 1956, at a rate for such fiscal year equal to the average rate of interest (as determined by the Managing Trustee) earned on the invested assets of such Trust Fund during the preceding fiscal year.

Gratuitous Wage Credits for American Citizens Who Served in the Armed Forces of Allied Countries

(h) (1) For the purposes of this section, any individual who the Secretary finds—

(A) served during World War II (as defined in subsection (d) (1)) in the active military or naval service of a country which was on September 16, 1940, at war with a country with which the United States was at war during World War II;

(B) entered into such active service on or before December 8, 1941;

(C) was a citizen of the United States throughout such period of service or lost his United States citizenship solely because of his entrance into such service;

(D) had resided in the United States for a period or periods aggregating four years during the five-year period ending on the day of, and was domiciled in the United States on the day of, such entrance into such active service; and

(E) (i) was discharged or released from such service under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty, or

(ii) died while in such service,

shall be considered a World War II veteran (as defined in subsection (d) (2)) and such service shall be considered to have been performed in the active military or naval service of the United States.

(2) In the case of any individual to whom paragraph (1) applies, proof of support required under section 202(f) or (h) may be filed at any time prior to the expiration of two years after the date of such individual's death or the date of the enactment of this subsection, whichever is the later.

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

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

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

DEFINITIONS

(b) For the purposes of this section—

(1) The term "State" does not include the District of Columbia, *Guam*, or *American Samoa*.

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

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

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

(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement. Civilian employees of National Guard units of a State who are employed pursuant to section 90 of the National Defense Act of June 3, 1916 (32 U.S.C., sec. 42), and paid from funds allotted to such units by the Department of Defense, shall for purposes of this section be deemed to be employees of the State and (notwithstanding the preceding provisions of this paragraph), shall be deemed to be a separate coverage group. For purposes of this section, individuals employed pursuant to an agreement, entered into pursuant to section 205 of the Agricultural Marketing Act of 1946 (7 U.S.C. 1624) or section 14 of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499n), between a State and the United States Department of Agriculture to perform services as inspectors of agricultural products may be deemed, at the option of the State, to be employees of the State and (notwithstanding the preceding provisions of this paragraph) shall be deemed to be a separate coverage group.

Services Covered

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

(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3), (5), or (6) of this subsection) performed by individuals as members of such group.

(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any one or more of the following:

(A) Any service of an emergency nature;

(B) All services in any class or classes of (i) elective positions, (ii) part-time positions, or (iii) positions the compensation for which is on a fee basis;

(C) All services performed by individuals as members of a coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group, but only in the case of individuals who, on such date (or,

if later, the date on which they first occupy such positions), are not eligible to become members of such system and whose services in such positions have not already been included under such agreement pursuant to subsection (d)(3).

(4) The Secretary of Health, Education, and Welfare shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State. A modification of an agreement pursuant to clause (B) of the preceding sentence may apply to individuals to whom paragraph (3)(C) is applicable (whether or not the previous exclusion of the service of such individuals was pursuant to such paragraph), but only if such individuals are, on the effective date specified in such modification, ineligible to be members of any retirement system or if the modification with respect to such individuals is pursuant to subsection (d)(3).

(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, of service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210(a) other than paragraph (7) of such section and service the remuneration for which is excluded from wages by paragraph (2) of section 209(h).

(6) Such agreement shall exclude—

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

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

(C) covered transportation service (as determined under section ~~210(k)~~ 210(l), and

(D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210(a) other than paragraph (7) of such section.

(7) No agreement may be made applicable (either in the original agreement or by any modification thereof) to service performed by any individual to whom paragraph (3)(C) is applicable unless such agreement provides (in the case of each coverage group involved) either that the service of any individual to whom such paragraph is applicable and who is a member of such coverage group shall continue to be covered by such agreement in case he thereafter becomes eligible to be a member of a retirement system, or that such service shall cease to be so covered when he becomes eligible to be a member of such a system (but only if the agreement is not already applicable to such system pursuant to subsection (d)(3)), whichever may be desired by the State.

Positions Covered by Retirement Systems

(d)(1) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage

group in positions covered by a retirement system either (A) on the date such agreement is made applicable to such coverage group, or (B) on the date of enactment of the succeeding paragraph of this subsection (except in the case of positions which are, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of enactment of such succeeding paragraph, no longer covered by a retirement system on the date referred to in clause (A), and except in the case of positions excluded by paragraph (5)(A)). The preceding sentence shall not be applicable to any service performed by an employee as a member of any coverage group in a position (other than a position excluded by paragraph (5)(A)) covered by a retirement system on the date an agreement is made applicable to such coverage group if, on such date (or, if later, the date on which such individual first occupies such position), such individual is ineligible to be a member of such system.

(2) It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the protection afforded employees in positions covered by a retirement system on the date an agreement under this section is made applicable to service performed in such positions, or receiving periodic benefits under such retirement system at such time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof.

(3) Notwithstanding paragraph (1), an agreement with a State may be made applicable (either in the original agreement or by any modification thereof) to service performed by employees in positions covered by a retirement system (including positions specified in paragraph (4) but not including positions excluded by or pursuant to paragraph (5)), if the governor of the State, or *an official of the State designated by him for the purpose*, certifies to the Secretary of Health, Education, and Welfare that the following conditions have been met:

(A) A referendum by secret written ballot was held on the question of whether service in positions covered by such retirement system should be excluded from or included under an agreement under this section;

(B) An opportunity to vote in such referendum was given (and was limited) to eligible employees;

(C) Not less than ninety days' notice of such referendum was given to all such employees;

(D) Such referendum was conducted under the supervision of the governor or an agency or individual designated by him; and

(E) A majority of the eligible employees voted in favor of including service in such positions under an agreement under this section.

An employee shall be deemed an "eligible employee" for purposes of any referendum with respect to any retirement system if, at the time such referendum was held, he was in a position covered by such retirement system and was a member of such system, and if he was in such a position at the time notice of such referendum was given as required by clause (C) of the preceding sentence; except that he shall not be deemed an "eligible employee" if, at the time the referendum was held, he was in a position to which the State agreement already applied, or if he was in a position excluded by or pursuant to paragraph

(5). No referendum with respect to a retirement system shall be valid for purposes of this paragraph unless held within the two-year period which ends on the date of execution of the agreement or modification which extends the insurance system established by this title to such retirement system, nor shall any referendum with respect to a retirement system be valid for purposes of this paragraph if held less than one year after the last previous referendum held with respect to such retirement system.

(4) For the purposes of subsection (c) of this section, the following employees shall be deemed to be a separate coverage group—

(A) all employees in positions which were covered by the same retirement system on the date the agreement was made applicable to such system (other than employees to whose services the agreement already applied on such date);

(B) all employees in positions which became covered by such system at any time after such date; and

(C) all employees in positions which were covered by such system at any time before such date and to whose services the insurance system established by this title has not been extended before such date because the positions were covered by such retirement system (including employees to whose services the agreement was not applicable on such date because such services were excluded pursuant to subsection (c)(3)(C)).

(5) (A) Nothing in paragraph (3) of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position.

(B) At the request of the State, any class or classes of positions covered by a retirement system which may be excluded from the agreement pursuant to paragraph (3) or (5) of subsection (c), and to which the agreement does not already apply, may be excluded from the agreement at the time it is made applicable to such retirement system; except that, notwithstanding the provisions of paragraph (3) (C) of such subsection, such exclusion may not include any services to which such paragraph (3)(C) is applicable. In the case of any such exclusion, each such class so excluded shall, for purposes of this subsection, constitute a separate retirement system in case of any modification of the agreement thereafter agreed to.

(6)(A) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned. *Where a retirement system covering positions of employees of a State and positions of employees of one or more political subdivisions of the State, or covering positions of employees of two or more political subdivisions of the State, is not divided into separate retirement systems pursuant to the preceding sentence or pursuant to subparagraph (C), then the State may, for purposes of subsection (f) only, deem the system to be a separate retirement system with respect to any one or more of the political subdivisions con-*

cerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned.

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

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

(D) The position of any individual which is covered by any retirement system to which subparagraph (C) is applicable shall, if such individual is ineligible to become a member of such system on August 1, 1956, or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the posi-

tions of members of the division or part who do not desire coverage under the insurance system established under this title.

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

(F) In the case of any retirement system divided pursuant to subparagraph (C), the position of any member of the division or part composed of positions of members who do not desire coverage may be transferred to the separate retirement system composed of positions of members who desire such coverage if it is so provided in a modification of such agreement which is mailed, or delivered by other means, to the Secretary prior to 1960 or, if later, the expiration of one year after the date on which such agreement, or the modification thereof making the agreement applicable to such separate retirement system, as the case may be, is agreed to, but only if, prior to such modification or such later modification, as the case may be, the individual occupying such position files with the State a written request for such transfer.

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

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

(7) The certification by the governor (*or an official of the State designated by him for the purpose*) required under paragraph (3) shall be deemed to have been made, in the case of a division or part (created under subparagraph (C) of paragraph (6) or the corresponding provision of prior law) consisting of the positions of members of a retirement system who desire coverage under the agreement under this section, if the governor (*or the official so designated*) certifies to the Secretary of Health, Education, and Welfare that—

- (A) an opportunity to vote by written ballot on the question of whether they wish to be covered under an agreement under

this section was given to all individuals who were members of such system at the time the vote was held;

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

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

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

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

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

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

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

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

Payments and Reports by States

(e)(1) Each agreement under this section shall provide—

[(1)] (A) that the State will pay to the Secretary of the Treasury, at such time or times as the Secretary of Health, Education, and Welfare may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954. If the services of employees covered by the agreement constituted employment as defined in section 3121 of such code; and

[(2)] (B) that the State will comply with such regulations relating to payments and reports as the Secretary of Health, Education, and Welfare may prescribe to carry out the purposes of this section.

(2) *Where—*

(A) *an individual in any calendar year performs services to which an agreement under this section is applicable (i) as the employee of two or more political subdivisions of a State or (ii) as the employee of a State and one or more political subdivisions of such State; and*

(B) such State provides all of the funds for the payment of those amounts referred to in paragraph (1)(A) which are equivalent to the taxes imposed by section 3111 of the Internal Revenue Code of 1954 with respect to wages paid to such individual for such services; and

(C) the political subdivision or subdivisions involved do not reimburse such State for the payment of such amounts or, in the case of services described in subparagraph (A)(ii), for the payment of so much of such amounts as is attributable to employment by such subdivision or subdivisions;

then, notwithstanding paragraph (1), the agreement under this section with such State may provide (either in the original agreement or by a modification thereof) that the amounts referred to in paragraph (1)(A) may be computed as though the wages paid to such individual for the services referred to in clause (A) of this paragraph were paid by one political subdivision for services performed in its employ; but the provisions of this paragraph shall be applicable only where such State complies with such regulations as the Secretary may prescribe to carry out the purposes of this paragraph. The preceding sentence shall be applicable with respect to wages paid after an effective date specified in such agreement or modification, but in no event with respect to wages paid before the first day of the year following the year in which this paragraph is enacted, or before the first day of the year in which such agreement or modification is mailed or delivered by other means to the Secretary, whichever such day is the later.

Effective Date of Agreement

(f)(1) **[Any agreement]** Except as provided in subsection (e)(2) any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification; except that **[—**

[(A) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

[(B) in the case of an agreement or modification agreed to after 1954 but prior to 1958, such date may not be earlier than December 31, 1954;

[(C) in the case of an agreement or modification agreed to after 1957 but prior to 1960, such date may not be earlier than December 31, 1955; and

[(D) in the case of an agreement or modification agreed to during 1954 or after 1959, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State.]

such date may not be earlier than the last day of the sixth calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary and the State.

(2) In the case of service performed by members of any coverage group—

(A) to which an agreement under this section is made applicable, and

(B) with respect to which the agreement, or modification thereof making the agreement so applicable, specifies an effective date

earlier than the date of execution of such agreement and such modification, respectively.

the agreement shall, if so requested by the State, be applicable to such services (to the extent the agreement was not already applicable) performed before such date of execution and after such effective date by any individual as a member of such coverage group if he is such a member on a date, specified by the State, which is earlier than such date of execution, except that in no case may the date so specified be earlier than the date such agreement or such modification, as the case may be, is mailed, or delivered by other means, to the Secretary.

Termination of Agreement

(g)(1) Upon giving at least two years' advance notice in writing to the Secretary of Health, Education, and Welfare, a State may terminate, effective at end of a calendar quarter specified in the notice, its agreement with the Secretary either—

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

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

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

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

Deposits in Trust Fund; Adjustments

(h)(1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Funds in the ratio in which amounts are appropriated to such Funds pursuant to subsections (a)(3) and (b)(1) of section 201.

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

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

Regulations

(i) Regulations of the Secretary of Health, Education, and Welfare to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and chapter 21 and subtitle F of the Internal Revenue Code of 1954.

Failure To Make Payments

(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Secretary of Health, Education, and Welfare may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Funds in the ratio in which amounts are deposited in such Funds pursuant to subsection (h)(1).

Instrumentalities of Two or More States

(k)(1) The Secretary of Health, Education, and Welfare may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

(2) In the case of any instrumentality of two or more States, if—

(A) employees of such instrumentality are in positions covered by a retirement system of such instrumentality or of any of such States or any of the political subdivisions thereof, and

(B) such retirement system is (on, before, or after the date of enactment of this paragraph) divided into two divisions or parts, one of which is composed of positions of members of such system who are employees of such instrumentality and who desire coverage under an agreement under this section and the other of which is composed of positions of members of such system who are employees of such instrumentality and who do not desire such coverage, and

(C) it is provided that there shall be included in such division or part composed of the positions of members desiring such coverage the positions of employees of such instrumentality who become members of such system after such coverage is extended, then such retirement system shall, if such instrumentality so desires, be deemed to be a separate retirement system with respect to each such division or part. An individual who is in a position covered by a retirement system divided pursuant to the preceding sentence and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection, be regarded as a member of such system. Coverage under the agreement of any such individual shall be provided under the same conditions, to the extent practicable, as are applicable in the case of the States to which the provisions of subsection (d)(6)(C) apply. The position of any employee of any such instrumentality which is covered by any retirement system to which the first sentence of this paragraph is applicable shall, if such individual is ineligible to become a member of such system on the date of enactment of this paragraph or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the positions of members of the division or part who do not desire coverage under the insurance system established under this title. Services in positions covered by a separate retirement system created pursuant to this subsection (and consisting of the positions of members who desire coverage under an agreement under this section) shall be covered under such agreement on compliance, to the extent practicable, with the same conditions as are applicable to coverage under an agreement under this section of services in positions covered by a separate retirement system created pursuant to subparagraph (C) of subsection (d)(6) or the corresponding provision of prior law (and consisting of the positions of members who desire coverage under such agreement).

(3) Any agreement with any instrumentality of two or more States entered into pursuant to this Act may, notwithstanding the provisions of subsection (d)(5)(A) and the references thereto in subsections (d)(1) and (d)(3), apply to service performed by employees of such instrumentality in any policeman's or fireman's position covered by a retirement system, but only upon compliance, to the extent practicable, with the requirements of subsection (d)(3). For the purpose of the preceding sentence, a retirement system which covers positions of policemen or firemen or both, and other positions shall, if the instrumentality concerned so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, or both, as the case may be.

Delegation of Functions

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

Wisconsin Retirement Fund

(m)(1) Notwithstanding paragraph (1) of subsection (d), the agreement with the State of Wisconsin may, subject to the provisions of this subsection, be modified so as to apply to service performed by employees in positions covered by the Wisconsin retirement fund.

(2) All employees in positions covered by the Wisconsin retirement fund at any time on or after January 1, 1951, shall, for the purposes of subsection (c) only, be deemed to be a separate coverage group; except that there shall be excluded from such separate coverage group all employees in positions to which the agreement applies without regard to this subsection.

(3) The modification pursuant to this subsection shall exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) service performed by any individual during any period before he is included under the Wisconsin retirement fund.

(4) The modification pursuant to this subsection shall, if the State of Wisconsin requests it, exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) all service performed in policemen's positions, all service performed in firemen's positions, or both.

Certain Positions no Longer Covered by Retirement Systems

(n) Notwithstanding subsection (d), an agreement with any State entered into under this section prior to the date of the enactment of this subsection may, prior to January 1, 1958, be modified pursuant to subsection (c)(4) so as to apply to services performed by employees, as members of any coverage group to which such agreement already applies (and to which such agreement applied on such date of enactment), in positions (1) to which such agreement does not already apply, (2) which were covered by a retirement system on the date such agreement was made applicable to such coverage group, and (3) which, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of the enactment of this subsection, are no longer covered by a retirement system on the date such agreement is made applicable to such services.

Certain Employees of the State of Utah

(o) Notwithstanding the provisions of subsection (d), the agreement with the State of Utah entered into pursuant to this section may be modified pursuant to subsection (c)(4) so as to apply to services performed for any of the following, the employees performing services for each of which shall constitute a separate coverage group: Weber Junior College, Carbon Junior College, Dixie Junior College, Central Utah Vocational School, Salt Lake Area Vocational School, Center for the Adult Blind, Union High School (Roosevelt, Utah), Utah High School Activities Association, State Industrial School, State Training School, State Board of Education, and Utah School Employees Retirement Board. Any modification agreed to prior to January 1, 1955, may be made effective with respect to services performed by employees as members of any of such coverage groups after an effective date specified therein, except that in no case may any such date be earlier than December 31, 1950.

Policemen and Firemen in Certain States

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

Time Limitation on Assessments

(q)(1) *Where a State is liable for an amount due under an agreement pursuant to this section, such State shall remain so liable until the Secretary is satisfied that the amount due has been paid to the Secretary of the Treasury.*

(2) *Notwithstanding paragraph (1), a State shall not be liable for an amount due under an agreement pursuant to this section, with respect to the wages paid to individuals, after the expiration of the latest of the following periods—*

(A) *three years, three months, and fifteen days after the year in which such wages were paid, or*

(B) *three years after the date on which such amount became due, or*

(C) *three years, three months, and fifteen days after the year following the year in which this subsection is enacted,*

unless prior to the expiration of such period the Secretary makes an assessment of the amount due.

(3) *For purposes of this subsection and section 205(c), an assessment of an amount due is made when the Secretary mails or otherwise delivers to the State a notice stating the amount he has determined to be due under an agreement pursuant to this section and the basis for such determination.*

(4) *An assessment of an amount due made by the Secretary after the expiration of the period specified in paragraph (2) shall nevertheless be deemed to have been made within such period if—*

(A) *before the expiration of such period (or, if it has previously been extended under this paragraph, of such period as so extended), the State and the Secretary agree in writing to an extension of such period (or extended period) and, subject to such conditions as may be agreed upon, the Secretary makes the assessment prior to the expiration of such extension; or*

(B) *within the 365 days immediately preceding the expiration of such period (or extended period) the State pays to the Secretary of the Treasury less than the correct amount due under an agreement*

pursuant to this section with respect to wages paid to individuals in any calendar quarters as members of a coverage group, and the Secretary of Health, Education, and Welfare makes the assessment, adjusted to take into account the amount paid by the State, no later than the 365th day after the day the State made payment to the Secretary of the Treasury; but the Secretary of Health, Education, and Welfare shall make such assessment only with respect to the wages paid to such individuals in such calendar quarters as members of such coverage group; or

(C) pursuant to subparagraph (A) or (B) of section 205(c)(5) he includes in his records an entry with respect to wages for an individual, but only if such assessment is limited to the amount due with respect to such wages and is made within the period such entry could be made in such records under such subparagraph.

(5) If the Secretary allows a claim for a credit or refund of an overpayment by a State under an agreement pursuant to this section, with respect to wages paid or alleged to have been paid to an individual in a calendar year for services as a member of a coverage group, and if as a result of the facts on which such allowance is based there is an amount due from the State, with respect to wages paid to such individual in such calendar year for services performed as a member of a coverage group, for which amount the State is not liable by reason of paragraph (2), then notwithstanding paragraph (2) the State shall be liable for such amount due if the Secretary makes an assessment of such amount due at the time of or prior to notification to the State of the allowance of such claim. For purposes of this paragraph and paragraph (6), interest as provided for in subsection (j) shall not be included in determining the amount due.

(6) The Secretary shall accept wage reports filed by a State under an agreement pursuant to this section or regulations of the Secretary thereunder, after the expiration of the period specified in paragraph (2) or such period as extended pursuant to paragraph (4), with respect to wages which are paid to individuals performing services as employees in a coverage group included in the agreement and for payment in connection with which the State is not liable by reason of paragraph (2), only if the State—

(A) pays to the Secretary of the Treasury the amount due under such agreement with respect to such wages, and

(B) agrees in writing with the Secretary of Health, Education, and Welfare to an extension of the period specified in paragraph (2) with respect to wages paid to all individuals performing services as employees in such coverage group in the calendar quarters designated by the State in such wage reports as the periods in which such wages were paid. If the State so agrees, the period specified in paragraph (2), or such period as extended pursuant to paragraph (4), shall be extended until such time as the Secretary notifies the State that such wage reports have been accepted.

(7) Notwithstanding the preceding provisions of this subsection, where there is an amount due by a State under an agreement pursuant to this section and there has been a fraudulent attempt on the part of an officer or employee of the State or any political subdivision thereof to defeat or evade payment of such amount due, the State shall be liable for such amount due without regard to the provisions of paragraph (2), and the Secretary may make an assessment of such amount due at any time.

Time Limitation on Credits and Refunds

(r)(1) *No credit or refund of an overpayment by a State under an agreement pursuant to this section with respect to wages paid or alleged to have been paid to an individual as a member of a coverage group in a calendar quarter shall be allowed after the expiration of the latest of the following periods—*

(A) *three years, three months, and fifteen days after the year in which occurred the calendar quarter in which such wages were paid or alleged to have been paid, or*

(B) *three years after the date the payment which included such overpayment became due under such agreement with respect to the wages paid or alleged to have been paid to such individual as a member of such coverage group in such calendar quarter, or*

(C) *two years after such overpayment was made to the Secretary of the Treasury, or*

(D) *three years, three months, and fifteen days after the year following the year in which this subsection is enacted, unless prior to the expiration of such period a claim for such credit or refund is filed with the Secretary of Health, Education, and Welfare by the State.*

(2) *A claim for a credit or refund filed by a State after the expiration of the period specified by paragraph (1) shall nevertheless be deemed to have been filed within such period if—*

(A) *before the expiration of such period (or, if it has previously been extended under this subparagraph, of such period as so extended) the State and the Secretary agree in writing to an extension of such period (or extended period) and the claim is filed with the Secretary by the State prior to the expiration of such extension; but any claim for a credit or refund valid because of this subparagraph shall be allowed only to the extent authorized by the conditions provided for in the agreement for such extension, or*

(B) *The Secretary deletes from his records an entry with respect to wages of an individual pursuant to the provisions of subparagraph (A), (B), or (E) of section 205(c)(5), but only with respect to the entry so deleted.*

Review by Secretary

(s) *Where the Secretary has made an assessment of an amount due by a State under an agreement pursuant to this section, disallowed a State's claim for a credit or refund of an overpayment under such agreement, or allowed a State a credit or refund of an overpayment under such agreement, he shall review such assessment, disallowance, or allowance if a written request for such review is filed with him by the State within 90 days (or within such further time as he may allow) after notification to the State of such assessment, disallowance, or allowance. On the basis of the evidence obtained by or submitted to the Secretary, he shall render a decision affirming, modifying, or reversing such assessment, disallowance, or allowance. In notifying the State of his decision, the Secretary shall state the basis therefor.*

Review by Court

(t)(1) *Notwithstanding any other provision of this title any State, irrespective of the amount in controversy, may file, within two years after the mailing to such State of the notice of any decision by the Secretary pursuant to subsection (s) affecting such State, or within such further time as the Secretary may allow, a civil action for a redetermination of the correctness of the assessment of the amount due, the disallowance of the claim for a refund or credit, or the allowance of the refund or credit, as the case may be, with respect to which the Secretary has rendered such decision. Such action shall be brought in the district court of the United States for the judicial district in which is located the capital of such State, or, if such action is brought by an instrumentality of two or more States, the principal office of such instrumentality. The judgment of the court shall be final, except that it shall be subject to review in the same manner as judgments of such court in other civil actions. Any action filed under this subsection shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.*

(2) *Notwithstanding the provisions of section 2411 of title 28, United States Code, no interest shall accrue to a State after final judgment with respect to a credit or refund of an overpayment made under an agreement pursuant to this section.*

(3) *The first sentence of section 2414 of title 28, United States Code, shall not apply to final judgments rendered by district courts of the United States in civil actions filed under this subsection. In such cases, the payment of amounts due to States pursuant to such final judgments shall be adjusted in accordance with the provisions of this section and with regulations promulgated by the Secretary.*

【EFFECTIVE DATE IN CASE OF PUERTO RICO

【SEC. 219. If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210(h), 210(i), 210(j), 211(a)(6) and 211(b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification**】**.

DISABILITY PROVISIONS INAPPLICABLE IF BENEFIT RIGHTS IMPAIRED

SEC. 220. None of the provisions of this title relating to periods of disability shall apply in any case in which their application would result in the denial of monthly benefits or a lump-sum death payment which would otherwise be payable under this title; nor shall they apply in the case of any monthly benefit or lump-sum death payment under this title if such benefit or payment would be greater without their application.

DISABILITY DETERMINATIONS

SEC. 221. (a) In the case of any individual, the determination of whether or not he is under a disability (as defined in section 216(i) or 223(c)) and of the day such disability began, and the determina-

tion of the day on which such disability ceases, shall, except as provided in subsection (g), be made by a State agency pursuant to an agreement entered into under subsection (b). Except as provided in subsections (c) and (d), any such determination shall be the determination of the Secretary for purposes of this title.

(b) The Secretary shall enter into an agreement with each State which is willing to make such an agreement under which the State agency or agencies administering the State plan approved under the Vocational Rehabilitation Act, or any other appropriate State agency or agencies, or both, will make the determinations referred to in subsection (a) with respect to all individuals in such State, or with respect to such class or classes of individuals in the State as may be designated in the agreement at the State's request.

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

(d) Any individual dissatisfied with any determination under subsection (a), (c), or (g) shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205 (b) with respect to decisions of the Secretary, and to judicial review of the Secretary's final decision after such hearing as is provided in section 205 (g).

(e) Each State which has an agreement with the Secretary under this section shall be entitled to receive from the Trust Funds, in advance or by way of reimbursement, as may be mutually agreed upon, the cost to the State of carrying out the agreement under this section. The Secretary shall from time to time certify such amount as is necessary for this purpose to the Managing Trustee, reduced or increased, as the case may be, by any sum (for which adjustment hereunder has not previously been made) by which the amount certified for any prior period was greater or less than the amount which should have been paid to the State under this subsection for such period; and the Managing Trustee, prior to audit or settlement by the General Accounting Office, shall make payment from the Trust Funds at the time or times fixed by the Secretary, in accordance with such certification. Appropriate adjustments between the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund with respect to the payments made under this subsection shall be made in accordance with paragraph (1) of subsection (g) of section 201 (but taking into account any refunds under subsection (f) of this section) to insure that the Federal Disability Trust Fund is charged with all expenses incurred which are attributable to the administration of section 223 and the Federal Old-Age and Survivors Insurance Trust Fund is charged with all other expenses.

(f) All money paid to a State under this section shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned to the Treasury of the United States for deposit in the Trust Funds.

(g) In the case of individuals in a State which has no agreement under subsection (b), in the case of individuals outside the United States, and in the case of any class or classes of individuals not included in an agreement under subsection (b), the determinations referred to in subsection (a) shall be made by the Secretary in accordance with regulations prescribed by him.

REHABILITATION SERVICES

Referral for Rehabilitation Services

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

Deductions on Account of Refusal to Accept Rehabilitation Services

(b) (1) Deductions, in such amounts and at such time or times as the Secretary, shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under sections 202 and 223 for any month in which such individual, if a child who has attained the age of eighteen and is entitled to child's insurance benefits or if an individual entitled to disability insurance benefits, refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act. Any individual who is a member or adherent of any recognized church or religious sect which teaches its members or adherents to rely solely, in the treatment and cure of any physical or mental impairment, upon prayer or spiritual means through the application and use of the tenets or teachings of such church or sect, and who, solely because of his adherence to the teachings or tenets of such church, or sect, refuses to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act, shall, for the purposes of the first sentence of this subsection, be deemed to have done so with good cause.

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

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

【Service Performed Under Rehabilitation Program

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

Period of Trial Work

(c) (1) *The term "period of trial work", with respect to an individual entitled to benefits under section 223 or 202(d), means a period of months beginning and ending as provided in paragraphs (3) and (4).*

(2) *For purposes of sections 216(i) and 223, any services rendered by an individual during a period of trial work shall be deemed not to have been rendered by such individual in determining whether his disability has ceased in a month during such period. For purposes of this subsection the term "services" means activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.*

(3) *A period of trial work for any individual shall begin with the month in which he becomes entitled to disability insurance benefits, or, in the case of an individual entitled to benefits under section 202(d) who has attained the age of eighteen, with the month in which he becomes entitled to such benefits or the month in which he attains the age of eighteen, whichever is later. Notwithstanding the preceding sentence, no period of trial work may begin for any individual prior to the beginning of the month following the month in which this paragraph is enacted; and no such period may begin for an individual in a period of disability of such individual in which he had a previous period of trial work.*

(4) *A period of trial work for any individual shall end with the close of whichever of the following months is the earlier:*

(A) *the ninth month, beginning on or after the first day of such period, in which the individual renders services (whether or not such nine months are consecutive); or*

(B) *the month in which his disability (as defined in section 223 (c) (2)) ceases (as determined after application of paragraph (2) of this subsection).*

(5) *In the case of an individual who becomes entitled to benefits under section 223 for any month as provided in clause (ii) of subsection (a) (1) of such section, the preceding provisions of this subsection shall not apply with respect to services in any month beginning with the first*

month for which he is so entitled and ending with the first month thereafter for which he is not entitled to benefits under section 223.

DISABILITY INSURANCE BENEFIT PAYMENTS

Disability Insurance Benefits

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

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

(B) [has attained the age of fifty and] has not attained the age of sixty-five,

(C) has filed application for disability insurance benefits, and

(D) is under a disability (as defined in subsection (c) (2)) at the time such application is filed,

[shall be entitled to a disability insurance benefit for each month, beginning with the first month after his waiting period (as defined in subsection (c) (3)) in which he becomes so entitled to such insurance benefits] shall be entitled to a disability insurance benefit (i) for each month, beginning with the first month after his waiting period (as defined in subsection (c) (3)) in which he becomes so entitled to such insurance benefits, or (ii) for each month, beginning with the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was entitled to disability insurance benefits which terminated, or had a period of disability (as defined in section 216(i)) which ceased, within the 60-month period preceding the first month in which he is under such disability, and ending with the month preceding [the first month in which any of the following occurs: his disability ceases, he dies, or he attains the age of sixty-five] whichever of the following months is the earliest: the month in which he dies, the month in which he attains the age of sixty-five, or the third month following the month in which his disability ceases.

[(2) Such individual's disability insurance benefit for any month shall be equal to his primary insurance amount for such month determined under section 215 as though he became entitled to old-age insurance benefits in the first month of his waiting period].

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

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

(B) in any case in which clause (i) of paragraph (1) of this subsection is applicable, the first month for which he becomes entitled to such disability insurance benefits,

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

¹ The amendment to sec 223(a)(2) as shown is effective with respect to individuals becoming entitled to disability insurance benefits after 1960; except that the portion of such amendment relating to computation of disability insurance benefits in cases of second disability is effective with respect to months after the month of enactment.

Filing of Application

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

Definitions

(c) For purposes of this section—

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

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

(B) he had not less than twenty quarters of coverage during the forty-quarter period ending with the quarter in which such first day occurred, not counting as part of such forty-quarter period any quarter any part of which was included in a period of disability (as defined in section 216(i)) unless such quarter was a quarter of coverage.

(2) The term “disability” means inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required.

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

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

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

is not so insured in such month, which begins not earlier than with the first day of the first month after such eighteenth month in which he is so insured.

Notwithstanding the preceding provisions of this paragraph, no waiting period may begin for any individual before January 1, 1957 [; nor may any such period begin for any individual before the first day of the sixth month before the month in which he attains the age of fifty].

SEC. 224. [Repealed.]

SUSPENSION OF BENEFITS BASED ON DISABILITY

SEC. 225. If the Secretary, on the basis of information obtained by or submitted to him, believes that an individual entitled to benefits under section 223, or that a child who has attained the age of eighteen and is entitled to benefits under section 202(d), may have ceased to be under a disability, the Secretary may suspend the payment of benefits under such section 223 or 202(d) until it is determined (as provided in section 221) whether or not such individual's disability has ceased or until the Secretary believes that such disability has not ceased. In the case of any individual whose disability is subject to determination under an agreement with a State under section 221(b), the Secretary shall promptly notify the appropriate State of his action under this section and shall request a prompt determination of whether such individual's disability has ceased. For purposes of this section, the term "disability" has the meaning assigned to such term in section 223(c)(2). Whenever the benefits of an individual entitled to a disability insurance benefit are suspended for any month, the benefits of any individual entitled thereto under subsection (b), (c), or (d) of section 202, on the basis of the wages and self-employment income of such individual, shall be suspended for such month.

TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

[APPROPRIATIONS

[SECTION 301. For the purpose of assisting the States in the administration of their unemployment compensation laws, there is hereby authorized to be appropriated, for the fiscal year ending June 30, 1936, the sum of \$4,000,000, for each fiscal year thereafter up to and including the fiscal year ending June 30, 1938, the sum of \$49,000,000, and for the fiscal year ending June 30, 1939, and for each fiscal year thereafter, the sum of \$80,000,000, to be used as hereinafter provided.]

APPROPRIATIONS

SEC. 301. The amounts made available pursuant to section 901(c)(1)(A) for the purpose of assisting the States in the administration of their unemployment compensation laws shall be used as hereinafter provided.

* * * * *

PROVISIONS OF STATE LAWS

SEC. 303. (a) The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by him under the Federal Unemployment Tax Act, includes provision for—

(1) Such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary of Labor 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 of Labor to be reasonably calculated to insure full payment of unemployment compensation when due; and

(2) Payments of unemployment compensation solely through public employment offices or such other agencies as the Secretary of Labor may approve; and

(3) Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and

(4) The payment of all money received in the unemployment fund of such State (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 3305(b) of the Federal Unemployment Tax Act), immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and

* * * * *

TITLE V—GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

PART 1—MATERNAL AND CHILD HEALTH SERVICES

APPROPRIATION

SECTION 501. For the purpose of enabling each State to extend and improve, as far as practicable under the conditions in such State, services for promoting the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress, there is hereby authorized to be appropriated for each fiscal year beginning after June 30, **[1958]** 1960, the sum of **[\$21,500,000]** \$25,000,000. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare, State plans for such services.

ALLOTMENTS TO STATES

SEC. 502. (a)(1). **[Executed. Provided for allotting \$7,500,000 for the fiscal year ending June 30, 1951, among the States on the same basis as is provided in paragraph (2).]**

(2) Out of the sums appropriated pursuant to section 501 for each fiscal year beginning after June 30, **[1958]** 1960, the Secretary shall allot **[\$10,750,000]** \$12,500,000 as follows: He shall allot to each

State ~~[\$60,000]~~ \$70,000 (even though the amount appropriated for such year is less than ~~[\$21,500,000]~~ \$25,000,000, and shall allot each State such part of the remainder of the ~~[\$10,750,000]~~ \$12,500,000, as he finds that the number of live births in such State bore to the total number of live births in the United States in the latest calendar year for which the Secretary has available statistics.

(b) Out of the sum appropriated pursuant to section 501 the Secretary shall allot to the States (in addition to the allotments made under subsection (a)) for each fiscal year beginning after June 30, ~~[1958]~~ 1960, the sum of ~~[\$10,750,000]~~ \$12,500,000. Such sums shall be allotted *from time to time* according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of live births in such State; *except that not more than 25 per centum of such sums shall be available for grants to State health agencies (administering or supervising the administration of a State plan approved under section 503), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of maternal and child health.*

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 504 until the end of the second succeeding fiscal year. No payment to a State under section 504 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

APPROVAL OF STATE PLANS

SEC. 503. (a) A State plan for material and child-health services must (1) provide for financial participation by the State; (2) provide for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) provide that the State health 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 he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for the extension and improvement of local maternal and child-health services administered by local child-health units; (6) provide for cooperation with medical, nursing, and welfare groups and organizations; and (7) provide for the development of demonstration services in needy areas and among groups in special need.

(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the State health agency of his approval.

PAYMENT TO STATES

SEC. 504. (a) From the sums appropriated therefor and the allotments available under section 502(a), the Secretary of the Treasury shall pay to each State which has an approved plan for maternal and child-health services, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

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

(1) The Secretary of Health, Education, and Welfare shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Health, Education, and Welfare shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health, Education, and Welfare for such prior quarter.

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

(c) The Secretary of Health, Education, and Welfare shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotments available under section 502 (b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Health, Education, and Welfare. *Payments of grants for special projects under section 502(b) may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants.*

OPERATION OF STATE PLANS

SEC. 505. In the case of any State plan for maternal and child-health services which has been approved by the Secretary of Health,

Education, and Welfare, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 503 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

PART 2—SERVICES FOR CRIPPLED CHILDREN

APPROPRIATION

SEC. 511. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State, services for locating crippled children, and for providing medical, surgical, corrective, and other services and care, and facilities for diagnosis, hospitalization, and aftercare, for children who are crippled or who are suffering from conditions which lead to crippling, there is hereby authorized to be appropriated for each fiscal year beginning after June 30, ~~1958~~ 1960, the sum of ~~[\$20,000,000]~~ \$25,000,000. The sums made available under this section, shall be used for making payments to States which have submitted and had approved by the Secretary of Health, Education, and Welfare, State plans for such services.

ALLOTMENTS TO STATES

SEC. 512. (a) (1) ~~[Executed. Provided for allotting \$6,000,000 for the fiscal year ending June 30, 1951, among the States on the same basis as is provided in paragraph (2).]~~

(2) Out of the sums appropriated pursuant to section 511 for each fiscal year beginning after June 30, ~~1958~~ 1960, the Secretary shall allot ~~[\$10,000,000]~~ \$12,500,000 as follows: He shall allot to each State ~~[\$60,000]~~ \$70,000 (even though the amount appropriated for such year is less than ~~[\$20,000,000]~~ \$25,000,000) and shall allot the remainder of the ~~[\$10,000,000]~~ \$12,500,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

(b) Out of the sums appropriated pursuant to section 511 the Secretary shall allot to the States (in addition to the allotments made under subsection (a)) for each fiscal year beginning after June 30, ~~1958~~ 1960, the sum of ~~[\$10,000,000]~~ \$12,500,000. Such sums shall be allotted *from time to time* according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of crippled children in each State in need of the services referred to in section 511 and the cost of furnishing such services to them ; *except that not more than 25 per centum of such sums shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 513), and to public or other nonprofit*

institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of services for crippled children.

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 514 until the end of the second succeeding fiscal year. No payment to a State under section 514 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

APPROVAL OF STATE PLANS

SEC. 513. (a) A State plan for services for crippled children must (1) provide for financial participation by the State; (2) provide for the administration of the plan by a State agency or the supervision of the administration of the plan by a State agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) 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 he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for carrying out the purposes specified in section 511; and (6) provide for cooperation with medical, health, nursing, and welfare groups and organizations and with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children.

(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the State agency of his approval.

PAYMENT TO STATES

SEC. 514. (a) From the sums appropriated therefor and the allotments available under section 512(a), the Secretary of the Treasury shall pay to each State which has an approved plan for services for crippled children, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

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

(1) The Secretary of Health, Education, and Welfare shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by

the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Health, Education, and Welfare shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health, Education, and Welfare for such prior quarter.

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

(c) The Secretary of Health, Education, and Welfare shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotment available under section 512(b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Health, Education, and Welfare. *Payments of grants for special projects under section 512(b) may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants.*

OPERATION OF STATE PLANS

SEC. 515. In the case of any State plan for services for crippled children which has been approved by the Secretary of Health, Education, and Welfare, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 513 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

PART 3—CHILD-WELFARE SERVICES

APPROPRIATION

SEC. 521. For the purpose of enabling the United States, through the Secretary, to cooperate with State public-welfare agencies in establishing, extending, and strengthening public-welfare services

(hereinafter in this title referred to as "child-welfare services") for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, ~~1959~~ 1961, the sum of ~~[\$17,000,000]~~ \$20,000,000.

ALLOTMENTS TO STATES

SEC. 522. (a) The sums appropriated for each fiscal year under section 521 shall be allotted by the Secretary for use by cooperating State public-welfare agencies which have plans developed jointly by the State agency and the Secretary, as follows: He shall allot to each State such portion of ~~[\$60,000]~~ \$70,000 as the amount appropriated under section 521 for such year bears to the amount authorized to be so appropriated and he shall allot to each State an amount which bears the same ratio to the remainder of the sums so appropriated for such year as the product of (1) the population of such State under the age of 21 and (2) the allotment percentage of such State (as determined under section 524) bears to the sum of the corresponding products of all the States.

(b) (1) If the amount allotted to a State under subsection (a) for any fiscal year is less than such State's base allotment, it shall be increased to such base allotment, the total of the increases thereby required being derived by proportionately reducing the amount allotted under subsection (a) to each of the remaining States, but with such adjustments as may be necessary to prevent the allotment of any such remaining State under subsection (a) from being thereby reduced to less than its base allotment.

(2) For purposes of paragraph (1) the base allotment of any State for any fiscal year means the amount which would be allotted to such State for such year under the provisions of section 521, as in effect prior to the enactment of the Social Security Amendments of 1958, as applied to an appropriation of \$12,000,000.

PAYMENT TO STATES

SEC. 523. (a) From the sums appropriated therefor and the allotment available under this part, the Secretary shall from time to time pay to each State with a plan for child-welfare services developed as provided in this part an amount equal to the Federal share (as determined under section 524) of the total sum expended under such plan (including the cost of administration of the plan) in meeting the costs of district, county, or other local child-welfare services, in developing State services for the encouragement and assistance of adequate methods of community child-welfare organization, in paying the costs of returning any runaway child who has not attained the age of eighteen to his own community in another State, and of maintaining such child until such return (for a period not exceeding fifteen days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child: *Provided*, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the States and local communities as may be authorized by the State.

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

(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of subsection (a).

(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this section was greater or less than the amount which should have been paid thereunder to the State for such prior period.

ALLOTMENT PERCENTAGE AND FEDERAL SHARE

SEC. 524. (a) The "allotment percentage" for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska); except that (A) the allotment percentage shall in no case be less than 30 per centum or more than 70 per centum, and (B) the allotment percentage shall be 50 per centum in the case of Alaska and 70 per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

(b) For the fiscal year ending June 30, 1960, and each year thereafter, the "Federal share" for any State shall be 100 per centum less that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska), except that (1) in no case shall the Federal share be less than 33 $\frac{1}{2}$ per centum or more than 66 $\frac{2}{3}$ per centum, and (2) the Federal share shall be 50 per centum in the case of Alaska and 66 $\frac{2}{3}$ per centum in the case of Puerto Rico, the Virgin Islands, and Guam. For the fiscal year ending June 30, 1959, the Federal share shall be determined pursuant to the provisions of section 521 as in effect prior to the enactment of the Social Security Amendments of 1958.

(c) The Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the continental United States (excluding Alaska) for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation: *Provided*, That the Secretary shall promulgate such Federal shares and allotment percentages as soon as possible after the enactment of the Social Security Amendments of 1958, which promulgation shall be conclusive for each of the 3 fiscal years in the period ending June 30, 1961.

REALLOTMENT

SEC. 525. The amount of any allotment to a State under section 522 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in such section shall be available for reallocation from time to time, on

such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them under that section and (2) will be able to use such excess amounts during such fiscal year. Such reallocations shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallocated to a State shall be deemed part of its allotment under section 522.

RESEARCH OR DEMONSTRATION PROJECTS

SEC. 526. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine for grants by the Secretary to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare.

(b) Payments of grants for special projects under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants.

* * * * *

【TITLE IX—MISCELLANEOUS PROVISIONS RELATING TO EMPLOYMENT SECURITY

【APPROPRIATIONS

【SECTION 901. (a) (1) There are hereby appropriated to the Unemployment Trust Fund, out of any moneys in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1954, and for each fiscal year thereafter, an amount equal to the amount by which—

【(A) 100 per centum of the tax (including interest, penalties, and additions to the tax) received during the fiscal year under the Federal Unemployment Tax Act and covered into the Treasury; exceeds

【(B) the sum of (i) the employment security administrative expenditures for such year, (ii) the refunds of such tax (including interest on such refunds) made during such fiscal year, and (iii) the amounts appropriated by section 1202(b) for such fiscal year.

【(2) The amount appropriated by paragraph (1) for any fiscal year shall be transferred from the general fund in the Treasury to the Unemployment Trust Fund at the close of such fiscal year. Each such transfer shall be based on estimates made by the Secretary of the Treasury as of the close of such fiscal year, but proper adjustment shall be made in the amount transferred at the close of the succeeding

fiscal year to the extent that such estimates prove to be erroneous. The Secretary of the Treasury shall make his estimate of those employment security administrative expenditures for any fiscal year which are described in subsection (b)(1) only after consultation with the Secretary of Labor.

[(b) For the purposes of subsection (a), the term "employment security administrative expenditures" means, in the case of any fiscal year, the sum of—

[(1) the aggregate of the amounts expended during the fiscal year for the purpose of assisting the States in (A) the administration of their unemployment compensation laws (including administration pursuant to agreements under title IV of the Veterans' Readjustment Assistance Act of 1952), (B) the establishment and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U.S.C., sec. 49-49n), and (C) carrying into effect section 602 of the Servicemen's Readjustment Act of 1944, as amended; and

[(2) the amount estimated by the Secretary of Labor as equal to the necessary expenses incurred during the fiscal year for the performance by the Department of Labor of its functions (except its functions with respect to Puerto Rico and the Virgin Islands) under (i) this title and titles III and XII of this Act, (ii) the Federal Unemployment Tax Act, (iii) the provisions of the Act of June 6, 1933, as amended, (iv) title IV (except section 602) of the Servicemen's Readjustment Act of 1944, as amended, and (v) title IV of the Veterans' Readjustment Act of 1952; and

[(3) the amount estimated by the Secretary of the Treasury as equal to the necessary expenses incurred during the fiscal year for the performance by the Department of the Treasury of its functions under this title and titles III and XII of this Act and under the Federal Unemployment Tax Act.]

TITLE IX—MISCELLANEOUS PROVISIONS RELATING TO EMPLOYMENT SECURITY

EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

Establishment of Account

SEC. 901. (a) There is hereby established in the Unemployment Trust Fund an employment security administration account.

Appropriations to Account

(b)(1) There is hereby appropriated to the Unemployment Trust Fund for credit to the employment security administration account, out of any moneys in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1961, and for each fiscal year thereafter, an amount equal to 100 per centum of the tax (including interest, penalties, and additions to the tax) received during the fiscal year under the Federal Unemployment Tax Act and covered into the Treasury.

(2) The amount appropriated by paragraph (1) shall be transferred at least monthly from the general fund of the Treasury to the Unemployment Trust Fund and credited to the employment security administra-

tion account. Each such transfer shall be based on estimates made by the Secretary of the Treasury of the amounts received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred, to the extent prior estimates (including estimates for the fiscal year ending June 30, 1960) were in excess of or were less than the amounts required to be transferred.

(3) The Secretary of the Treasury is directed to pay from time to time from the employment security administration account into the Treasury, as repayments to the account for refunding internal revenue collections, amounts equal to all refunds made after June 30, 1960, of amounts received as tax under the Federal Unemployment Tax Act (including interest on such refunds).

Administrative Expenditures

(c)(1) There are hereby authorized to be made available for expenditure out of the employment security administration account for the fiscal year ending June 30, 1961, and for each fiscal year thereafter—

(A) such amounts (not in excess of \$350,000,000 for any fiscal year) as the Congress may deem appropriate for the purpose of—

(i) assisting the States in the administration of their unemployment compensation laws as provided in title III (including administration pursuant to agreements under any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended),

(ii) the establishment and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U.S.C., secs. 49-49n), and

(iii) carrying into effect section 2012 of title 38 of the United States Code;

(B) such amounts as the Congress may deem appropriate for the necessary expenses of the Department of Labor for the performance of its functions under—

(i) this title and titles III and XII of this Act,

(ii) the Federal Unemployment Tax Act,

(iii) the provisions of the Act of June 6, 1933, as amended,

(iv) subchapter II of chapter 41 (except section 2012) of title 38 of the United States Code, and

(v) any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended.

(2) The Secretary of the Treasury is directed to pay from the employment security administration account into the Treasury as miscellaneous receipts the amount estimated by him which will be expended during a three-month period by the Treasury Department for the performance of its functions under—

(A) this title and titles III and XII of this Act, including the expenses of banks for servicing unemployment benefit payment and clearing accounts which are offset by the maintenance of balances of Treasury funds with such banks,

(B) the Federal Unemployment Tax Act, and

(C) any Federal unemployment compensation law with respect to which responsibility for administration is vested in the Secretary of Labor.

In determining the expenses taken into account under subparagraphs (B) and (C), there shall be excluded any amount attributable to the Temporary Unemployment Compensation Act of 1958, as amended. If it subsequently appears that the estimates under this paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Secretary of the Treasury in future payments.

Additional Tax Attributable to Reduced Credits

(d)(1) The Secretary of the Treasury is directed to transfer from the employment security administration account—

(A) To the Federal unemployment account, an amount equal to the amount by which—

(i) 100 per centum of the additional tax received under the Federal Unemployment Tax Act with respect to any State by reason of the reduced credits provision of section 3302(c)(2) or (3) of such Act and covered into the Treasury for the repayment of advances made to the State under section 1201, exceeds

(ii) the amount transferred to the account of such State pursuant to subparagraph (B) of this paragraph.

Any amount transferred pursuant to this subparagraph shall be credited against, and shall operate to reduce, that balance of advances made under section 1201 to the State with respect to which employers paid such additional tax.

(B) To the account (in the Unemployment Trust Fund) of the State with respect to which employers paid such additional tax, an amount equal to the amount by which such additional tax received and covered into the Treasury exceeds that balance of advances, made under section 1201 to the State, with respect to which employers paid such additional tax.

If, for any taxable year, there is with respect to any State both a balance described in section 3302(c)(2) of the Federal Unemployment Tax Act and a balance described in section 3302(c)(3) of such Act, this paragraph shall be applied separately with respect to section 3302(c)(2) (and the balance described therein) and separately with respect to section 3302(c)(3) (and the balance described therein).

(2) The Secretary of the Treasury is directed to transfer from the employment security administration account—

(A) To the general fund of the Treasury, an amount equal to the amount by which—

(i) 100 per centum of the additional tax received under the Federal Unemployment Tax Act with respect to any State by reason of the reduced credit provision of section 104 of the Temporary Unemployment Compensation Act of 1958, as amended, and covered into the Treasury, exceeds

(ii) the amount transferred to the account of such State pursuant to subparagraph (B) of this paragraph.

(B) To the account (in the Unemployment Trust Fund) of the State with respect to which employers paid such additional tax, an amount equal to the amount by which—

(i) such additional tax received and covered into the Treasury, exceeds

(ii) the total amount restorable to the Treasury under section 104 of the Temporary Unemployment Compensation Act of 1958, as amended, as limited by Public Law 85-457.

(3) *Transfers under this subsection shall be as of the beginning of the month succeeding the month in which the moneys were credited to the employment security administration account pursuant to subsection (b)(2).*

Revolving Fund

(e)(1) *There is hereby established in the Treasury a revolving fund which shall be available to make the advances authorized by this subsection. There are hereby authorized to be appropriated, without fiscal year limitation, to such revolving fund such amounts as may be necessary for the purposes of this section.*

(2) *The Secretary of the Treasury is directed to advance from time to time from the revolving fund to the employment security administration account such amounts as may be necessary for the purposes of this section. If the net balance in the employment security administration account as of the beginning of any fiscal year is \$250,000,000, no advance may be made under this subsection during such fiscal year.*

(3) *Advances to the employment security administration account made under this subsection shall bear interest until repaid at a rate equal to the average rate of interest (computed as of the end of the calendar month next preceding the date of such advance) borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.*

(4) *Advances to the employment security administration account made under this subsection, plus interest accrued thereon, shall be repaid by the transfer from time to time, from the employment security administration account to the revolving fund, of such amounts as the Secretary of the Treasury, in consultation with the Secretary of Labor, determines to be available in the employment security administration account for such repayment. Any amount transferred as a repayment under this paragraph shall be credited against, and shall operate to reduce, any balance of advance (plus accrued interest) repayable under this subsection.*

Determination of Excess and Amount To Be Retained in Employment Security Administration Account

(f)(1) *The Secretary of the Treasury shall determine as of the close of each fiscal year (beginning with the fiscal year ending June 30, 1961) the excess in the employment security administration account.*

(2) *The excess in the employment security administration account as of the close of any fiscal year is the amount by which the net balance in such account as of such time (after the application of section 902(b)) exceeds the net balance in the employment security administration account as of the beginning of that fiscal year (including the fiscal year for which the excess is being computed) for which the net balance was higher than as of the beginning of any other such fiscal year.*

(3) *If the entire amount of the excess determined under paragraph (1) as of the close of any fiscal year is not transferred to the Federal unemployment account, there shall be retained (as of the beginning of the succeeding fiscal year) in the employment security administration account so much of the remainder as does not increase the net balance in such account (as of the beginning of such succeeding fiscal year) above \$250,000,000.*

(4) *For the purposes of this section, the net balance in the employment security administration account as of any time is the amount in such account as of such time reduced by the sum of—*

(A) *the amounts then subject to transfer pursuant to subsection (d), and*

(B) *the balance of advances (plus interest accrued thereon) then repayable to the revolving fund established by subsection (e).*

The net balance in the employment security administration account as of the beginning of any fiscal year shall be determined after the disposition of the excess in such account as of the close of the preceding fiscal year.

AMOUNTS CREDITED TO FEDERAL UNEMPLOYMENT ACCOUNT

SEC. 902. Whenever any amount is transferred to the Unemployment Trust Fund under section 901(a), there shall be credited (as of the beginning of the succeeding fiscal year) to the Federal unemployment account so much of such amount as equals whichever of the following is the lesser:

(1) The total amount so transferred; or

(2) The amount by which \$200,000,000 exceeds the adjusted balance in the Federal unemployment account at the close of the fiscal year for which the transfer is made.

For the purposes of the preceding sentence, the term "adjusted balance" means the amount by which the balance in the Federal unemployment account exceeds the sum of the outstanding advances under section 1202(c) to the Federal unemployment account.]

TRANSFERS BETWEEN FEDERAL UNEMPLOYMENT ACCOUNT AND EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

Transfers to Federal Unemployment Account

SEC. 902. (a) *Whenever the Secretary of the Treasury determines, pursuant to section 901(f) that there is an excess in the employment security administration account as of the close of any fiscal year, there shall be transferred (as of the beginning of the succeeding fiscal year) to the Federal unemployment account the total amount of such excess or so much thereof as is required to increase the amount in the Federal unemployment account to whichever of the following is the greater:*

(1) \$550,000,000, or

(2) *The amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to four-tenths of 1 per centum of the total wages subject to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined.*

Transfers to Employment Security Administration Account

(b) *The amount, if any, by which the amount in the Federal unemployment account as of the close of any fiscal year exceeds the greater of the amounts specified in paragraphs (1) and (2) of subsection (a) shall be transferred to the employment security administration account as of the close of such fiscal year.*

[AMOUNTS CREDITED TO STATES' ACCOUNTS]

[SEC. 903. (a) So much of any amount transferred to the Unemployment Trust Fund at the close of any fiscal year under section 901(a) as is not credited to the Federal unemployment account under section 902 shall be credited (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund. Each State's share of the funds to be credited under this subsection as of any July 1 shall be determined by the Secretary of Labor and certified by him to the Secretary of the Treasury on or before that date on the basis of reports furnished by the States to the Secretary of Labor by June 1 and shall bear the same ratio to the total amount to be so credited as the amount of wages subject to contributions under such State unemployment compensation law during the preceding calendar year which have been reported to the State by May 1 bears to the total of wages subject to contributions under all State compensation laws during such calendar year which have been reported to the States by such May 1.]

AMOUNTS TRANSFERRED TO STATE ACCOUNTS

In General

SEC. 903. (a)(1) *Except as provided in subsection (b), whenever, after the application of section 1203 with respect to the excess in the employment security administration account as of the close of any fiscal year, there remains any portion of such excess, the remainder of such excess shall be transferred (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund.*

(2) *Each State's share of the funds to be transferred under this subsection as of any July 1—*

(A) *shall be determined by the Secretary of Labor and certified by him to the Secretary of the Treasury before that date on the basis of reports furnished by the States to the Secretary of Labor before June 1, and*

(B) *shall bear the same ratio to the total amount to be so transferred as the amount of wages subject to contributions under such State's unemployment compensation law during the preceding calendar year which have been reported to the State before May 1 bears to the total of wages subject to contributions under all State unemployment compensation laws during such calendar year which have been reported to the States before May 1.*

Limitations on Transfers

(b)(1) If the Secretary of Labor finds that on July 1 of any fiscal year—

[(1)](A) a State is not eligible for certification under section 303, or

[(2)](B) the law of a State is not approvable under section 3304 of the Federal Unemployment Tax Act,

then the amount available for [crediting] transfer to such State's account shall, in lieu of being so [credited] transferred, be [credited] transferred to the Federal unemployment account as of the beginning

of such July 1. If, during the fiscal year beginning on such July 1, the Secretary of Labor finds and certifies to the Secretary of the Treasury that such State is eligible for certification under section 303, that the law of such State is approvable under *such* section 3304, or both, the Secretary of the Treasury shall transfer such amount from the Federal unemployment account to the account of such State. If the Secretary of Labor does not so find and certify to the Secretary of the Treasury before the close of such fiscal year then the amount which was available for **[credit]** *transfer* to such State's account as of July 1 of such fiscal year shall (as of the close of such fiscal year) become unrestricted as to use as part of the Federal unemployment account.

(2) *The amount which, but for this paragraph, would be transferred to the account of a State under subsection (a) or paragraph (1) of this subsection shall be reduced (but not below zero) by the balance of advances made to the State under section 1201. The sum by which such amount is reduced shall—*

(A) *be transferred to or retained in (as the case may be) the Federal unemployment account, and*

(B) *be credited against, and operate to reduce—*

(i) *first, any balance of advances made before the date of the enactment of the Employment Security Act of 1960 to the State under section 1201, and*

(ii) *second, any balance of advances made on or after such date to the State under section 1201.*

Use of Transferred Amounts

(c)(1) **[Amounts credited]** *Except as provided in paragraph (2), amounts transferred to the account of a State pursuant to [subsection (a)] subsections (a) and (b) shall[, except as provided in paragraph (2),]* be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

(2) A State may, pursuant to a specific appropriation made by the legislative body of the State, use money withdrawn from its account in the payment of expenses incurred by it for the administration of its unemployment compensation law and public employment offices if and only if—

(A) the purposes and amounts were specified in the law making the appropriation,

(B) the appropriation law did not authorize the **[expenditure]** *obligation* of such money after the close of the two-year period which began on the date of enactment of the appropriation law,

(C) the money is withdrawn and the expenses are incurred after such date of enactment, and

(D) the appropriation law limits the total amount which may be **[so used]** *obligated* during a fiscal year to an amount which does not exceed the amount by which (i) the aggregate of the amounts **[credited]** *transferred* to the account of such State pursuant to **[subsection (a)] subsections (a) and (b)** during such fiscal year and the four preceding fiscal years, exceeds (ii) the aggregate of the amounts used by the State pursuant to this **[paragraph]** *subsection* and charged against the amounts **[credited]** *transferred* to the account of such State during such five fiscal years.

For the purposes of subparagraph (D), amounts used by a State during any fiscal year shall be charged against equivalent amounts which were first [credited] *transferred* and which have not previously been so charged; except that no amount [used] *obligated for administration* during any fiscal year may be charged against any amount [credited] *transferred* during a fiscal year earlier than the fourth preceding fiscal year.

UNEMPLOYMENT TRUST FUND

Establishment, etc.

SEC. 904. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the "Unemployment Trust Fund", hereinafter in this title called the "Fund". The Secretary of the Treasury is authorized and directed to receive and hold in the Fund all moneys deposited therein by a State agency from a State unemployment fund, or by the Railroad Retirement Board to the credit of the railroad unemployment insurance account or the railroad unemployment insurance administration fund, or otherwise deposited in or credited to the Fund or any account therein. Such deposit may be made directly with the Secretary of the Treasury, *with any depository designated by him for such purpose*, or with any Federal Reserve Bank [or member bank of the Federal Reserve system designated by him for such purpose].

Investments

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at [par] *the issue price*, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Obligations other than such special obligations may be acquired for the Fund only on such terms as to provide an investment yield not less than the yield which would be required in the case of special obligations if issued to the Fund upon the date of such acquisition. Advances *made* to the Federal unemployment account pursuant to section [1201(c)] *1203* shall not be invested.

Sale or Redemption of Obligations

(c) Any obligations acquired by the Fund (except special obligations issued exclusively to the Fund) may be sold at the market price, and such special obligations may be redeemed at par plus accrued interest.

Treatment of Interest and Proceeds

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to and form a part of the Fund.

Separate Book Accounts

(e) The Fund shall be invested as a single fund, but the Secretary of the Treasury shall maintain a separate book account for each State agency, *the employment security administration account*, the Federal unemployment account, the railroad unemployment insurance account, and the railroad unemployment insurance administration fund and shall credit quarterly (on March 31, June 30, September 30, and December 31, of each year [,]) to each account, on the basis of the average daily balance of such account, a proportionate part of the earnings of the Fund for the quarter ending on each date. For the purpose of this subsection, the average daily balance shall be computed—

(1) in the case of any State account, by reducing (but not below zero) the amount in the account by [the aggregate of the outstanding advances under section 1201 from the Federal unemployment account, and] *the balance of advances made to the State under section 1201, and*

[(2) in the case of the Federal unemployment account, (A) by adding to the amount in the account the aggregate of the reductions under paragraph (1), and (B) by subtracting from the sum so obtained the aggregate of the outstanding advances from the Treasury to the account pursuant to section 1202(c).]

(2) *in the case of the Federal unemployment account—*

(A) *by adding to the amount in the account the aggregate of the reductions under paragraph (1), and*

(B) *by subtracting from the sum so obtained the balance of advances made under section 1203 to the account.*

Payments to State Agencies and Railroad Retirement Board

(f) The Secretary of the Treasury is authorized and directed to pay out of the Fund to any State agency such amount as it may duly requisition, not exceeding the amount standing to the account of such State agency at the time of such payment. The Secretary of the Treasury is authorized and directed to make such payments out of the railroad unemployment insurance account for the payment of benefits and out of the railroad unemployment insurance administration fund for the payment of administrative expenses, as the Railroad Retirement Board may duly certify, not exceeding the amount standing to the credit of such account or such fund, as the case may be, at the time of such payment.

Federal Unemployment Account

[(h)] (g) There is hereby established in the Unemployment Trust Fund a Federal unemployment account. There is hereby authorized to be appropriated to such Federal unemployment account a sum equal to (1) the excess of taxes collected prior to July 1, 1946, under title IX of this Act or under the Federal Unemployment Tax Act

over the total unemployment administrative expenditures made prior to July 1, 1946, plus (2) the excess of taxes collected under the Federal Unemployment Tax Act after June 30, 1946, and prior to July 1, 1953, over the unemployment administrative expenditures made after June 30, 1946, and prior to July 1, 1953. As used in this subsection, the term "unemployment administrative expenditures" means expenditures for grants under title III of this Act, expenditures for the administration of that title by the *Social Security Board*, the *Federal Security Administrator*, or the Secretary of Labor, and expenditures for the administration of title IX of this Act, or of the Federal Unemployment Tax Act by the Department of the Treasury, the *Social Security Board*, the *Federal Security Administrator*, or the Secretary of Labor. For the purposes of this subsection, there shall be deducted from the total amount of taxes collected prior to July 1, 1943, under title IX of this Act, the sum of \$40,561,886.43 which was authorized to be appropriated by the Act of August 24, 1937 (50 Stat. 754), and the sum of \$18,451,846 which was authorized to be appropriated by section 11(b) of the Railroad Unemployment Insurance Act.

* * * * *

TITLE XI—GENERAL PROVISIONS

DEFINITIONS

SECTION 1101. (a) When used in this Act—

(1) The term "State", *except where otherwise provided*, includes [Alaska, Hawaii, and] the District of Columbia *and the Commonwealth of Puerto Rico*, and when used in titles I, IV, V, VII, X, [and XIV] XIV, *and XVI* includes [Puerto Rico,] the Virgin Islands and Guam.¹

(2) The term "United States" when used in a geographical sense means, *except where otherwise provided*, the States, [Alaska, Hawaii, and] the District of Columbia, *and the Commonwealth of Puerto Rico*.

(3) The term "person" means an individual, a trust or estate, a partnership, or a corporation.

(4) The term "corporation" includes associations, joint-stock companies, and insurance companies.

(5) The term "shareholder" includes a member in an association, joint-stock company, or insurance company.

(6) The term "Secretary", *except when the context otherwise requires*, means the Secretary of Health, Education, and Welfare.

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

(8) (A) The "Federal percentage" for any State (other than Puerto Rico, the Virgin Islands, and Guam) shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the square of the per capita income of such State bears to the square of the per capita income of the continental United States

¹ These changes are effective January 1, 1961, except that the addition of the reference to title XVI is not effective until July 1, 1961.

(excluding Alaska); except that (i) the Federal percentage shall in no case be less than 50 per centum or more than 65 per centum, and (ii) the Federal percentage shall be 50 per centum for Alaska and Hawaii.

(B) The Federal percentage for each State (other than Puerto Rico, the Virgin Islands, and Guam) shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the continental United States (excluding Alaska) for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the eight quarters in the period beginning July 1 next succeeding such promulgation: *Provided*, That the Secretary shall promulgate such percentage as soon as possible after the enactment of the Social Security Amendments of 1958, which promulgation shall be conclusive for each of the eleven quarters in the period beginning October 1, 1958, and ending with the close of June 30, 1961.

(b) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(c) Whenever under this Act or any Act of Congress, or under the law of any State, an employer is required or permitted to deduct any amount from the remuneration of an employee and to pay the amount deducted to the United States, a State, or any political subdivision thereof, then for the purposes of this Act the amount so deducted shall be considered to have been paid to the employee at the time of such deduction.

(d) Nothing in this Act shall be construed as authorizing any Federal official, agent, or representative, in carrying out any of the provisions of this Act, to take charge of any child over the objection of either of the parents of such child, or of the person standing in loco parentis to such child.

RULES AND REGULATIONS

SEC. 1102. The Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare, respectively, shall make and publish such rules and regulations, not inconsistent with this Act, as may be necessary to the efficient administration of the functions with which each is charged under this Act.

SEPARABILITY

SEC. 1103. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected thereby.

RESERVATION OF POWER

SEC. 1104. The right to alter, amend, or repeal any provision of this Act is hereby reserved to the Congress.

SHORT TITLE

SEC. 1105. This Act may be cited as the "Social Security Act."

DISCLOSURE OF INFORMATION IN POSSESSION OF DEPARTMENT

SEC. 1106. (a) No disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code of 1939, or under chapter 2 or 21 or, pursuant thereto, under subtitle F of the Internal Revenue Code of 1954, or under regulations made under authority thereof, which has been transmitted to the Secretary of Health, Education, and Welfare by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Secretary or by any officer or employee of the Department of Health, Education, and Welfare in the course of discharging the duties of the Secretary under this Act, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Secretary or from any officer or employee of the Department of Health, Education, and Welfare, shall be made except as the Secretary may by regulations prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

(b) Requests for information, disclosure of which is authorized by regulations prescribed pursuant to subsection (a) of this section, and requests for services, may, subject to such limitations as may be prescribed by the Secretary to avoid undue interference with his functions under this Act, be complied with if the agency, person, or organization making the request agrees to pay for the information or services requested in such amount, if any (not exceeding the cost of furnishing the information or services), as may be determined by the Secretary. Payments for information or services furnished pursuant to this section shall be made in advance or by way of reimbursement, as may be requested by the Secretary, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund) for the unit or units of the Department of Health, Education, and Welfare which furnished the information or services.

PENALTY FOR FRAUD

SEC. 1107. (a) Whoever, with the intent to defraud any person, shall make or cause to be made any false representation concerning the requirements of this Act, subchapter E of chapter 1 or subchapter A, C, or E of chapter 9 of the Internal Revenue Code of 1939, or chapter 2, 21, or 23 or section 6011(a), 6017, or 6051(a) of the Internal Revenue Code of 1954 or of any rules or regulations issued thereunder, knowing such representations to be false, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

(b) Whoever, with the intent to elicit information as to the date of birth, employment, wages, or benefits of any individual (1) falsely represents to the Secretary of Health, Education, and Welfare that he is such individual, or the wife, husband, widow, widower, former wife divorced, child, or parent of such individual, or the duly authorized agent of such individual, or of the wife, husband, widow, widower, former wife divorced, child, or parent of such individual, or (2) falsely represents to any person that he is an employee or agent of the United States, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND
GUAM

SEC. 1108. The total amount certified by the Secretary of Health, Education, and Welfare under titles I, IV, X, and XIV, for payment to Puerto Rico with respect to any fiscal year shall not exceed \$8,500,000; the total amount certified by the Secretary under such titles for payment to the Virgin Islands with respect to any fiscal year shall not exceed \$300,000; and the total amount certified by the Secretary under such titles for payment to Guam with respect to any fiscal year shall not exceed \$400,000. Notwithstanding the provisions of sections 502(a)(2), 512(a)(2), and 522(a), and until such time as Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the \$60,000, \$60,000, and \$60,000, respectively, specified in such sections, allot such smaller amounts to Guam as he may deem appropriate.

EARNED INCOME OF BLIND RECIPIENTS

SEC. 1109. Notwithstanding the provisions of sections 2(a)(7), 402(a)(7), 1002(a)(8), and 1402(a)(8), a State plan approved under title I, IV, X, or XIV may until June 30, 1954, and thereafter shall provide that where earned income has been disregarded in determining the need of an individual receiving aid to the blind under a State plan approved under title X, the earned income so disregarded (but not in excess of the amount specified in section 1002(a)(8)) shall not be taken into consideration in determining the need of any other individual for assistance under a State plan approved under title I, IV, X, or XIV.

COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

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

ments with States and public and other nonprofit organizations and agencies for the conduct of research or demonstration projects relating to such matters.

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

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

PUBLIC ASSISTANCE PAYMENTS TO LEGAL REPRESENTATIVES

SEC. 1111. For purposes of titles I, IV, X, and XIV, payments on behalf of an individual, made to another person who has been judicially appointed, under the law of the State in which such individual resides, as legal representative of such individual for the purpose of receiving and managing such payments (whether or not he is such individual's legal representative for other purposes), shall be regarded as money payments to such individual.

MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSISTANCE AND MEDICAL SERVICES FOR THE AGED

SEC. 1112. *In order to assist the States to extend the scope and content, and improve the quality, of medical care and medical services for which payments are made to or on behalf of needy and low-income individuals under this Act and in order to promote better public understanding about medical care and medical services for needy and low-income individuals, the Secretary shall develop and revise from time to time guides or recommended standards as to the level, content, and quality of medical care and medical services for the use of the States in evaluating and improving their public assistance medical care programs and their programs of medical services for the aged; shall secure periodic reports from the States on items included in, and the quantity of, medical care and medical services for which expenditures under such programs are made; and shall from time to time publish data secured from these reports and other information necessary to carry out the purposes of this section.*

TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

SECTION 1201. (a) If—

(1) the balance in the unemployment fund of a State in the Unemployment Trust Fund at the close of September 30, 1953, or at the close of the last day in any ensuing calendar quarter, is less than the total compensation paid out under the unemployment compensation law of such State during the twelve-month period ending at the close of such day;

[(2) the Governor of such State applies to the Secretary of Labor during the calendar quarter following such day for an advance under this subsection; and

[(3) the Secretary of Labor finds that the conditions specified in paragraphs (1) and (2) have been met.

the Secretary of Labor shall certify to the Secretary of the Treasury such amounts as may be specified in the application of the Governor, but the aggregate of the amounts so certified pursuant to any such application shall not exceed the highest total compensation paid out under the unemployment compensation law of such State during any one of the four calendar quarters preceding the quarter in which such application was made. For the purposes of this subsection, (A) the application shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under this title, and (B) the term "compensation" means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.]

ADVANCES TO STATE UNEMPLOYMENT FUNDS

SEC. 1201. (a) (1) Advances shall be made to the States from the Federal unemployment account in the Unemployment Trust Fund as provided in this section, and shall be repayable, without interest, in the manner provided in sections 901(d)(1), 903(b)(2), and 1202. An advance to a State for the payment of compensation in any month may be made if—

(A) the Governor of the State applies therefor no earlier than the first day of the preceding month, and

(B) he furnishes to the Secretary of Labor his estimate of the amount of an advance which will be required by the State for the payment of compensation in such month.

(2) In the case of any application for an advance under this section to any State for any month, the Secretary of Labor shall—

(A) determine the amount (if any) which he finds will be required by such State for the payment of compensation in such month, and

(B) certify to the Secretary of the Treasury the amount (not greater than the amount estimated by the Governor of the State) determined under subparagraph (A).

The aggregate of the amounts certified by the Secretary of Labor with respect to any month shall not exceed the amount which the Secretary of the Treasury reports to the Secretary of Labor is available in the Federal unemployment account for advances with respect to such month.

(3) For purposes of this subsection—

(A) an application for an advance shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under this title,

(B) the amount required by any State for the payment of compensation in any month shall be determined with due allowance for contingencies and taking into account all other amounts that will be

available in the State's unemployment fund for the payment of compensation in such month, and

“(C) the term ‘compensation’ means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.

(b) The Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of **[any]** the State in the Unemployment Trust Fund, the **[amounts]** amount certified under subsection (a) by the Secretary of Labor (but not exceeding that portion of the balance in the Federal unemployment account at the time of **[such]** the transfer which is not restricted as to use pursuant to section 903(b)(1)). **[Any amount so transferred shall be an advance which shall be repaid (without interest) by the State to the Federal unemployment account in the manner provided in subsections (a) and (b)(1) of section 1202.]**

REPAYMENT OF STATES OF ADVANCES TO STATE UNEMPLOYMENT FUNDS

SEC. 1202. **[a]** The Governor of any State may at any time request that funds be transferred from the account of such State to the Federal unemployment account in repayment of part or all of **[any remaining]** that balance of advances made to such State under section 1201, *specified in the request.* The Secretary of Labor shall certify to the Secretary of the Treasury the amount **[stated]** and balance *specified in [such] the request;* and the Secretary of the Treasury shall promptly transfer such amount *in reduction of such balance.*

[(b)(1)] There are hereby appropriated to the Unemployment Trust Fund for credit to the Federal unemployment account, out of any moneys in the Treasury not otherwise appropriated, amounts equal to the amounts by which (A) 100 per centum of the additional tax received under the Federal Unemployment Tax Act by reason of the reduced credits provision of section 3302(c)(2) of such Act and covered into the Treasury, exceeds (B) the amounts appropriated by paragraph (2). Any amount so appropriated shall be credited against, and shall operate to reduce, the remaining balance of advances under section 1201 to the State with respect to which employers paid such additional tax.

[(2)] Whenever the amount of such additional tax paid, received, and covered into the Treasury exceeds the remaining balance of advances under section 1201 to the State, there is hereby appropriated to the Unemployment Trust Fund for credit to the account of such State out of any moneys in the Treasury not otherwise appropriated, an amount equal to such excess.

[(3)] The amounts appropriated by paragraphs (1) and (2) shall be transferred at the close of the month in which the moneys were covered into the Treasury to the Unemployment Trust Fund for credit to the Federal unemployment account or to the account of the State, as the case may be, as of the first day of the succeeding month.]

ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

[(c)] SEC. 1203. There are hereby authorized to be appropriated to the Federal unemployment account, as repayable advances (with-

out interest), such sums as may be necessary to carry out the purposes of this title. *Whenever, after the application of section 901(f)(3) with respect to the excess in the employment security administration account as of the close of any fiscal year, there remains any portion of such excess, so much of such remainder as does not exceed the balance of advances made pursuant to this section shall be transferred to the general fund of the Treasury and shall be credited against, and shall operate to reduce, such balance of advances.*

DEFINITION OF GOVERNOR

SEC. [1203] 1204. When used in this title, the term "Governor" [shall include] *includes* the Commissioners of the District of Columbia.

* * * * *

TITLE XV—UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES AND THE EX-SERVICEMEN'S UNEMPLOYMENT COMPENSATION PROGRAM

DEFINITIONS

SECTION 150. When used in this title—

(a) The term "Federal service" means any service performed after 1952 in the employ of the United States or any instrumentality thereof which is wholly or *partially* owned by the United States, except that the term does not include service (other than service to which section 1511 applies) performed—

(1) by an elective officer in the executive or legislative branch of the Government of the United States;

(2) as a member of the Armed Forces of the United States;

(3) by foreign service personnel for whom special separation allowances are provided by the Foreign Service Act of 1946 (60 Stat. 999);

(4) prior to January 1, 1955, for the Bonneville Power Administrator if such service constitutes employment under section 1607 (m) of the Internal Revenue Code of 1939;

(5) outside the United States by an individual who is not a citizen of the United States;

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

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

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

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

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

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

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

(13) by an officer or a member of the crew on or in connection with an American vessel (A) owned by or bareboat chartered to the United States and (B) whose business is conducted by a general agent of the Secretary of Commerce, if contributions on account of such service are required to be made to an unemployment fund under a State unemployment compensation law pursuant to section 1606(g) of the Internal Revenue Code of 1939 or section 3305(g) of the Internal Revenue Code of 1954.

For the purpose of paragraph (5) of this subsection, the term "United States" when used in [a] the geographical sense means the States, [Alaska, Hawaii,] the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands.

* * * * *

COMPENSATION FOR FEDERAL EMPLOYEES UNDER STATE AGREEMENTS

SEC. 1502. (a) The Secretary is authorized on behalf of the United States to enter into an agreement with any State, or with the agency administering the unemployment compensation law of such State, under which such State agency (1) will make, as agent of the United States, payments of compensation, on the basis provided in subsection (b) of this section, to Federal employees, and (2) will otherwise cooperate with the Secretary and with other State agencies in making payments of compensation under this title.

[(b) Any] (b)(1) *Except as provided in paragraph (2), any*¹ such agreement shall provide that compensation will be paid by the State to any Federal employee, with respect to unemployment after December 31, 1954, in the same amount, on the same terms, and subject to the same conditions as the compensation which would be payable to such employee under the unemployment compensation law of the State if the Federal service and Federal wages of such employee assigned to such State under section 1504 had been included as employment and wages under such law.

(2) *In the case of the Commonwealth of Puerto Rico, the agreement shall provide that compensation will be paid by the Commonwealth of Puerto Rico to any Federal employee whose Federal service and Federal wages are assigned under section 1504 to such Commonwealth, with respect to unemployment after December 31, 1956 (but only in the case of weeks of unemployment beginning before January 1, 1966), in the same amount, on the same terms, and subject to the same conditions as the compensation which would be payable to such employee under the unemployment compensation law of the District of Columbia if such employee's Federal service and Federal wages had been included as employment and wages under such law, except that if such employee, without regard to his Federal service and Federal wages, has employment or wages sufficient to qualify for any compensation during the benefit*

¹ This change in the law will apply on and after January 1, 1961, but only in the case of weeks of unemployment beginning before January 1, 1966.

*year under such law, then payments of compensation under this subsection shall be made on the basis of his Federal service and Federal wages. In applying this paragraph or subsection (b) of section 1503, as the case may be, employment and wages under the unemployment compensation law of the Commonwealth of Puerto Rico shall not be combined with Federal service or Federal wages.*¹

COMPENSATION FOR FEDERAL EMPLOYEES IN ABSENCE OF STATE
AGREEMENT

SEC. 1503. (a) In the case of a Federal employee whose Federal service and Federal wages are assigned under section 1504 to a State which does not have an agreement under this title with the Secretary, the Secretary, in accordance with regulations prescribed by him, shall, upon the filing by such employee of a claim for compensation under this subsection, make payments of compensation to him with respect to unemployment after December 31, 1954, in the same amounts, on the same terms, and subject to the same conditions as would be paid to him under the unemployment compensation law of such State if such employee's Federal service and Federal wages had been included as employment and wages under such law, except that if such employee, without regard to his Federal service and Federal wages, has employment or wages sufficient to qualify for any compensation during the benefit year under the law of such State, then payments of compensation under this subsection shall be made only on the basis of his Federal service and Federal wages. *For the purposes of this subsection, the term "State" does not include the Commonwealth of Puerto Rico.*¹

(b) In the case of a Federal employee whose Federal service and Federal wages are assigned under section 1504 to [Puerto Rico or]² the Virgin Islands, the Secretary, in accordance with regulations prescribed by him, shall, upon the filing by such employee of a claim for compensation under this subsection, make payments of compensation to him with respect to unemployment after December 31, 1954, in the same amounts, on the same terms, and subject to the same conditions as would be paid to him under the unemployment compensation law of the District of Columbia if such employee's Federal service and Federal wages had been included as employment and wages under such law, except that if such employee, without regard to his Federal service and Federal wages, has employment or wages sufficient to qualify for any compensation during the benefit year under such law, then payments of compensation under this subsection shall be made only on the basis of his Federal service and Federal wages. *This subsection shall apply in respect of the Commonwealth of Puerto Rico only if such Commonwealth does not have an agreement under this title with the Secretary.*¹

* * * * *

(d) The Secretary may utilize for the purposes of this section the personnel and facilities of the [agencies] agency in [Puerto Rico and] the Virgin Islands cooperating with the United States Employment Service under the Act of June 6, 1933 (48 Stat. 113), as amended, and

¹ This change in the law will apply on and after January 1, 1961, but only in the case of weeks of unemployment beginning before January 1, 1966.

² This change in the law will apply with respect to weeks of unemployment beginning after December 31, 1965.

may delegate to officials of such [agencies] *agency* any authority granted to him by this section whenever the Secretary determines such delegation to be necessary in carrying out the purposes of this title. For the purpose of payments made to such [agencies] *agency* under such Act, the furnishing of such personnel and facilities shall be deemed to be a part of the administration of the public employment offices of such [agencies] *agency*.

* * * * *

STATE TO WHICH FEDERAL SERVICE AND WAGES ARE ASSIGNABLE

SEC. 1504. In accordance with regulations prescribed by the Secretary, the Federal service and Federal wages of an employee shall be assigned to the State in which he had his last official station in Federal service prior to the filing of his first claim for compensation for the benefit year, except that—

(1) if, at the time of the filing of such first claim, he resides in another State in which he performed, after the termination of such Federal service, service covered under the unemployment compensation law of such other State, such Federal service and Federal wages shall be assigned to such other State;

(2) if his last official station in Federal service, prior to the filing of such first claim, was outside the United States, such Federal service and Federal wages shall be assigned to the State where he resides at the time he files such first claim; and

(3) if such first claim is filed while he is residing in [Puerto Rico or]³ the Virgin Islands, such Federal service and Federal wages shall be assigned to [Puerto Rico or]³ the Virgin Islands.

*For the purposes of paragraph (2), the term "United States" does not include the Commonwealth of Puerto Rico.*⁴

* * * * *

INFORMATION

SEC. 1507. (a) All Federal departments, agencies, and wholly or partially owned instrumentalities of the United States are directed to make available to State agencies which have agreements under this title or to the Secretary, as the case may be, such information with respect to the Federal service and Federal wages of any Federal employee as the Secretary may find practicable and necessary for the determination of such employee's entitlement to compensation under this title. Such information shall include the findings of the employing agency with respect to—

- (1) whether the employee has performed Federal service,
- (2) the periods of such service,
- (3) the amount of remuneration for such service, and
- (4) the reasons for termination of such service.

The employing agency shall make the findings in such form and manner as the Secretary shall by regulations prescribe (which regulations shall include provision for correction by the employing agency of errors or omissions). Any such findings which have been made

³ This change in the law will apply with respect to first claims (for compensation for the benefit year) filed after December 31, 1965.

⁴ This change in the law will apply on and after January 1, 1961, but only in the case of first claims (for compensation for the benefit year) filed before January 1, 1966.

in accordance with such regulations shall be final and conclusive for the purposes of sections 1502(c) and 1503(c). This subsection shall not apply with respect to Federal service and Federal wages covered by section 1511.

* * * * *

EX-SERVICEMEN'S UNEMPLOYMENT COMPENSATION PROGRAM

SEC. 1511. (a) * * *

* * * * *

(e) Notwithstanding the provisions of section 1504, all Federal service and Federal wages covered by this section, not previously assigned, shall be assigned to the State, or [Puerto Rico or] the Virgin Islands, as the case may be, in which the claimant first files his claim for unemployment compensation after his most recent discharge or release from such Federal service. This assignment shall constitute an assignment under section 1504 for all purposes of this title.

* * * * *

TITLE XVI—MEDICAL SERVICES FOR THE AGED

APPROPRIATIONS

SEC. 1601. *For the purpose of enabling each State, as far as practicable under the conditions in such State, to assist aged individuals of low income in meeting their medical expenses, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary, State plans for medical services for the aged.*

STATE PLANS

SEC. 1602. (a) *A State plan for medical services for the aged must—*

(1) *provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;*

(2) *provide for financial participation by the State;*

(3) *provide for the establishment or designation of a single State agency to administer or supervise the administration of the plan;*

(4) *provide that the medical services with respect to which payments are made under the plan shall include both institutional and noninstitutional medical services;*

(5) *include reasonable standards, consistent with the objectives of this title, for determining the eligibility of individuals for medical benefits under the plan and the amounts thereof, and provide that no benefits under the plan will be furnished any individual who is not an eligible individual (as defined in section 1605);*

(6) *provide that all individuals wishing to apply for medical benefits under the plan shall have opportunity to do so, and that such benefits shall be furnished with reasonable promptness to all individuals making application therefor who are eligible for medical benefits under the plan;*

(7) *provide that no benefits will be furnished any individual under the plan with respect to any period with respect to which he is receiving*

old-age assistance under the State plan approved under section 2, aid to dependent children under the State plan approved under section 402, aid to the blind under the State plan approved under section 1002, or aid to the permanently and totally disabled under the State plan approved under section 1402 (and for purposes of this paragraph an individual shall not be deemed to have received such assistance or aid with respect to any month unless he received such assistance or aid in the form of money payments for such month, or in the form of medical or any other type of remedial care in such month (without regard to when the expenditures in the form of such care were made));

(8) provide that no lien may be imposed against the property of any individual prior to his death on account of benefits paid or to be paid on his behalf under the plan (except pursuant to the judgment of a court on account of benefits incorrectly paid on behalf of such individual), and that there shall be no adjustment or recovery (except, after the death of such individual and his surviving spouse, if any, from such individual's estate) of any benefits correctly paid on behalf of any individual under the plan;

(9) provide that no enrollment fee, premium, or similar charge will be imposed as a condition of any individual's eligibility for medical benefits under the plan;

(10) provide that benefits under the plan shall not be greater in amount, duration, or scope than the assistance furnished under a plan of such State approved under section 2—

(A) in the form of medical or any other type of remedial care, and

(B) in the form of money payments to the extent that amounts are included in such payments because of the medical needs of the recipients;

(11) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for medical benefits under the plan is denied or is not acted upon with reasonable promptness;

(12) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan;

(13) provide safeguards which restrict the use or disclosure of information concerning applicants for and recipients of benefits under the plan to purposes directly connected with the administration of the plan;

(14) provide for establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for—

(A) hospitals providing hospital services,

(B) nursing homes providing skilled nursing home services,

and

(C) agencies providing organized home care services,

for which expenditures are made under the plan;

(15) include methods for determining—

(A) rates of payment for institutional services, and

(B) schedules of fees or rates of payment for other medical services,

for which expenditures are made under the plan;

(16) to the extent required by regulations prescribed by the Secretary, include provisions (conforming to such regulations) with respect to the furnishing of medical benefits to eligible individuals who are residents of the State but absent therefrom; and

(17) 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.

(b) The Secretary shall approve any State plan which complies with the requirements of subsection (a), except that he shall not approve any plan which imposes as a condition of eligibility for medical benefits under the plan—

(1) an age requirement of more than sixty-five years;

(2) any citizenship requirement which excludes any citizen of the United States; or

(3) any residence requirement which excludes any individual who resides in the State.

(c) Notwithstanding subsection (b), the Secretary shall not approve any State plan for medical services for the aged unless the State has established to his satisfaction that the approval and operation of the plan will not result in a reduction in old-age assistance under the plan of such State approved under section 2, aid to dependent children under the plan of such State approved under section 402, aid to the blind under the plan of such State approved under section 1002, or aid to the permanently and totally disabled under the plan of such State approved under section 1402.

PAYMENTS

SEC. 1603. (a) From the sums appropriated therefor, there shall be paid to each State which has a plan approved under section 1602, for each calendar quarter, beginning with the quarter commencing July 1, 1961—

(1) in the case of any State other than the Commonwealth of Puerto Rico, the Virgin Islands, and Guam, an amount equal to the Federal percentage (as defined in section 1101 (a) (8)) of the total amounts expended during such quarter for medical benefits under the State plan;

(2) in the case of the Commonwealth of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total amounts expended during such quarter for medical benefits under the State plan; and

(3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan;

except that there shall not be counted as an expenditure for purposes of paragraph (1) or (2) any amount expended for an individual during a benefit year of such individual—

(A) for inpatient hospital services after expenditures have been made for the cost of 120 days of such services for such individual during such year, or

(B) for laboratory and X-ray services (which do not constitute inpatient hospital services) after expenditures of \$200 have been made for such individual during such year, or

(C) for prescribed drugs (which do not constitute inpatient hospital services) after expenditures of \$200 have been made for such individual during such year.

(b) Prior to the beginning of each quarter, the Secretary shall estimate the amounts to be paid to each State under subsection (a) for such quarter, such estimates to be based on (1) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (2) such other investigation as the Secretary may find necessary. 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 such State for any prior quarter and with respect to which adjustment has not already been made under this subsection, shall then be paid to the State, through the disbursing facilities of the Treasury Department, in such installments as the Secretary may determine. The reductions under the preceding sentence shall include the pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered by the State or any political subdivision thereof with respect to medical benefits furnished under the State plan.

OPERATION OF STATE PLANS

SEC. 1604. If the Secretary, after reasonable notice and opportunity or hearing to the State agency administering or supervising the administration of any State plan which has been approved by him under section 1602, finds—

(1) that the plan has been so changed that it no longer complies with the provisions of section 1602, 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 further payments will not be made to the State under section 1603 (or, in his discretion, that payments will be limited to parts of the plan not affected by such non-compliance) until the Secretary is satisfied that there is no longer any such noncompliance. Until he is so satisfied, no further payments shall be made to such State under section 1603 (or payments shall be limited to parts of the plan not affected by such noncompliance). For purposes of this section, a plan shall be treated as having been so changed that it no longer complies with the provisions of section 1602 if at any time the Secretary determines that, were such plan to be submitted at such time for approval, he would be barred from approving such plan by reason of section 1602(c).

ELIGIBLE INDIVIDUALS

SEC. 1605. For the purposes of this title, the term "eligible individual" means any individual—

(1) who is sixty-five years of age or over, and

(2) whose income and resources, taking into account his other living requirements as determined by the State, are insufficient to meet the cost of his medical services.

BENEFITS

SEC. 1606. For the purposes of this title—

(a) The term “medical benefits” means payment of part or all of the cost of medical services on behalf of eligible individuals.

(b)(1) Except as provided in paragraph (2), the term “medical services” means the following to the extent determined by the physician to be medically necessary:

- (A) inpatient hospital service;
- (B) skilled nursing-home services;
- (C) physicians’ services;
- (D) outpatient hospital services;
- (E) organized home care services;
- (F) private duty nursing services;
- (G) therapeutic services;
- (H) major dental treatment;
- (I) laboratory and X-ray services; and
- (J) prescribed drugs.

(2) The term “medical service” does not include—

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

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

(c) The term “inpatient hospital services” means the following items furnished to an inpatient by a hospital:

(1) Bed and board (at a rate not in excess of the rate for semiprivate accommodations);

(2) Physicians’ services; and

(3) Nursing services, interns’ services, laboratory and X-ray services, ambulance service, and other services, drugs, and appliances related to his care and treatment (whether furnished directly by the hospital or, by arrangement, through other persons).

(d) The term “skilled nursing-home services” means the following items furnished to an inpatient in a nursing home:

(1) Skilled nursing care provided by a registered professional nurse or a licensed practical nurse which is prescribed by, or performed under the general direction of, a physician;

(2) Medical care and other services related to such skilled nursing care; and

(3) Bed and board in connection with the furnishing of such skilled nursing care.

(e) The term “physicians’ services” means services provided in the exercise of his profession in any State by a physician licensed in such State; and the term “physician” includes a physician within the meaning of section 1101 (a) (7).

(f) The term "outpatient hospital services" means medical and surgical care furnished by a hospital to an individual as an outpatient.

(g) The term "organized home care services" means visiting nurse services and physicians' services, and services related thereto, which are prescribed by a physician and are provided in the home through a public or private nonprofit agency operated in accordance with medical policies established by one or more physicians (who are responsible for supervising the execution of such policies) to govern such services.

(h) The term "private duty nursing services" means nursing care provided in the home by a registered professional nurse or licensed practical nurse, under the general direction of a physician, to a patient requiring nursing care on a full-time basis.

(i) The term "therapeutic services" means services prescribed by a physician for the treatment of disease or injury by physical nonmedical means, including retraining for the loss of speech.

(j) The term "major dental treatment" means services provided by a dentist, in the exercise of his profession, with respect to a condition of an individual's teeth, oral cavity, or associated parts which has seriously affected, or may seriously affect, his general health. As used in the preceding sentence, the term "dentist" means a person licensed to practice dentistry or dental surgery in the State where the services are provided.

(k) The term "laboratory and X-ray services" includes only such services prescribed by a physician.

(l) The term "prescribed drugs" means medicines which are prescribed by a physician.

(m) The term "hospital" means a hospital (other than a mental or tuberculosis hospital) licensed as such by the State in which it is located or, in the case of a State hospital, approved by the licensing agency of the State.

(n) The term "nursing home" means a nursing home which is licensed as such by the State in which it is located, and which (1) is operated in connection with a hospital or (2) has medical policies established by one or more physicians (who are responsible for supervising the execution of such policies) to govern the skilled nursing care and related medical care and other services which it provides.

BENEFIT YEAR

SEC. 1607. For the purposes of this title, the term "benefit year" means, with respect to any individual, a period of 12 consecutive calendar months as designated by the State agency for the purposes of this title in accordance with regulations prescribed by the Secretary. Subject to regulations prescribed by the Secretary, the State plan may permit the extension of a benefit year in order to avoid hardship.

INTERNAL REVENUE CODE OF 1954

* * * * *
CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

* * * * *

SEC. 1402. DEFINITIONS.

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

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

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

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

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

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

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

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

- (ii) property held primarily for sale to customers in the ordinary course of the trade or business;
- (4) the deduction for net operating losses provided in section 172 shall not be allowed;

(5) if—

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

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

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

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

(8) an individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order shall compute his net earnings from self-employment derived from the performance of service described in subsection (c)(4) without regard to section 107 (relating to rental value of parsonages) and section 119 (relating to meals and lodging furnished for the convenience of the employer) and, in addition, if he is a citizen of the United States performing such service as an employee of an American employer (as defined in section 3121(h) or as a minister in a foreign country who has a congregation which is composed predominantly of citizens of the United States, without regard to section 911 (relating to earned income from sources without the United States) and section 931 (relating to income from sources within possessions of the United States^[.]); and

(9) the term "possession of the United States" as used in sections 931 (relating to income from sources within possessions of the United States) and 932 (relating to citizens of possessions of the United States) shall be deemed not to include the Virgin Islands, Guam, or American Samoa.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based on the ordinary income or loss of the partnership for any taxable year of the partnership ending within or with his taxable year. In the case of any trade or business which is carried on by an individual or by a partnership

and in which, if such trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 3121(g)—

(i) in the case of an individual, if the gross income derived by him from such trade or business is not more than \$1,800, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be 66% percent of such gross income; or

(ii) in the case of an individual, if the gross income derived by him from such trade or business is more than \$1,800 and the net earnings from self-employment derived by him from such trade or business (computed under this subsection without regard to this sentence) are less than \$1,200, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be \$1,200; and

(iii) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) applies) is not more than \$1,800, his distributive share of income described in section 702(a)(9) derived from such trade or business may, at his option, be deemed to be an amount equal to 66% percent of his distributive share of such gross income (after such gross income has been so reduced); or

(iv) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) applies) is more than \$1,800 and his distributive share (whether or not distributed) of income described in section 702(a)(9) derived from such trade or business (computed under this subsection without regard to this sentence) is less than \$1,200, his distributive share of income described in section 702(a)(9) derived from such trade or business may, at his option, be deemed to be \$1,200.

For purposes of the preceding sentence, gross income means—

(v) in the case of any such trade or business in which the income is computed under a cash receipts and disbursements method, the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the provisions of paragraphs (1) through (7) and *paragraph (9)* of this subsection; and

(vi) in the case of any such trade or business in which the income is computed under an accrual method, the gross income from such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (7) and *paragraph (9)* of this subsection;

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

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

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

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

(B) for any taxable year ending after 1954 and before 1959, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(C) for any taxable year ending after 1958, (i) \$4,800, minus (ii) the amount of the wages paid to such individual during the taxable year; or

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

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

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

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

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

(2) *the performance of service by an individual as an employee, other than—*

(A) *service described in section 3121(b)(14)(B) performed by an individual who has attained the age of 18.*

(B) *service described in section 3121(b)(16),*

(C) *service described in section 3121(b)(11), (12), or (15) performed in the United States (as defined in section 3121(e)(2)) by a citizen of the United States, and*

(D) service described in paragraph (4) of this subsection;

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

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

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

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

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

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

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

(2) TIME FOR FILING CERTIFICATE.—Any individual who desires to file a certificate pursuant to paragraph (1) must file such certificate on or before whichever of the following dates is later: (A) the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment [(computed, in the case of an individual referred to in paragraph (1)(A), without regard to subsection (c)(4), and, in the case of an individual referred to in paragraph (1)(B), without regard to subsection (c)(5) insofar as it relates to the performance of service by an individual in the

exercise of his profession as a Christian Science practitioner) of \$400 or more, any part of which was derived from the performance of service described in subsection (c)(4), or from the performance of service described in subsection (c)(5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, as the case may be; or] (*computed without regard to subsections (c)(4) and (c)(5) of \$400 or more, any part of which was derived from the performance of service described in subsection (c)(4) or (c)(5); or* (B) the due date of the return (including any extension thereof) for his second taxable year ending after [1956] 1959.

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

[(A) A certificate filed by an individual after the date of the enactment of this subparagraph but on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1956 shall be effective for the first taxable year ending after 1955 and all succeeding taxable years.

[(B) If an individual filed a certificate on or before the date of the enactment of this subparagraph which (but for this subparagraph) is effective only for the third or fourth taxable year ending after 1954 and all succeeding taxable years, such certificate shall be effective for his first taxable year ending after 1955 and all succeeding taxable years if such individual files a supplemental certificate after the date of the enactment of this subparagraph and on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1956.

[(C) A certificate filed by an individual after the due date of the return (including any extension thereof) for his second taxable year ending after 1956 shall be effective for the taxable year immediately preceding the taxable year with respect to which it is filed and all succeeding taxable years.]

(3) **EFFECTIVE DATE OF CERTIFICATE.**—*A certificate filed pursuant to this subsection shall be effective for the taxable year immediately preceding the earliest taxable year for which, at the time the certificate is filed, the period for filing a return (including any extension thereof) has not expired, and for all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable.*

(4) **TREATMENT OF CERTAIN REMUNERATION PAID IN 1955 AND 1956 AS WAGES—If—**

(A) in 1955 or 1956 an individual was paid remuneration for service described in section 3121(b)(8)(A) which was erroneously treated by the organization employing him (under a certificate filed by such organization pursuant to section 3121(k) or the corresponding section of prior law) as employment (within the meaning of chapter 21), and

(B) on or before the date of the enactment of this paragraph the taxes imposed by sections 3101 and 3111 were paid (in good faith and upon the assumption that the insurance system established by title II of the Social Security Act had been extended to such service) with respect to any part of the remuneration paid to such individual for such service. then the remuneration with respect to which such taxes were paid, and with respect to which no credit or refund of such taxes (other than a credit or refund which would be allowable if such service had constituted employment) has been obtained on or before the date of the enactment of this paragraph, shall be deemed (for purposes of this chapter and chapter 21) to constitute remuneration paid for employment and not net earnings from self-employment.

(5) *OPTIONAL PROVISION FOR CERTAIN CERTIFICATES FILED ON OR BEFORE APRIL 15, 1962.*—*In any case where an individual has derived earnings, in any taxable year ending after 1954 and before 1960, from the performance of service described in subsection (c)(4), or in subsection (c)(5) (as in effect prior to the enactment of this paragraph) insofar as it related to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, and has reported such earnings as self-employment income on a return filed on or before the date of the enactment of this paragraph and on or before the due date prescribed for filing such return (including any extension thereof)—*

(A) *a certificate filed by such individual (or a fiduciary acting for such individual or his estate, or his survivor within the meaning of section 205 (c)(1)(C) of the Social Security Act) after the date of the enactment of this paragraph and on or before April 15, 1962, may be effective, at the election of the person filing such certificate, for the first taxable year ending after 1954 and before 1960 for which such a return was filed, and for all succeeding taxable years, rather than for the period prescribed in paragraph (3), and*

(B) *a certificate filed by such individual on or before the date of the enactment of this paragraph which (but for this subparagraph) is ineffective for the first taxable year ending after 1954 and before 1959 for which such a return was filed shall be effective for such first taxable year, and for all succeeding taxable years, provided a supplemental certificate is filed by such individual (or a fiduciary acting for such individual or his estate, or his survivor within the meaning of section 205(c)(1)(C) of the Social Security Act) after the date of the enactment of this paragraph; and on or before April 15, 1962,*

but only if—

(i) *the tax under section 1401 in respect of all such individual's self-employment income (except for underpayments of tax attributable to errors made in good faith), for each such year ending before 1960 in the case of a certificate described in subparagraph (A) or for each such year ending before 1959 in the case of a certificate described in subparagraph (B), is paid on or before April 15, 1962, and*

(ii) *in any case where refund has been made of any such tax which (but for this paragraph) is an overpayment, the amount*

refunded (including any interest paid under section 6611) is repaid on or before April 15, 1962.

The provisions of section 6401 shall not apply to any payment or repayment described in this paragraph.

(f) **PARTNER'S TAXABLE YEAR ENDING AS THE RESULT OF DEATH.**— In computing a partner's net earnings from self-employment for his taxable year which ends as a result of his death (but only if such taxable year ends within, and not with, the taxable year of the partnership), there shall be included so much of the deceased partner's distributive share of the partnership's ordinary income or loss for the partnership taxable year as is not attributable to an interest in the partnership during any period beginning on or after the first day of the first calendar month following the month in which such partner died. For purposes of this subsection—

(1) in determining the portion of the distributive share which is attributable to any period specified in the preceding sentence, the ordinary income or loss of the partnership shall be treated as having been realized or sustained ratably over the partnership taxable year; and

(2) the term "deceased partner's distributive share" includes the share of his estate or of any other person succeeding, by reason of his death, to rights with respect to his partnership interest.

(g) **TREATMENT OF CERTAIN REMUNERATION ERRONEOUSLY REPORTED AS NET EARNINGS FROM SELF-EMPLOYMENT.**—*If—*

(1) *an amount is erroneously paid as tax under section 1401, for any taxable year ending after 1954 and before 1962, with respect to remuneration for service described in section 3121(b)(8) (other than service described in section 3121(b)(8)(A)), and such remuneration is reported as self-employment income on a return filed on or before the due date prescribed for filing such return (including any extension thereof),*

(2) *the individual who paid such amount (or a fiduciary acting for such individual or his estate, or his survivor (within the meaning of section 205(c)(1)(C) of the Social Security Act) requests that such remuneration be deemed to constitute net earnings from self-employment,*

(3) *such request is filed after the date of the enactment of this paragraph and on or before April 15, 1962,*

(4) *such remuneration was paid to such individual for services performed in the employ of an organization which, on or before the date on which such request is filed, has filed a certificate pursuant to section 3121(k), and*

(5) *no credit or refund of any portion of the amount erroneously paid for such taxable year as tax under section 1401 (other than a credit or refund which would be allowable if such tax were applicable with respect to such remuneration) has been obtained before the date on which such request is filed or, if obtained, the amount credited or refunded (including any interest under section 6611) is repaid on or before such date,*

then, for purposes of this chapter and chapter 21, any amount of such remuneration which is paid to such individual before the calendar quarter in which such request is filed (or before the succeeding quarter if such certificate first becomes effective with respect to services performed by such individual in such succeeding quarter), and with respect to which no tax

(other than an amount erroneously paid as tax) has been paid under chapter 21, shall be deemed to constitute net earnings from self-employment and not remuneration for employment. For purposes of section 3121 (b) (8) (B) (ii) and (iii), if the certificate filed by such organization pursuant to section 3121 (k) is not effective with respect to services performed by such individual on or before the first day of the calendar quarter in which the request is filed, such individual shall be deemed to have become an employee of such organization (or to have become a member of a group described in section 3121 (k) (1) (E)) on the first day of the succeeding quarter,

SEC. 1403. MISCELLANEOUS PROVISIONS.

(a) **TITLE OF CHAPTER.**—This chapter may be cited as the “Self-Employment Contributions Act of 1954”.

Source: Sec. 482(b), 1939 Code.

(b) **CROSS REFERENCES.**—

(1) For provisions relating to returns, see section 6017.

(2) For provisions relating to collection of taxes in Virgin Islands, *Guam*, *American Samoa*, and *Puerto Rico*, see section 7651.

* * * * *

CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

* * * * *

SUBCHAPTER C—GENERAL PROVISIONS

Sec. 3121. Definitions.

Sec. 3122. Federal service.

Sec. 3123. Deductions as constructive payments.

Sec. 3124. Estimate of revenue reduction.

[Sec. 3125. Short title.]

Sec. 3125. *Returns in the case of governmental employees in Guam and American Samoa.*

Sec. 3126. *Short title.*

SEC. 3121. DEFINITIONS.

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

* * * * *

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

(B) cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than **[\$50]** \$25. As used in this subparagraph, the term “domestic service in a private home of the employer” does not include service described in subsection (g)(5);

(C) cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer’s trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less

than **[\$50]** §25. As used in this subparagraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in subsection (g)(5);

* * * * *

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

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

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

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

(B) *service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual in the employ of his son or daughter;*

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

(5) service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 3111 by virtue of any provision of law which specifically refers to such section (or the corresponding section of prior law) in granting such exemption;

(6)(A) service performed in the employ of the United States or in the employ of any instrumentality of the United States, if

such service is covered by a retirement system established by a law of the United States;

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

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

(ii) service performed in the employ of a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives, a Federal land bank association, a production credit association, a Federal Reserve Bank, a Federal Home Loan Bank, or a Federal Credit Union;

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

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

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

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

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

(ii) in the legislative branch;

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

(iv) by any individual as an employee included under section 2 of the Act of August 4, 1947 [(relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U.S.C., Sec. 1052);] (*relating to certain student employees of hospitals of the Federal Government; 5 U.S.C. 1052*), other than as a medical or dental intern or a medical or dental resident-in-training;

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

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

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

(7) service performed in the employ of a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, except that this paragraph shall not apply in the case of—

(A) service which, under subsection (j), constitutes covered transportation service, or

(B) service in the employ of the Government of Guam or the Government of American Samoa or any political subdivision thereof, or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, performed by an officer or employee thereof (including a member of the legislature of any such Government or political subdivision), and, for purposes of this title with respect to the taxes imposed by this chapter—

(i) any person whose service as such an officer or employee is not covered by a retirement system established by a law of the United States shall not, with respect to such service, be regarded as an employee of the United States or any agency or instrumentality thereof, and

(ii) the remuneration for service described in clause (i) (including fees paid to a public official) shall be deemed to have been paid by the Government of Guam or the Government of American Samoa or by a political subdivision thereof or an instrumentality of any one or more of the foregoing which is wholly owned thereby, whichever is appropriate;

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

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

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

(ii) who became an employee of such organization after the calendar quarter in which the certificate (other than a certificate referred to in clause (iii)) was filed, or

(iii) who, after the calendar quarter in which the certificate was filed with respect to a group described in section 3121(k)(1)(E), became a member of such group, except that this subparagraph shall apply with respect to service performed by an employee as a member of a group described in section 3121(k)(1)(E) with respect to which no certificate is in effect;

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

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

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

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

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

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

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

(13) service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; [and service performed as an intern in the employ of a hospital by an individual who has completed a 4 years' course in a medical school chartered or approved pursuant to State law;]

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

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

(15) service performed in the employ of an international organization;

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

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

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

(C) the amount of such individual's share depends on the amount of the agricultural or horticultural commodities produced; **[or]**

(17) service in the employ of any organization which is performed (A) in any quarter during any part of which such organization is registered, or there is in effect a final order of the Subversive Activities Control Board requiring such organization to register, under the Internal Security Act of 1950, as amended, as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization, and (B) after June 30, 1956 **[.]**;

(18) *service performed in Guam by a resident of the Republic of the Philippines while in Guam on a temporary basis as a nonimmigrant alien admitted to Guam pursuant to section 101(a)(15)(H)(ii) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)(ii)); or*

(19) *service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual under the age of sixteen.*

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

(1) STATE.—The term “State” includes **[Hawaii,]** the District of Columbia, *the Commonwealth of Puerto Rico*, **[and]** the Virgin Islands, *Guam, and American Samoa*.

(2) UNITED STATES.—The term “United States” when used in a geographical sense includes **[Puerto Rico and the Virgin Islands]** *the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa*.

An individual who is a citizen of *the Commonwealth of Puerto Rico* (but not otherwise a citizen of the United States) shall be considered, for purposes of this section, as a citizen of the United States.

* * * * *

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

(1) the United States or any instrumentality thereof,

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

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

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

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

(6) *a labor organization created or organized in the Canal Zone, if such organization is chartered by a labor organization (described*

in section 501(c)(5) and exempt from tax under section 501(a) created or organized in the United States.

* * * * *

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

(1) WAIVER OF EXEMPTION BY ORGANIZATION.—

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

* * * * *

(E) If an organization described in subparagraph (A) employs both individuals who are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof and individuals who are not in such positions, the organization shall divide its employees into two separate groups. One group shall consist of all employees who are in positions covered by such a fund or system and (i) are members of such fund or system, or (ii) are not members of such fund or system but are eligible to become members thereof; and the other group shall consist of all remaining employees. [An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in one of the groups if at least two-thirds of the employees in such group concur in the filing of the certificate. The organization may also file such a certificate with respect to the employees in the other group if at least two-thirds of the employees in such other group concur in the filing of such certificate.] *An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in either group, or may file a separate certificate pursuant to such subparagraph with respect to the employees in each group.*

* * * * *

**SEC. 3125. RETURNS IN THE CASE OF GOVERNMENTAL EMPLOYEES
IN GUAM AND AMERICAN SAMOA**

(a) *GUAM.*—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of Guam or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ, may be made by the Governor of Guam or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the \$4,800 limitation in section 3121(a)(1).

(b) *AMERICAN SAMOA.*—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of American Samoa or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ, may be made by the Governor of American Samoa or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the \$4,800 limitation in section 3121(a)(1).

SEC. [3125.] 3126. SHORT TITLE.

This chapter may be cited as the "Federal Insurance Contributions Act."

* * * * *

CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

- Sec. 3301. Rate of tax.
- Sec. 3302. Credits against tax.
- Sec. 3303. Conditions of additional credit allowance.
- Sec. 3304. Approval of State laws.
- Sec. 3305. Applicability of State law.
- Sec. 3306. Definitions.
- Sec. 3307. Deductions as constructive payments.
- Sec. 3308. *Instrumentalities of the United States.*
- Sec. [3308] 3309. Short title.

SEC. 3301. RATE OF TAX.

There is hereby imposed on every employer (as defined in section 3306(a)) for the calendar year [1955] 1961 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to [3] 3.1 percent of the total wages (as defined in section 3306(b)) paid by him during the calendar year with respect to employment (as defined in section 3306(c)) after December 31, 1938.

SEC. 3302. CREDITS AGAINST TAX.

- * * * * *
- [(c) LIMIT ON TOTAL CREDITS.—**
- [(1) The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.

[(2) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act, and if any balance of such advance or advances has not been returned to the Federal unemployment account as provided in that title before December 1 of the taxable year, then the total credits (after other reductions under this section) otherwise allowable under this section for such taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

[(A) in the case of a taxable year beginning with the fourth consecutive January 1 on which such a balance of unreturned advances existed, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

[(B) in the case of any succeeding taxable year beginning with a consecutive January 1 on which such a balance of unreturned advances existed, by an additional 5 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

For purposes of this paragraph, wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary or his delegate) to be attributable to such State.]

(c) *LIMIT ON TOTAL CREDITS.*—

(1) *The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.*

(2) *If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act before the date of the enactment of the Employment Security Act of 1960, then the total credits (after applying subsections (a) and (b) and paragraph (1) of this subsection) otherwise allowable under this section for the taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—*

(A) in the case of a taxable year beginning with the fourth consecutive January 1 as of the beginning of which there is a balance of such advances, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

(B) in the case of any succeeding taxable year beginning with a consecutive January 1 as of the beginning of which there is a balance of such advances, by an additional 5 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

(3) *If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act on or after the date of the enactment of the Employment Security Act of 1960, then the total credits (after applying subsections (a) and (b)*

and paragraphs (1) and (2) of this subsection) otherwise allowable under this section for the taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

(A)(i) in the case of a taxable year beginning with the second consecutive January 1 as of the beginning of which there is a balance of such advances, by 10 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

(ii) in the case of any succeeding taxable year beginning with a consecutive January 1 as of the beginning of which there is a balance of such advances, by an additional 10 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State;

(B) in the case of a taxable year beginning with the third or fourth consecutive January 1 as of the beginning of which there is a balance of such advances, by the amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage (if any) by which—

(i) 2.7 percent, exceeds

(ii) the average employer contribution rate for such State for the calendar year preceding such taxable year; and

(C) in the case of a taxable year beginning with the fifth or any succeeding consecutive January 1 as of the beginning of which there is a balance of such advances, by the amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage (if any) by which—

(i) the 5-year benefit cost rate applicable to such State for such taxable year or (if higher) 2.7 percent, exceeds

(ii) the average employer contribution rate for such State for the calendar year preceding such taxable year.

(d) DEFINITIONS AND SPECIAL RULES RELATING TO SUBSECTION (c) —

(1) RATE OF TAX DEEMED TO BE 3 PERCENT.—In applying subsection (c), the tax imposed by section 3301 shall be computed at the rate of 3 percent in lieu of 3.1 percent.

(2) WAGES ATTRIBUTABLE TO A PARTICULAR STATE.—For purposes of subsection (c), wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary or his delegate) to be attributable to such State.

(3) ADDITIONAL TAXES INAPPLICABLE WHERE ADVANCES ARE REPAYED BEFORE NOVEMBER 10 OF TAXABLE YEAR.—Paragraph (2) or (3) of subsection (c) shall not apply with respect to any State for the taxable year if (as of the beginning of November 10 of such year) there is no balance of advances referred to in such paragraph.

(4) AVERAGE EMPLOYER CONTRIBUTION RATE.—For purposes of subparagraphs (B) and (C) of subsection (c)(3), the average em-

ployer contribution rate for any State for any calendar year is that percentage obtained by dividing—

(A) the total of the contributions paid into the State unemployment fund with respect to such calendar year, by

(B) the total of the remuneration subject to contributions under the State unemployment compensation law with respect to such calendar year.

For purposes of subparagraph (C) of subsection (c)(3), if the average employer contribution rate for any State for any calendar year (determined without regard to this sentence) equals or exceeds 2.7 percent, such rate shall be determined by increasing the amount taken into account under subparagraph (A) of the preceding sentence by the aggregate amount of employee payments (if any) into the unemployment fund of such State with respect to such calendar year which are to be used solely in the payment of unemployment compensation.

(5) **5-YEAR BENEFIT COST RATE.**—For purposes of subparagraph (C) of subsection (c)(3), the 5-year benefit cost rate applicable to any State for any taxable year is that percentage obtained by dividing—

(A) one-fifth of the total of the compensation paid under the State unemployment compensation law during the 5-year period ending at the close of the second calendar year preceding such taxable year, by

(B) the total of the remuneration subject to contributions under the State unemployment compensation law with respect to the first calendar year preceding such taxable year.

(6) **ROUNDING.**—If any percentage referred to in either subparagraph (B) or (C) of subsection (c)(3) is not a multiple of .1 percent, it shall be rounded to the nearest multiple of .1 percent.

(7) **DETERMINATION AND CERTIFICATION OF PERCENTAGES.**—The percentage referred to in subsection (c)(3) (B) or (C) for any taxable year for any State having a balance referred to therein shall be determined by the Secretary of Labor, and shall be certified by him to the Secretary of the Treasury before June 1 of such year, on the basis of a report furnished by such State to the Secretary of Labor before May 1 of such year. Any such State report shall be made as of the close of March 31 of the taxable year, and shall be made on such forms, and shall contain such information, as the Secretary of Labor deems necessary to the performance of his duties under this section.

(8) **CROSS REFERENCE.**—

“For reduction of total credits allowable under subsection (c), see section 104 of the Temporary Unemployment Compensation Act of 1958.”

SEC. 3305. APPLICABILITY OF STATE LAW.

* * * * *

(b) **FEDERAL INSTRUMENTALITIES IN GENERAL.**—The legislature of any State may require any instrumentality of the United States [(except such as are (1) wholly owned by the United States, or (2) exempt from the tax imposed by section 3301 by virtue of any other provision of law)] (other than an instrumentality to which section 3306 (c)(6) applies), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compen-

sation law approved by the Secretary of Labor under section 3304 and (except as provided in section 5240 of the Revised Statutes, as amended (12 U.S.C., *sec.* 484), and as modified by subsection (c)), to comply otherwise with such law. The permission granted in this subsection shall apply (A) only to the extent that no discrimination is made against such instrumentality, so that if the rate of contribution is uniform upon all other persons subject to such law on account of having individuals in their employ, and upon all employees of such persons, respectively, the contributions required of such instrumentality or the individuals in its employ shall not be at a greater rate than is required of such other persons and such employees, and if the rates are determined separately for different persons or classes of persons having individuals in their employ or for different classes of employees, the determination shall be based solely upon unemployment experience and other factors bearing a direct relation to unemployment risk [, and] ; (B) only if such State law makes provision for the refund of any contributions required under such law from an instrumentality of the United States or its employees for any year in the event [said] such State is not certified by the Secretary of Labor under section 3304 with respect to such year; and (C) only if such State law makes provision for the payment of unemployment compensation to any employee of any such instrumentality of the United States in the same amount, on the same terms, and subject to the same conditions as unemployment compensation is payable to employees of other employers under the State unemployment compensation law.

* * * * *

(g) **VESSELS OPERATED BY GENERAL AGENTS OF UNITED STATES.**—The permission granted by subsection (f) shall apply in the same manner and under the same conditions (including the obligation to comply with all requirements of State unemployment compensation laws) to general agents of the Secretary of Commerce with respect to service performed on or after July 1, 1953, by officers and members of the crew on or in connection with American vessels—

- (1) owned by or bareboat chartered to the United States, and
- (2) whose business is conducted by such general agents.

As to any such vessel, the State permitted to require contributions on account of such service shall be the State to which the general agent would make contributions if the vessel were operated for his own account. Such general agents are designated, for this purpose, instrumentalities of the United States [not wholly] *neither wholly nor partially* owned by it and shall not be exempt from the tax imposed by section 3301. The permission granted by this subsection is subject to the same conditions and limitations as are imposed in subsection (f), except that clause (B) of the second sentence of subsection (b) shall apply.

* * * * *

SEC. 3306. DEFINITIONS.

* * * * *

(c) **EMPLOYMENT.**—For purposes of this chapter, the term “employment” means any service performed prior to 1955, which was employment for purposes of subchapter C of chapter 9 of the Internal Revenue Code of 1939 under the law applicable to the period in which

such service was performed, and any service, of whatever nature, performed after 1954 by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel *or American aircraft* under a contract of service which is entered into within the United States or during the performance of which [the vessel] *and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, except—*

(1) agricultural labor (as defined in subsection (k));
(2) domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

(3) service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(A) on each of some 24 days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or

(B) such individual was regularly employed (as determined under subparagraph (A)) by such employer in the performance of such service during the preceding calendar quarter;

(4) service performed on or in connection with a vessel *or aircraft* not an American vessel *or American aircraft* [by an employee], if the employee is employed on and in connection with such vessel *or aircraft* when outside the United States;

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

(6) service performed in the employ of the United States Government or of an instrumentality of the United States which is—

(A) wholly *or partially* owned by the United States, or

(B) exempt from the tax imposed by section 3301 by virtue of any [other] provision of law *which specifically refers to such section (or to the corresponding section of prior law) in granting such exemption;*

(7) service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions; and any service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 3301;

[(8) service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public

safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;】

(8) *service performed in the employ of a religious, charitable, educational, or other organization described in section 501(c)(3) which is exempt from income tax under section 501(a):*

(9) service performed by an individual as an employee or employee representative as defined in section 1 of the Railroad Unemployment Insurance Act (52 Stat. 1094, 1095; 45 U.S.C. 351);

【(10)(A) service performed in any calendar quarter in the employ of any organization exempt from income tax under section 501(a) (other than an organization described in section 401(a)) or under section 521, if—

【(i) the remuneration for such service is less than \$50, or

【(ii) such service is in connection with the collection of dues or premiums for a fraternal beneficiary society, order, or association, and is performed away from the home office, or is ritualistic service in connection with any such society, order, or association, or

【(iii) such service is performed by a student who is enrolled and is regularly attending classes at a school, college, or university;

【(B) service performed in the employ of an agricultural or horticultural organization described in section 501(c)(5) which is exempt from tax under section 501(a);

【(C) service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if—

【(i) no part of its net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and

【(ii) 85 percent or more of the income consists of amounts collected from members for the sole purpose of making such payments and meeting expenses;

【(D) service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or their designated beneficiaries, if—

【(i) admission to membership in such association is limited to individuals who are officers or employees of the United States Government and

【(ii) no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual;

【(E) service performed in the employ of a school, college, or university, not exempt from income tax under section 501(a), if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;】

(10)(A) *service performed in any calendar quarter in the employ of any organization exempt from income tax under section 501(a)*

(other than an organization described in section 401(a) or under section 521, if the remuneration for such service is less than \$50, or

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

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

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

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

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

(13) service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an intern in the employ of a hospital by an individual who has completed a 4 years' course in a medical school chartered or approved pursuant to State law;

(14) service performed by an individual for a person as an insurance agent or as an insurance solicitor, if all such service performed by such individual for such person is performed for remuneration solely by way of commission;

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

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

(16) service performed in the employ of an international organization; or

(17) service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except—

(A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and

(B) service performed on or in connection with a vessel of more than 10 net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States).

* * * * *

[(j) STATE.—For purposes of this chapter, the term “State” includes Alaska, Hawaii, and the District of Columbia.]

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

(1) STATE.—*The term “State” includes the District of Columbia and the Commonwealth of Puerto Rico.*

(2) UNITED STATES.—*The term “United States” when used in a geographical sense includes the States, the District of Columbia and the Commonwealth of Puerto Rico.*

An individual who is a citizen of the Commonwealth of Puerto Rico (but not otherwise a citizen of the United States) shall be considered, for purposes of this section, as a citizen of the United States.

* * * * *

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

SEC. 3308. INSTRUMENTALITIES OF THE UNITED STATES.

Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 3301 unless such other provision of law grants a specific exemption, by reference to section 3301 (or the corresponding section of prior law), from the tax imposed by such section.

SEC. [3308] 3309. SHORT TITLE.

This chapter may be cited as the “Federal Unemployment Tax Act.”

* * * * *

CHAPTER 63—ASSESSMENT

* * * * *

SEC. 6205. SPECIAL RULES APPLICABLE TO CERTAIN EMPLOYMENT TAXES.

(a) ADJUSTMENT OF TAX.—

(1) GENERAL RULE.—If less than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 is paid with respect to any payment of wages or compensation, proper adjustments, with respect to both the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as the Secretary or his delegate may by regulations prescribe.

(2) UNITED STATES AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received from the United States or a wholly-owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.

(3) GUAM OR AMERICAN SAMOA AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from the Government of Guam, the Government of American Samoa, a political subdivision of either, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, the Governor of Guam, the Governor of American Samoa, and each agent designated by either who makes a return pursuant to section 3125 shall be deemed a separate employer.

* * * * *

CHAPTER 65—ABATEMENTS, CREDITS AND REFUNDS

* * * * *

SEC. 6413. SPECIAL RULES APPLICABLE TO CERTAIN EMPLOYMENT TAXES.

(a) ADJUSTMENT OF TAX.—

(1) GENERAL RULE.—If more than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 is paid with respect to any payment of remuneration, proper adjustments, with respect to both the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as the Secretary or his delegate may by regulations prescribe.

(2) UNITED STATES AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received from the United States or a wholly-owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.

(3) GUAM OR AMERICAN SAMOA AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from the Government of Guam, the Government of American Samoa, a political subdivision of either, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, the Governor of Guam, the Governor of American Samoa, and each agent designated by either who makes a return pursuant to section 3125 shall be deemed a separate employer.

* * * * *

(c) SPECIAL REFUNDS.—

(1) IN GENERAL.—If by reason of any employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed \$3,600, the employee shall be entitled (subject to the provisions of section 31 (b)) to a credit or refund of any amount of tax, with respect to

such wages, imposed by section 1400 of the Internal Revenue Code of 1939 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer (A) during any calendar year after the calendar year 1954 and prior to the calendar year 1959, the wages received by him during such year exceed \$4,200, or (B) during any calendar year after the calendar year 1958, the wages received by him during such year exceed \$4,800, the employee shall be entitled (subject to the provisions of section 31 (b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 3101 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$4,200 of such wages received in such calendar year after 1954 and before 1959, or which exceeds the tax with respect to the first \$4,800 of such wages received in such calendar year after 1958.

(2) **APPLICABILITY IN CASE OF FEDERAL AND STATE EMPLOYEES [AND EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS], EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS, AND GOVERNMENTAL EMPLOYEES IN GUAM AND AMERICAN SAMOA.—**

(A) **FEDERAL EMPLOYEES.**—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for purposes of this subsection, be deemed a separate employer, and the term "wages" includes for purposes of this subsection the amount, not to exceed \$3,600 for the calendar year 1951, 1952, 1953, or 1954, \$4,200 for the calendar year 1955, 1956, 1957, or 1958, or \$4,800 for any calendar year after 1958, determined by each such head or agent as constituting wages paid to an employee.

(B) **STATE EMPLOYEES.**—For purposes of this subsection, in the case of remuneration received during any calendar year, the term "wages" includes such remuneration for services covered by an agreement made pursuant to section 218 of the Social Security Act as would be wages if such services constituted employment; the term "employer" includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term "tax" or "tax imposed by section 3101" includes, in the case of services covered by an agreement made pursuant to section 218 of the Social Security Act, an amount equivalent to the tax which would be imposed by section 3101, if such services constituted employment as defined in section 3121; and the provisions of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary.

(C) **EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.**—For purposes of paragraph (1) of this subsection, the term

“wages” includes such remuneration for services covered by an agreement made pursuant to section 3121(l) as would be wages if such services constituted employment; the term “employer” includes any domestic corporation which has entered into an agreement pursuant to section 3121(l); the term “tax” or “tax imposed by section 3101,” includes, in the case of services covered by an agreement entered into pursuant to section 3121(l), an amount equivalent to the tax which would be imposed by section 3101, if such services constituted employment as defined in section 3121; and the provisions of paragraph (1) of this subsection shall apply whether or not any amount deducted from the employee’s remuneration as a result of the agreement entered into pursuant to section 3121(l) has been paid to the Secretary or his delegate.

(D) *GOVERNMENTAL EMPLOYEES IN GUAM.*—*In the case of remuneration received from the Government of Guam or any political subdivision thereof or from any instrumentality of any one or more of the foregoing which is wholly owned thereby, during any calendar year, the Governor of Guam and each agent designated by him who makes a return pursuant to section 3125(a) shall, for purposes of this subsection, be deemed a separate employer.*

(E) *GOVERNMENTAL EMPLOYEES IN AMERICAN SAMOA.*—*In the case of remuneration received from the Government of American Samoa or any political subdivision thereof or from any instrumentality of any one or more of the foregoing which is wholly owned thereby, during any calendar year, the Governor of American Samoa and each agent designated by him who makes a return pursuant to section 3125(b) shall, for purposes of this subsection, be deemed a separate employer.*

* * * * *

CHAPTER 75—CRIMES, OTHER OFFENSES, AND FORFEITURES

* * * * *

SEC. 7213. UNAUTHORIZED DISCLOSURE OF INFORMATION.

(a) **INCOME RETURNS.**—

(1) **FEDERAL EMPLOYEES AND OTHER PERSONS.**—It shall be unlawful for any officer or employee of the United States to divulge or to make known in any manner whatever not provided by law to any person the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to print or publish in any manner whatever not provided by law any income return, or any part thereof or source of income, profits, losses, or expenditures appearing in any income return; and any person committing an offense against the foregoing provision shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, together with the costs of prosecu-

tion; and if the offender be an officer or employee of the United States he shall be dismissed from Office or discharged from employment.

(2) STATE EMPLOYEES.—Any officer, employee, or agent of any State or political subdivision, who divulges (except as authorized in section 6103(b), or when called upon to testify in any judicial or administrative proceeding to which the State or political subdivision, or such State or local official, body, or commission, as such, is a party), or who makes known to any person in any manner whatever not provided by law, any information acquired by him through an inspection permitted him or another under section 6103(b), or who permits any income return or copy thereof or any book containing any abstract or particulars thereof, or any other information, acquired by him through an inspection permitted him or another under section 6103(b), to be seen or examined by any person except as provided by law, shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, together with the costs of prosecution.

(3) SHAREHOLDERS.—Any shareholder who pursuant to the provisions of section 6103(c) is allowed to examine the return of any corporation, and who makes known in any manner whatever not provided by law the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any such return, shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, together with the costs of prosecution.

(b) DISCLOSURE OF OPERATIONS OF MANUFACTURER OR PRODUCER.—Any officer or employee of the United States who divulges or makes known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer visited by him in the discharge of his official duties shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, together with the costs of prosecution; and the offender shall be dismissed from office or discharged from employment.

(c) OFFENSES RELATING TO REPRODUCTION OF DOCUMENTS.—Any person who uses any film or photoimpression, or reproduction therefrom, or who discloses any information contained in any such film, photoimpression, or reproduction, in violation of any provision of the regulations prescribed pursuant to section 7513(b), shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both.

(d) *DISCLOSURES BY CERTAIN DELEGATES OF SECRETARY.*—All provisions of law relating to the disclosure of information, and all provisions of law relating to penalties for unauthorized disclosure of information, which are applicable in respect of any function under this title when performed by an officer or employee of the Treasury Department are likewise applicable in respect of such function when performed by any person who is a "delegate" within the meaning of section 7701(a)(12)(B).

[(d)] (e) CROSS REFERENCES.—

(1) RETURNS OF FEDERAL UNEMPLOYMENT TAX.—

For special provisions applicable to returns of tax under chapter 23 (relating to Federal Unemployment Tax), see section 6106.

(2) PENALTIES FOR DISCLOSURE OF CONFIDENTIAL INFORMATION.—

For penalties for disclosure of confidential information by any officer or employee of the United States or any department or agency thereof, see 18 U.S.C. 1905.

* * * * *

CHAPTER 79—DEFINITIONS

Sec. 7701. Definitions.

SEC. 7701. DEFINITIONS.

(a) When used in this title, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof—

(1) **PERSON.**—The term “person” shall be construed to mean and include an individual, a trust, estate, partnership, association, company or corporation.

* * * * *

[(12) **DELEGATE.**—The term “Secretary or his delegate” means the Secretary of the Treasury, or any officer, employee, or agency of the Treasury Department duly authorized by the Secretary (directly, or indirectly by one or more redelegations of authority) to perform the function mentioned or described in the context, and the term “or his delegate” when used in connection with any other official of the United States shall be similarly construed.]

(12) **DELEGATE.**—

(A) *IN GENERAL.*—The term “Secretary or his delegate” means the Secretary of the Treasury, or any officer, employee, or agency of the Treasury Department duly authorized by the Secretary (directly, or indirectly by one or more redelegations of authority) to perform the function mentioned or described in the context, and the term “or his delegate” when used in connection with any other official of the United States shall be similarly construed.

(B) *PERFORMANCE OF CERTAIN FUNCTIONS IN GUAM OR AMERICAN SAMOA.*—The term “delegate”, in relation to the performance of functions in Guam or American Samoa with respect to the taxes imposed by chapters 2 and 21, also includes any officer or employee of any other department or agency of the United States, or of any possession thereof, duly authorized by the Secretary (directly, or indirectly by one or more redelegations of authority) to perform such functions.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

SEC. 101. (d) Lump-sum death payments shall be made in the case of individuals who died prior to September 1950 as though this Act had not been enacted; except that in the case of any individual who died outside the forty-eight States and the District of Columbia after December 6, 1941, and prior to August 10, 1946, the last sentence of section 202(g) of the Social Security Act as in effect prior to the enactment of this Act shall not be applicable if application for a lump-sum death payment is filed prior to September 1952, and except

that in the case of any individual who died outside the forty-eight States and the District of Columbia on or after June 25, 1950, and prior to September 1950, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, [Puerto Rico, or the Virgin Islands] *the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa* for interment or reinterment, the last sentence of section 202(g) of the Social Security Act as in effect prior to the enactment of this Act shall not prevent payment to any person under the second sentence thereof if application for a lump-sum death payment under such section with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.

* * * * *

APPROVAL OF CERTAIN STATE PLANS

SEC. 344. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Secretary shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002(a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950, and ending June 30, [1961] 1964.

SOCIAL SECURITY ACT AMENDMENTS OF 1952

SEC. 5. (c)(1) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under section 202 of the Social Security Act for months after August 1952, and with respect to lump-sum death payments in the case of deaths occurring after August 1952, 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 217(e) of the Social Security Act applies, to monthly benefits under such section 202 for August 1952, 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 section 202 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 the later: August 1952 or the seventh month before the month in which such application was filed. Computations 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. *Notwithstanding the preceding provisions of this paragraph, the primary insurance amount of an individual shall not be recomputed under such provisions unless such individual files the application referred to in clause (A) of the first sentence of this paragraph prior to January 1961 or, if he dies without filing such application, his death occurred prior to January 1961.*

* * * * *

(e)(2) In the case of any individual who died outside the forty-eight States and the District of Columbia after August 1950 and prior to January 1954, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, [Puerto Rico, or the Virgin Islands] *the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa* for interment or reinterment, the last sentence of section 202(i) of the Social Security Act shall not prevent payment to any person under the second sentence thereof if application for a lump-sum death payment with respect to such deceased individual is filed under such section by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.

SOCIAL SECURITY ACT AMENDMENTS OF 1954

* * * * *

INCREASE IN BENEFIT AMOUNTS

SEC. 102. (e)(5)(A) In the case of any individual who, upon filing application therefor before September 1954, would (but for the provisions of section 215(f)(6) of the Social Security Act) have been entitled to a recomputation under subparagraph (A) or (B) of section 215(f)(2) of such Act as in effect prior to the enactment of this Act, the Secretary shall recompute such individual's primary insurance amount, but only if he files an application therefor or, in case he died before filing such application, an application for monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income is filed. Such recomputation shall be made only as provided in subsection (a)(2) of section 215 of the Social Security Act, as amended by this Act, through the use of a primary insurance amount determined under subsection (d)(6) of such section in the same manner as for an individual to whom subsection (a)(1) of such section, as in effect prior to the enactment of this Act, is applicable; and such recomputation shall take into account only such wages and self-employment income as would be taken into account under section 215(b) of the Social Security Act if the month in which the application for recomputation is filed, or if the individual died without filing the application for recomputation, the month in which he died, were deemed to be the month in which he became entitled to old-age insurance benefits. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivor benefits becomes entitled to such benefits.

(B) In the case of—

(i) any individual who is entitled to a recomputation under subparagraph (A) of section 215(f)(2) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after August 1954, or who died after such month leaving any survivors entitled to a recomputation under section 215(f)(4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or with respect to whom the twelfth month referred to in such subparagraph (A) occurred after such month, and

(ii) any individual who is entitled to a recomputation under section 215(f)(2)(B) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after August 1954, or who died after August 1954 leaving any survivors entitled to a recomputation under section 215(f)(4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or who did not attain the age of seventy-five prior to September 1954,

the recomputation of his primary insurance amount shall be made in the manner provided in section 215 of the Social Security Act, as amended by this Act, for computation of such amount, except that his closing date, for purposes of subsection (b) of such section 215, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for or, if he has died, in the month in which he died. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivors benefits becomes entitled to such benefits.

(C) An individual or, in case of his death, his survivors entitled to a lump-sum death payment or to monthly benefits under section 202 of the Social Security Act on the basis of his wages and self-employment income shall be entitled to a recomputation of his primary insurance amount under section 215(f)(2) or section 215(f)(4) of the Social Security Act as in effect prior to the date of enactment of this Act only if (i) he had not less than six quarters of coverage in the period after 1950 and prior to January 1, 1955, and (ii) either the twelfth month referred to in subparagraph (A) of such section 215(f)(2) occurred prior to January 1, 1955, or he attained the age of 75 prior to 1955, and (iii) he meets the other conditions of entitlement to such a recomputation. No individual shall be entitled to a recomputation under subparagraph (A) or (B) of this paragraph if his primary insurance amount has previously been recomputed under either of such subparagraphs.

(D) Notwithstanding the provisions of subparagraphs (A), (B), and (C), the primary insurance amount of an individual shall not be recomputed under such provisions unless such individual files the application referred to in subparagraph (A) or (B) prior to January 1961 or, if he

dies without filing such application, his death occurred prior to January 1961.

* * * * *

(8) In the case of an individual who became (without the application of section 202(j)(1)) entitled to old-age insurance benefits or died prior to September 1954, the provisions of section 215(f)(3) as in effect prior to the enactment of this Act shall be applicable as though this Act had not been enacted *but only if such individual files the application referred to in subparagraph (A) of such section prior to January 1961 or (if he dies without filing such application) his death occurred prior to January 1961.*

(f)(1) The amendments made by the preceding subsections, other than subsection (b) and paragraphs (1), (2), (3), and (4) of subsection (e), shall (subject to the provisions of paragraph (2) and notwithstanding the provisions of section 215(f)(1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after, and in the case of monthly benefits under such section for months after, August 1954.

(2)(A) The amendment made by subsection (b)(2) shall be applicable only in the case of monthly benefits for months after August 1954, and the lump-sum death payment in the case of death after August 1954, based on the wages and self-employment income of an individual (i) who does not become eligible for benefits under section 202(a) of the Social Security Act until after August 1954, or (ii) who dies after August 1954, and without becoming eligible for benefits under such section 202 (a), or (iii) who is or has been entitled to have his primary insurance amount recomputed under section 215 (f)(2) of the Social Security Act, as amended by subsection (e)(2) of this section, or under subsection (e)(5)(B) of this section, or (iv) with respect to whom not less than six of the quarters elapsing after June 1953 are quarters of coverage (as defined in such Act), or (v) who files an application for a disability determination which is accepted as an application for purposes of section 216(i) of such Act, or (vi) who dies after August 1954, and whose survivors are (or would, but for the provisions of section 215(f)(6) of such Act, be) entitled to a recomputation of his primary insurance amount under section 215(f)(4)(A) of such Act, as amended by this Act. For purposes of the preceding sentence an individual shall be deemed eligible for benefits under section 202(a) of the Social Security Act for any month if he was, or would upon filing application therefor in such month have been, entitled to such benefits for such month.

(B) In the case of any individual entitled to old-age insurance benefits under section 202(a) of the Social Security Act who was or, upon filing application therefor, would have been entitled to such benefits for August 1954, to whom subparagraph (A) is inapplicable, and with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215(f)(1) of the Social Security Act, recompute the primary insurance amount of such individual but only upon the filing of an application, after August 1954, by him or, if he dies without filing

such an application, by any person entitled to monthly survivors benefits under section 202 of such Act on the basis of such individual's wages and self-employment income. Such recomputation shall be made in the manner provided in section 215 of the Social Security Act *as in effect prior to the enactment of the Social Security Amendments of 1960* for computation of such individual's primary insurance amount, except that the provisions of subsection (f) of such section (other than paragraph (3)(C) thereof) shall not be applicable for purposes of such computation, and except that his closing date, for purposes of subsection (b) of such section, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation or, if he died without filing such application, the month in which he died. Such recomputation shall be effective (i) if the application is filed by such individual, for and after the twelfth month before the [bond] month in which the application therefor was filed by such individual but in no case before the first month of the quarter which is such individual's sixth quarter of coverage acquired after June 30, 1953, or (ii) if such application was filed by a person entitled to monthly survivors benefits under section 202 of the Social Security Act on the basis of such individual's wages and self-employment income, for and after the first month for which such person was entitled to such survivors benefits. No such recomputation of an individual's primary insurance amount shall be effective unless it results in a higher primary insurance amount for him; nor shall any such recomputation of an individual's primary insurance amount be effective if such amount has previously been recomputed under this subsection.

* * * * *

BENEFITS IN CERTAIN CASES OF DEATHS BEFORE SEPTEMBER 1950

SEC. 109. (a) * * *

(b) The provisions of subsection (a) shall be applicable only in the case of monthly benefits under section 202 of the Social Security Act for months after August 1954, on the basis of applications filed after such month *and in or prior to the month in which the Social Security Amendments of 1960 are enacted.*

* * * * *

SERVICE FOR CERTAIN TAX-EXEMPT ORGANIZATIONS PRIOR TO ENACTMENT OF THE SOCIAL SECURITY AMENDMENTS OF 1956

SEC. 403. (a) In any case in which—

(1) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of the Social Security Amendments of 1956, by an organization which is described in section 501(c)(3) of the Internal Revenue Code of 1954 and which is exempt from income tax under section 501(a) of such Code but which did not have in effect during the entire period in which the individual was so employed, a valid waiver certificate under section 1426(l)(1) of the Internal Revenue Code of 1939 or section 3121(k)(1) of the Internal Revenue Code of 1954;

(2) the service performed by such individual as an employee of such organization during the period subsequent to 1950 and prior to 1957 would have constituted employment (as defined in

section 210 of the Social Security Act and section 1426(b) of the Internal Revenue Code of 1939 or section 3121(b) of the Internal Revenue Code of 1954, as the case may be, at the time such service was performed) if such organization had filed prior to the performance of such service such a certificate accompanied by a list of the signatures of employees who concurred in the filing of such certificate and such individual's signature had appeared on such list;

(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 or sections 3101 and 3111 of the Internal Revenue Code of 1954, as the case may be, have been paid with respect to any part of the remuneration paid to such individual by such organization for such service performed during the period in which such organization did not have a valid waiver certificate in effect;

(4) part of such taxes have been paid prior to the enactment of the Social Security Amendments of 1956;

(5) so much of such taxes as have been paid prior to the enactment of the Social Security Amendments of 1956 have been paid by such organization in good faith and without knowledge that a waiver certificate was necessary or upon the assumption that a valid waiver certificate had been filed by it under section 1426(l)(1) of the Internal Revenue Code of 1939 or section 3121(k)(1) of the Internal Revenue Code of 1954, as the case may be; and

(6) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual (☐ filed in such form and manner], *filed on or before the date of the enactment of the Social Security Amendments of 1960 and in such form and manner* and with such official, as may be prescribed by regulations under chapter 21 of the Internal Revenue Code of 1954), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426(b) of the Internal Revenue Code of 1939 or section 3121(b) of the Internal Revenue Code of 1954, as the case may be.

* * * * *

SOCIAL SECURITY ACT AMENDMENTS OF 1956

ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

SEC. 116. (a) There is hereby established an Advisory Council on Social Security Financing for the purpose of reviewing the status of the Federal Old-Age and Survivors Insurance Trust Fund and of the Federal Disability Insurance Trust Fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program.

(b) The Council shall be appointed by the Secretary after February 1957 and before January 1958 without regard to the civil-service laws and shall consist of the Commissioner of Social Security, as chairman, and of twelve other persons who shall, to the extent possible, represent employers and employees in equal numbers, and self-employed persons and the public.

(c)(1) The Council is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

(2) Members of the Council, while serving on business of the Council (inclusive of travel time), shall receive compensation at rates fixed by the Secretary, but not exceeding \$50 per day; and shall be entitled to receive actual and necessary traveling expenses and per diem in lieu of subsistence while so serving away from their places of residence.

(d) The Council shall make a report of its findings and recommendations (including recommendations for changes in the tax rates in sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954) to the Secretary of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, such report to be submitted not later than January 1, 1959, after which date such Council shall cease to exist. Such findings and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than March 1, 1959.

[(e) Not earlier than three years and not later than two years prior to January 1 of the first year for which each ensuing scheduled increase (after 1960) in the tax rates is effective under the provisions of sections 3101 and 3111 of the Internal Revenue Code of 1954, the Secretary shall appoint an Advisory Council on Social Security Financing with the same functions, and constituted in the same manner, as prescribed in the preceding subsections of this section. Each such Council shall report its findings and recommendations, as prescribed in subsection (d), not later than January 1 of the year preceding the year in which such scheduled change in the tax rates occurs, after which date such Council shall cease to exist, and such report and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than the March 1 following such January 1.]

(e) During 1963, 1966, and every fifth year thereafter, the Secretary shall appoint an Advisory Council on Social Security Financing, with the same functions, and constituted in the same manner, as prescribed in the preceding subsections of this section. Each such Council shall report its findings and recommendations, as prescribed in subsection (d), not later than January 1 of the second year after the year in which it is appointed, after which date such Council shall cease to exist, and such report and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than the March 1 following such January 1.

(f) The Advisory Council appointed under subsection (e) during 1963 shall, in addition to the other findings and recommendations it is required to make, include in its report its findings and recommendations with respect to extensions of the coverage of the old-age, survivors, and disability insurance program, the adequacy of benefits under the program, and all other aspects of the program.

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

SEC. 1. * * *

(q) The terms "Social Security Act" and "Social Security Act, as amended," shall mean the Social Security Act as amended in **[1958]** 1960.

ORGANIC ACT OF GUAM

SEC. 30. All customs duties and Federal income taxes derived from Guam, the proceeds of all taxes collected under the internal-revenue laws of the United States on articles produced in Guam and transported to the United States, its Territories, or possessions, or consumed in Guam, and the proceeds of any other taxes which may be levied by the Congress on the inhabitants of Guam, and all quarantine, passport, immigration, and naturalization fees collected in Guam shall be covered into the treasury of Guam and held in account for the government of Guam, and shall be expended for the benefit and government of Guam in accordance with the annual budgets; *except that nothing in this Act shall be construed to apply to any tax imposed by chapter 2 or 21 of the Internal Revenue Code of 1954.*

**SECTION 104 OF THE TEMPORARY UNEMPLOYMENT
TAX ACT****REPAYMENT****[IN GENERAL]**

SEC. 104. **[(a)]** The total credits allowed under section 3302(c) of the Federal Unemployment Tax Act (26 U.S.C. 3302(c)) to taxpayers with respect to wages attributable to a State for the taxable year beginning on January 1, 1963, and for each taxable year thereafter, shall be reduced in the same manner as that provided by section 3302(c)(2) of the Federal Unemployment Tax Act for the repayment of advances made under title XII of the Social Security Act, as amended (42 U.S.C. 1321 et seq.), unless or until the Secretary of the Treasury finds that **[by December 1]** *before November 10* of the taxable year there have been restored to the Treasury the amounts of temporary unemployment compensation paid in the State under this Act (except amounts paid to individuals who exhausted their unemployment compensation under title XV of the Social Security Act and title IV of the Veterans' Readjustment Assistance Act of 1952 prior to their making their first claims under this Act), the amount of costs incurred in the administration of this Act with respect to the State, and the amount estimated by the Secretary of Labor as the State's proportionate share of other costs incurred in the administration of this Act.

[REPAYMENTS IN EXCESS OF AMOUNT OWED

[(b) Whenever the amount of additional tax paid, received, and covered into the Treasury under subsection (a) with respect to wages which are attributable to a State exceeds the sum of the amounts described in subsection (a), there is hereby appropriated to the Unemployment Trust Fund for crediting to the account of such State an amount equal to such excess. The amount so credited shall be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.]

XII. STATEMENT OF HON. HALE BOGGS

In my judgment a program of medical care for the aged must ultimately be worked out within the framework of the established social security system.

HALE BOGGS.

325

XIII. SUPPLEMENTAL VIEWS ON HEALTH BENEFITS FOR THE AGED

We are greatly concerned that H.R. 12580 does not contain any provision for social insurance protection against the hazard of medical costs in old age. We believe that the 70 million workers covered under social security should be given the opportunity to contribute now, while working, toward paid-up medical-care protection in old age for themselves, their wives, and widows, so that the greatest threat to the economic security of the retired aged would be met on a planned and orderly basis—without cost to the general revenues of Federal, State, and local governments and in a way that supports the rights and dignity of the individual citizen. We are shocked that after the 23 years of successful operation of the social security system there are those who would have us rely still on relief and assistance as the sole governmental approach to meeting a major economic hazard of universal occurrence.

Basic protection through social insurance

We support the changes in the bill which create the new title XVI for the medically indigent and improve the program of old-age assistance under title I of the Social Security Act. But we believe the committee, in addition to whatever improvements they would accept for these groups, should have recommended a new program of health benefits for the aged through the old-age, survivors, and disability insurance system. We all agree on the importance of this basic approach, although among the signers of these supplemental views there are differences of opinion as to the scope of care that should be paid for.

The problem of insecurity arising from the high cost of medical care during the years of retirement is not primarily the problem of the very poor. The objective should be to remove for all the aged the haunting fear that an expensive illness will wipe out a lifetime accumulation of savings, threaten the ownership of a home, force dependence on children, or make one, after a lifetime of independence, submit to the humiliation of a test of need.

Our goal is, so far as possible, to prevent dependency rather than to deal with it at the expense of the general taxpayer after it has occurred. By contributing additional small amounts from their earnings to the nearly universal social security system, workers could gain insurance protection against medical care costs in retirement and their possible future dependency could be prevented. Since about 95 percent of the American labor force, including farmers and self-employed, will get retirement benefits under the self-financed contributory social security program, and since the wives and widows of workers are also covered, the addition of this type of protection to social security would mean that in the future almost all elderly people would be protected.

Persons already retired would receive the new health benefits, following the past pattern that when the Congress has added to cash benefits, it has made increases available to current beneficiaries.

Contributory social insurance has been applied with great success to the need for income maintenance in retirement, for survivors after the death of the chief breadwinner in the family, and for the family after the disability of the worker. The general taxpayer has been saved billions of dollars a year, and the self-respect and independence of American workers have been greatly strengthened by this approach to the problem of security planning.

There is every reason to take the same approach with regard to the expenses of medical care after retirement. The cash benefit alone is not enough to provide security. The monthly amounts paid under social security are quite modest (the average worker's benefit is now \$73 a month) and most retired people have barely enough to meet everyday living expenses. The cash benefit, which will do well to serve its purpose of meeting everyday living expenses, needs to be coupled with protection against the unforeseeable costs of illness. The retirement plan cannot give security if retired persons have no protection against the cost of medical care and have to face the costs currently at a time when their incomes are greatly reduced and the incidence and cost of illness greatly increased.

Flexibility of the social insurance approach

In addition to the Forand bill, H.R. 4700, the committee considered various proposals for adding health benefits through the old-age, survivors, and disability insurance program. Alternatives explored included: a broad range of benefits with a large deductible; hospital benefits accompanied by skilled nursing home care and home nursing care provided through community agencies, such as visiting nurse services; the option of a supplemental cash benefit that could be chosen instead of the proposed health benefits; and limitation of eligibility to persons 68 years of age and older.

Cost estimates submitted by the agency indicated that H.R. 4700 would cost about 0.5 percent of payrolls in early years, with a level premium cost of about 0.8 percent of payrolls. More modest proposals would have provided substantial protection at a level premium cost of about 0.5 percent of payrolls. A broad spectrum of benefits (with a large cash deductible) identical to those in the administration proposal, was estimated to cost 1.09 percent of payrolls if provided through social insurance.

It is clear, therefore, that a modest increase in the contribution rate, ranging from a few tenths of 1 percent each up to one-half percent each by employers and employees, would finance a significant amount of protection for the present aged beneficiaries as well as for almost all the aged in the years ahead.

Whatever the scope of benefits, the social insurance approach would assure that they would definitely be available, that the individual could count on eligibility for them, and that they would be supported by adequate, advance financing.

Insofar as individuals have the resources to purchase private insurance, they would then be able to build such individual protection around the basic social insurance program. Contrary to fears that have been expressed, the development of social insurance has not interfered with the growth of commercial insurance. On the contrary, a tremendous growth of private protection has accompanied the development of the old-age, survivors, and disability insurance system.

The social insurance approach can thus permit substantial flexibility in the protection obtained. It can be voluntary as to benefits if the choice of a cash equivalent is included. The tax would be compulsory, but no more than other taxes, such as those that will be required to finance title XVI or any other program paid for from general revenues. Individuals would continue to exercise whatever choice they now have in regard to the persons or institutions from whom they obtain care.

Physicians would have freedom to practice as they choose. They would still have responsibility for recommending and certifying that a given type of care is necessary, whether in a hospital, a skilled nursing home, or the patient's own home. On both physicians and hospitals would continue to rest responsibility for developing improved methods of caring for aged persons, utilizing less expensive forms of care when they would prove constructive, and speeding rehabilitation so as to avoid permanent invalidism. The alleged danger that patients would be "herded into institutions" is not valid under social insurance any more than it is under private insurance policies.

Other types of proposals considered

In 1958 the committee requested the Secretary of Health, Education, and Welfare to report on methods of providing insurance against the cost of hospital and nursing-home care for old-age, survivors, and disability insurance beneficiaries. A substantial report on the matter was submitted to the committee on April 3, 1959. Testimony from a wide variety of witnesses was heard in 1958 and in July 1959. On July 13, the Secretary of Health, Education, and Welfare assured us that he would continue studying possible approaches and would report the results of his studies as soon as possible. No recommendations were received from him, however, until May 4, 1960. The committee had by then been considering health problems of the aged and other social security amendments for more than a month.

The proposals of the administration were discussed by the committee at some length but did not win its support, nor were they ever embodied in legislative language.

We agree with the other members in their rejection of the plan submitted by Secretary Flemming for the administration. This plan is unsatisfactory for the following reasons:

1. The idea on which this plan is based, that protection against medical care costs for the aged is necessary only for persons with incomes of less than \$2,500 a year is completely untenable. A single illness may cost several thousand dollars, and meeting such costs would be completely beyond the means of most retired persons who have income enough to bar them from help under the plan.

2. The plan would place a huge additional burden on the general budgets of local, State, and Federal Governments amounting to over a billion dollars to begin with and several billion dollars later. All this without consideration of where the money will come from and at a time when it is widely recognized that the services of many State and local governments are badly outmoded and tax resources for their improvement severely limited and uncertain.

3. Although putting a large additional burden on the general taxpayer, the plan would nevertheless leave the first \$250 of medical care costs each year to the retired person and require him to pay 20 percent of all costs above this amount. Such a large deductible plus co-

insurance, while perhaps appropriate for employed persons of middle income, offers little if any security to people living on the low income typical of the retirement years.

4. The administration has taken as a basic principle that a plan must be voluntary. But there is really nothing voluntary about the plan which they have proposed. Under that plan the general taxpayer is compelled to pay costs (except for the premium or enrollment fee paid by the beneficiary) and yet that taxpayer will not be allowed to participate in the benefit side of the plan unless he submits to and meets an income test of \$2,500 a year. For people with retirement incomes above \$2,500, therefore, there is no choice but to have paid taxes, with no opportunity for benefits. The only sense in which the plan is voluntary is that those who have retirement incomes below \$2,500 a year can refuse to take the benefits for which they and other taxpayers in their earlier years have paid the costs.

5. The proposed premium or enrollment fee, covering about one-fifth or so of the costs of this so-called voluntary insurance, and the option of electing a private insurance contract, would mislead many people into failing to act in their own best interests. Because of the fee some would not participate and thus would refuse the benefits which had been paid for by their own taxes. At the same time the \$24 fee would be a barrier to voluntary election by the very lowest income groups.

6. There is no way to know when, if ever, the aged of the Nation would finally get protection under the plan. Nothing could be done until a State was able to find revenue resources to pay its share of the costs. Thus in many States it might take years before ways were found to raise the necessary revenues to permit the State to enter the plan.

The role of private insurance

Private insurance cannot meet the problems of the great majority of the aged. Basically the problem for private insurance is that the costs of medical care for the aged are high and retired people cannot afford to pay the necessary premiums. Persons aged 65 and over are sick in bed an average of more than 16 days per year. Persons under 65 average only 7 days. Six times as many persons aged 65 and over have serious chronic conditions as does the population below that age.

The solution of contributing over a working lifetime for paid-up protection in retirement is not realistically open to private insurance. Possible inflation and also the possible changes in medical costs arising from other factors, make it impossible for private insurers to undertake to meet actual expenses at some future date. On the other hand, a contract providing for protection in terms of a fixed number of dollars would not give the protection needed. Moreover a requirement that commercial premiums be paid over a working lifetime means that no one obtains protection until several decades have gone by.

Little of the medical costs of the aged are met through insurance. Only one-fourth of the aged have even as complete medical insurance coverage as a Blue Cross policy would provide. Most of this group are little over the age of 65 and are still employed, with their protection based on such employment. Another 15 percent or so have medical insurance of a less adequate nature—usually a policy, which, for example, pays only \$10 a day toward a hospital room which cost \$20

or more. Even very inadequate protection costs an aged couple something like \$13 per month.

Although spokesmen for the commercial insurance companies claim that their coverage of the aged is increasing, they have not produced for this committee or elsewhere reliable information to substantiate the claim. The Subcommittee on the Aged and Aging of the Senate Labor and Public Welfare Committee this winter sent questionnaires to the insurance companies asking them for data on the number of aged persons now on their rolls. The chairman of this subcommittee, Patrick V. McNamara, summed up the result as follows on June 2 in a statement to the Senate:

In the questionnaires mailed to the companies scanty information was provided, even though the subcommittee promised to keep the names of companies confidential. The significance of such lack of figures is that there is no basis, therefore, for the widely advertised claims of the companies that they are meeting the problem today, or that they will have almost completely solved the problem at some date in the distant future.

The role of public assistance

Only the social security system can provide medical care insurance for the aged in a satisfactory manner. If medical care costs are not met by social insurance, increasingly they will be met through relief. Almost \$400 million a year is now being spent by Federal, State, and local governments for medical care under the old-age assistance program; the committee bill would increase this to over three-quarters of a billion dollars, and this would be just the beginning. In the absence of social insurance protection this drain on general revenues will more than double in the next several years.

Although we support improvements in medical care assistance, we believe that the method of assistance is greatly inferior to social insurance and that the need for assistance should be reduced as much as possible. We feel it is necessary to recognize the inadequacies of any approach based on an income or means test, 50 separate State laws, and financing out of general revenues, with a large part of the burden placed upon the States.

Title XVI would not prevent or even significantly reduce insecurity. On the other hand, if protection against medical care costs were provided under the OASI system, eligibility for such benefits would go along with eligibility for monthly cash benefits under the system, and each person would know where he stands. Thus, the distress and anxiety caused by periods of illness would not be aggravated by uncertainty about eligibility as it would be under a public assistance type of program.

Title XVI of the pending bill, although putting a big additional burden on general revenues, will not do very much of a job. Few States are in a position to raise the large amounts of money necessary to meet their share of the costs under the matching formula set up in the proposal. Under the present old-age assistance provisions, 24 States fail to match all the Federal funds at their disposal.

Number of persons protected

It is alleged that if health insurance is provided under the OASI program 4 million people, out of the 16 million aged 65 and over,

would not be eligible and would remain unprotected. This assertion is unfounded. First of all, 350,000 of these 4 million aged are brought under the protection of social security by the amendment to the insured status provision contained in H.R. 12580. Another 0.5 million are aged annuitants of the railroad retirement system and 0.2 million are aged annuitants of the Federal/civil service retirement system. There is little doubt that these people would soon be covered under medical insurance benefit programs similar to that enacted for persons eligible for OASI, and we are prepared to support such legislation. An additional 0.5 million people are receiving veterans' compensation or pensions and are eligible for medical care under the existing programs for veterans.

Of the remaining group of 2½ million, about 1¾ million are either in institutions where medical care is available or on old-age assistance. Section 602 of the committee bill is designed to improve the medical care available to assistance recipients. There remain then only about three-fourths of a million persons who receive no benefits from social security, public assistance, or any public retirement system and who live on resources of their own or are supported by relatives. Thus, should social security be extended to provide medical care protection and other Government retirement systems similarly extended, there would remain only about 5 percent of the aged (three-fourths of a million rather than 4 million) who would have to meet their medical care needs without help from any Government program. All of the approaches other than the social security approach that have been discussed leave out many more people. The present bill, of course, would not assist the great majority of the aged to meet their medical bills.

In summary, it is very clear that there is a great need for protection against medical costs for the aged, that the proposed title XVI will not meet this need, and that the logical and certain method for meeting the need is through contributory social insurance. We believe that the American people are eager for this additional protection and will gladly pay the modest amounts involved during their working years in order not only to provide protection for those now old but to spread the costs of that protection over workers and employers as a group rather than having it fall unevenly on those young people who have retired parents and other relatives who get sick. Most of all we believe it is in the best American tradition to make prior provision for the future by having those now young start buying paid-up protection to be added to their cash benefit when they retire.

AIME J. FORAND.
CECIL R. KING.
THOMAS J. O'BRIEN.
EUGENE J. KEOGH.
FRANK M. KARSTEN.
THADDEUS M. MACHROWICZ.
LEE METCALF.
WILLIAM J. GREEN.

XIV. SEPARATE VIEWS OF MESSRS. MASON, CURTIS, UTT, ALGER, AND LAFORE

Social legislation once enacted tends never to be reversed even though a major part of that program may be proved by experience to be either ineffectual or conceptually in error.

It is the aforestated political axiom that makes it of paramount importance that the Congress in establishing a broad new program of governmentally provided health and medical care must be guided by the best interest of all Americans and proceed in the knowledge of all the relevant facts. To do less is to disregard our responsibility to spend the tax dollar wisely; to do less will operate to the detriment of all our citizens and may particularly operate to the disadvantage of those whom we may primarily seek to benefit.

Thus it is with the legislation H.R. 12580 which proposes a new half-billion-dollar program of medical care for aged persons. We respectfully submit that in our judgment the House membership cannot act in an informed manner on the legislation because the Committee on Ways and Means has not developed sufficient information pertaining to the nature of the need for Government health care, the effectiveness of present day programs in meeting that need, and the ability of the proposed program to fulfill its intended purpose. This information cannot be available in the absence of comprehensive public hearings in which testimony from informed individuals would be received. The emphasis in such hearings should be directed to the development of information from State and local health and welfare administrators, religious and social welfare leaders, and authorities from the professions dealing with the sociomedical problems of the aged. We regret that such hearings have not been held and the legislation recommended by the majority cannot be evaluated as a result.

We do not urge such hearings for the sake of delay but instead we are motivated by the earnest and genuine desire to prescribe the right legislative remedy for a properly diagnosed social ill. Before the Congress can prescribe such a remedy, we must have specific comprehension of the health status and requirements of the aged and the currently available services, facilities, and programs. The legislative method must seek to deal with social problems only against a background of informed knowledge.

In expressing these reservations in regard to the medical care proposal contained in the committee bill, we are not unmindful of the obligation of our society through individual effort and public and private programs to safeguard not only our aged but indeed every citizen against illness and infirmity that cannot be met, for one reason or another, through self-help. That question is not at issue in the present consideration. What is at issue is a determination of the most efficacious way in which to accomplish what we all recognize as the objective; namely, the best possible health care. In the ac-

complishment of that objective, we submit, an ineffectual program just for the sake of having a program may be more harmful than no program at all.

In this expression of separate views we have deliberately refrained from a detailed criticism of the majority approved proposal. Indeed, it is our view that there are many features of this suggested program that mark it as superior to other proposals that purport to provide health care for the aged. Examples of such superior features may be found in the fact that (1) the program would provide a broader scope of benefits so that the most efficient and economical medically prescribed treatment could be utilized without arbitrarily limiting covered benefits to hospital, nursing home, and surgical costs; (2) the program would do less violence to existing methods and means of health care within the framework of free enterprise procedures; and (3) the program would be State and locally administered and would thereby lessen the danger of further undue Federal encroachment.

But a program of this magnitude requires more than mere generalizations on which to base a conclusion of approval or disapproval. Therefore, despite some commendable features to be found in the approach proposed by the majority, we cannot concur in recommending to the House membership that this new medical care program be approved in the absence of more competent knowledge on which to base such a recommendation. We must know more before we act further.

There is neither panic nor crisis to justify a crash program. Health care problems have confronted governmental authority since the beginning of organized society. Let us never forget that today in our Nation we have the highest health standards in our history. We have also the finest medical care extant in the world which, through one means or another, is available to all our citizens. We must take no hasty action that might impair this progress.

NOAH M. MASON.
THOMAS B. CURTIS.
JAMES B. UTT.
BRUCE ALGER.
JOHN A. LAFORE, JR.

XV. FURTHER SEPARATE VIEWS OF MESSRS. MASON, UTT, AND ALGER

We are opposed to the enactment of the bill, H.R. 12580, which purports to strengthen and improve the social security program but which in fact merely makes the program broader in coverage and benefit eligibility and thereby compounds the weakness and actuarial unsoundness of the existing program.

We have joined in associating ourselves with other of our committee colleagues in separate views pointing out the questionable propriety of proceeding with a new health care program for the aged without sufficient knowledge being developed on which to predicate such action.

Our purpose in filing these further separate views is to state concern over the lack of actual soundness of the old-age, survivors, and disability insurance program and to call that concern to the attention of the membership of the House.

It is our belief that the Congress has a moral obligation to those who are now benefit recipients and to those who will look to the program for retirement and survivorship income in the future to safeguard against the insolvency of the Old-age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund.

There are several built-in factors in the social security program which may cause its destruction.

The actuarial soundness of the social security trust funds is based on two uncertain assumptions: (1) continued high employment and income and (2) constantly increasing population.

Even with the present high rates of employment and income and a high level of new entrants to the working force, expenditures from the OASI trust fund exceeded fund income in 1958 and 1959. For a time it was thought income would exceed expenditures in 1960; now it is a distinct likelihood that expenditures again will be higher. It is now maintained that because of the increase in the tax rate from 2½ to 3 percent which took effect on January 1, 1960, that the fund should resume building up reserves in 1961. This estimate is based on present allowances and expectations—it may not allow realistically for increased benefit amounts or increased benefit recipients.

Should we run into any period of curtailed employment which would reduce tax payments into the fund, there would be a further drain on the fund. Should there be a drop in population growth figures, again we would place the funds in further imbalance.

This threat to the OASI trust fund is pointed up by the Board of Trustees in their 20th Annual Report for the fiscal year ending June 30, 1959. In that report we find the following:

The cost of benefits to aged persons, which constitute almost 90 percent of the total cost, will rise for several reasons. The U.S. population cannot continue to increase indefinitely; births cannot indefinitely exceed deaths. When a balance

is reached or a reversal in the present trend occurs, the population as a whole will have become relatively much older. A relatively older population will also result because the present aged population is made up of the survivors from past periods when death rates were much higher than they are now; thus, in the future, relatively more persons will attain age 65 and older ages.

Another reason for the increasing cost is that the proportion of the aged population receiving benefits will increase. Many of the present persons aged 65 and over were not in covered employment long enough to obtain benefits, or, in the case of widows, their husbands were not sufficiently long in covered employment. Although the system began in 1937, many jobs were not covered until 1951 or 1955. It is estimated that the proportion of the aged population eligible for some type of benefit under the system will increase from the present level of about 73 percent to between 92 and 97 percent by the end of the century.

What will happen if the program in this way destroys itself and these people, who are planning to live out their old age on anticipated benefits, find there are no balances in the trust funds to pay those benefits? A quote from the 1958 report of the Advisory Council on Social Security Financing bears on this point:

The Council believes that the trusteeship is so large and the number of people involved so great that the defeat of beneficiaries' expectations through inflation would gravely imperil the stability of our social, political, and economic institutions.

This same end would be accomplished if beneficiaries' expectations were defeated for any reason including, not only inflation, but the insolvency of the trust funds.

The undersigned have expressed these views because of our conviction that we owe an obligation to our older citizens who plan on these retirement benefits, and to our young citizens just entering the Nation's working force, who will face ever-increasing taxes to support a program from which they may never draw benefits. In good conscience we feel an obligation to warn against the insecurity of a program based on assumptions which, to say the least, are open to question.

The tax burden that will be imposed on future earned income of the future working population to pay benefit obligations that have been incurred as of today can be demonstrated by an examination of certain actuarial data. An employed individual who received maximum taxable earnings since the inception of the program in 1937 through December 31, 1959, would have had a cumulative employer-employee maximum total tax contribution into the OASDI trust funds of \$2,292. Assuming this individual and his wife reached age 65 on January 1, 1960, the total amount of benefits that will be paid out with respect to this benefit claim is \$31,200. Another individual who qualified for a minimum benefit entitlement on January 1, 1960, could have paid with his employer as little as a total of \$36 into the trust funds and assuming that he and his wife reached age 65 on

January 1 of the current year, the total amount of benefits that would be paid out with respect to his benefit claim is \$8,600.

The total amount of contributions paid into the funds since the inception of the program is approximately \$70 billion. The present value of future benefit obligations incurred with respect to existing beneficiaries is \$85 billion. This latter figure does not take into account the future benefit obligations currently being developed by persons who have not as yet reached retirement age or died. The present unfunded obligations of the OASDI system are estimated to be approximately \$300 billion assuming that no new workers were to enter the system and together with their employers make tax contributions. The present combined level of the trust funds amounts to \$21.8 billion.

Thus it is obvious from this examination of the actuarial experience with the program that we do not have a retirement and survivorship benefit program on which justifiable reliance for security can be placed by any citizen.

Future generations will presumably have the same problems that beset us today of paying for the cost of Government first, and then with what is left, of providing for their necessities and the education of their children. It is of doubtful responsibility that we should now further obligate the income of future generations by an unsound program that has become political insurance instead of individual insurance.

It is because we favor a program that is soundly conceived and adequately financed that we feel constrained to express these separate views.

NOAH M. MASON.
JAMES B. UTT.
BRUCE ALGER.



Union Calendar No. 801

86TH CONGRESS
2^D SESSION

H. R. 12580

[Report No. 1799]

IN THE HOUSE OF REPRESENTATIVES

JUNE 9, 1960

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

JUNE 13, 1960

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To extend and improve coverage under the Federal Old-Age, Survivors, and Disability Insurance System and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such Act; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act, divided into titles and sections according to
4 the following table of contents, may be cited as the "Social
5 Security Amendments of 1960".

TABLE OF CONTENTS

TITLE I—COVERAGE

- Sec. 101. Extension of time for ministers to elect coverage.
- Sec. 102. State and local governmental employees.
- (a) Delegation by Governor of certification functions.
 - (b) Employees transferred from one retirement system to another.
 - (c) Retroactive coverage.
 - (d) Policemen and firemen.
 - (e) Limitation on States' liability for employer (and employee) contributions in certain cases.
 - (f) Statute of limitations for State and local coverage.
 - (g) Municipal and county hospitals.
 - (h) Validation of coverage for certain Mississippi teachers.
- Sec. 103. Extension of the program to Guam and American Samoa.
- Sec. 104. Doctors of medicine.
- Sec. 105. Service of parent for son or daughter.
- Sec. 106. Employees of nonprofit organizations.
- Sec. 107. American citizen employees of foreign governments and international organizations.
- Sec. 108. Domestic service and casual labor.

TITLE II—ELIGIBILITY FOR BENEFITS

- Sec. 201. Children born or adopted after onset of parent's disability.
- Sec. 202. Continued dependency of stepchild on natural father.
- Sec. 203. Payment of burial expenses.
- Sec. 204. Fully insured status.
- Sec. 205. Survivors of individuals who died prior to 1940 and of certain other individuals.
- Sec. 206. Crediting of quarters of coverage for years before 1951.
- Sec. 207. Time needed to acquire status of wife, child, or husband in certain cases.
- Sec. 208. Marriages subject to legal impediment.
- Sec. 209. Penalty deductions under foreign work test.
- Sec. 210. Extension of filing period for husband's, widower's, or parent's benefits in certain cases.

TITLE III—BENEFIT AMOUNTS

- Sec. 301. Increase in insurance benefits of children of deceased workers.
- Sec. 302. Maximum family benefits in certain cases.
- Sec. 303. Computations and recomputations of primary insurance amounts.
- Sec. 304. Elimination of certain obsolete recomputations.

TABLE OF CONTENTS—Continued

TITLE IV—DISABILITY INSURANCE BENEFITS AND THE DISABILITY
FREEZE

- Sec. 401. Elimination of requirement of attainment of age fifty for disability insurance benefits.
- Sec. 402. Elimination of the waiting period for disability insurance benefits in certain cases.
- Sec. 403. Period of trial work by disabled individual.
- Sec. 404. Special insured status test in certain cases for disability purposes.

TITLE V—EMPLOYMENT SECURITY

PART 1—SHORT TITLE

- Sec. 501. Short title.

PART 2—EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING
AMENDMENTS

- Sec. 521. Amendment of title IX of the Social Security Act.
 - Sec. 901. Employment security administration account.
 - Sec. 902. Transfers between Federal unemployment account and employment security administration account.
 - Sec. 903. Amounts transferred to State accounts.
 - Sec. 904. Unemployment Trust Fund.
- Sec. 522. Amendment of title XII of the Social Security Act.
 - Sec. 1201. Advances to State unemployment funds.
 - Sec. 1202. Repayment by States of advances to State unemployment funds.
 - Sec. 1203. Advances to Federal unemployment account.
 - Sec. 1204. Definition of Governor.
- Sec. 523. Amendments to the Federal Unemployment Tax Act.
- Sec. 524. Conforming amendments.

PART 3—EXTENSION OF COVERAGE UNDER UNEMPLOYMENT COMPENSATION
PROGRAM

- Sec. 531. Federal instrumentalities.
- Sec. 532. American aircraft.
- Sec. 533. Feeder organizations, etc.
- Sec. 534. Fraternal beneficiary societies, agricultural organizations, voluntary employees' beneficiary associations, etc.
- Sec. 535. Effective date.

PART 4—EXTENSION OF FEDERAL-STATE UNEMPLOYMENT COMPENSATION
PROGRAM TO PUERTO RICO

- Sec. 541. Extension of titles III, IX, and XII of the Social Security Act.
- Sec. 542. Federal employees and ex-servicemen.
- Sec. 543. Extension of Federal Unemployment Tax Act.

TABLE OF CONTENTS—Continued

TITLE VI—MEDICAL SERVICES FOR THE AGED

- Sec. 601. Establishment of program. (Title XVI of the Social Security Act.)
- Sec. 1601. Appropriation.
 - Sec. 1602. State plans.
 - Sec. 1603. Payments.
 - Sec. 1604. Operation of State plans.
 - Sec. 1605. Eligible individuals.
 - Sec. 1606. Benefits.
 - Sec. 1607. Benefit year.
- Sec. 602. Improvement of medical care for old-age assistance recipients.
- Sec. 603. Planning grants to States.
- Sec. 604. Technical amendment.

TITLE VII—MISCELLANEOUS

- Sec. 701. Investment of Trust Funds.
- Sec. 702. Survival of actions.
- Sec. 703. Periods of limitation ending on nonwork days.
- Sec. 704. Advisory Council on Social Security Financing.
- Sec. 705. Medical care guides and reports for public assistance and medical services for the aged.
- Sec. 706. Temporary extension of certain special provisions relating to State plans for aid to the blind.
- Sec. 707. Maternal and child welfare.
- Sec. 708. Amendment preserving relationship between railroad retirement and old-age, survivors, and disability insurance.
- Sec. 709. Meaning of term "Secretary".

1

TITLE I—COVERAGE

2

EXTENSION OF TIME FOR MINISTERS TO ELECT COVERAGE

3

SEC. 101. (a) Clause (B) of section 1402(e) (2)

4

of the Internal Revenue Code of 1954 (relating to time

5

for filing waiver certificate) is amended by striking out

6

"1956" and inserting in lieu thereof "1959".

7

(b) Section 1402(e) (3) of such Code (relating to

8

effective date of certificate) is amended to read as follows:

1 “(3) EFFECTIVE DATE OF CERTIFICATE.—A cer-
2 tificate filed pursuant to this subsection shall be effective
3 for the taxable year immediately preceding the earliest
4 taxable year for which, at the time the certificate is
5 filed, the period for filing a return (including any exten-
6 sion thereof) has not expired, and for all succeeding
7 taxable years. An election made pursuant to this sub-
8 section shall be irrevocable.”

9 (c) Section 1402 (e) of such Code is further amended
10 by adding at the end thereof the following new paragraph:

11 “(5) OPTIONAL PROVISION FOR CERTAIN CER-
12 TIFICATES FILED ON OR BEFORE APRIL 15, 1962.—In
13 any case where an individual has derived earnings, in
14 any taxable year ending after 1954 and before 1960,
15 from the performance of service described in subsection
16 (c) (4), or in subsection (c) (5) (as in effect prior
17 to the enactment of this paragraph) insofar as it related
18 to the performance of service by an individual in the
19 exercise of his profession as a Christian Science practi-
20 tioner, and has reported such earnings as self-employ-
21 ment income on a return filed on or before the date of
22 the enactment of this paragraph and on or before the

1 due date prescribed for filing such return (including any
2 extension thereof) —

3 “(A) a certificate filed by such individual (or
4 a fiduciary acting for such individual or his estate,
5 or his survivor within the meaning of section 205
6 (c) (1) (C) of the Social Security Act) after the
7 date of the enactment of this paragraph and on or
8 before April 15, 1962, may be effective, at the elec-
9 tion of the person filing such certificate, for the first
10 taxable year ending after 1954 and before 1960
11 for which such a return was filed, and for all
12 succeeding taxable years, rather than for the period
13 prescribed in paragraph (3), and

14 “(B) a certificate filed by such individual on
15 or before the date of the enactment of this
16 paragraph which (but for this subparagraph) is
17 ineffective for the first taxable year ending after
18 1954 and before 1959 for which such a return was
19 filed shall be effective for such first taxable year.
20 and for all succeeding taxable years, provided a sup-
21 plemental certificate is filed by such individual (or
22 a fiduciary acting for such individual or his estate,

1 or his survivor within the meaning of section 205
2 (c) (1) (C) of the Social Security Act) after the
3 date of the enactment of this paragraph and on or
4 before April 15, 1962,

5 but only if—

6 “(i) the tax under section 1401 in respect of
7 all such individual’s self-employment income (ex-
8 cept for underpayments of tax attributable to errors
9 made in good faith), for each such year ending
10 before 1960 in the case of a certificate described in
11 subparagraph (A) or for each such year ending
12 before 1959 in the case of a certificate described in
13 subparagraph (B), is paid on or before April 15,
14 1962, and

15 “(ii) in any case where refund has been made
16 of any such tax which (but for this paragraph) is an
17 overpayment, the amount refunded (including any
18 interest paid under section 6611) is repaid on or
19 before April 15, 1962.

20 The provisions of section 6401 shall not apply to any
21 payment or repayment described in this paragraph.”

22 (d) In the case of a certificate or supplemental certifi-

1 cate filed pursuant to section 1402 (e) (5) of the Internal
2 Revenue Code of 1954—

3 (1) for purposes of computing interest, the due
4 date for the payment of the tax under section 1401
5 which is due for any taxable year ending before 1959
6 solely by reason of the filing of a certificate which is
7 effective under such section 1402 (e) (5) shall be
8 April 15, 1962;

9 (2) the statutory period for the assessment of any
10 tax for any such year which is attributable to the
11 filing of such certificate shall not expire before the
12 expiration of 3 years from such due date; and

13 (3) for purposes of section 6651 of such Code (re-
14 lating to addition to tax for failure to file tax return),
15 the amount of tax required to be shown on the return
16 shall not include such tax under section 1401.

17 (e) The provisions of section 205 (c) (5) (F) of the
18 Social Security Act, insofar as they prohibit inclusion in the
19 records of the Secretary of Health, Education, and Welfare
20 of self-employment income for a taxable year when the return
21 or statement including such income is filed after the time

1 limitation following such taxable year, shall not be applicable
2 to earnings which are derived in any taxable year ending
3 before 1960 and which constitute self-employment income
4 solely by reason of the filing of a certificate which is effective
5 under section 1402 (e) (5) of the Internal Revenue Code
6 of 1954.

7 (f) The amendments made by this section shall be
8 applicable (except as otherwise specifically indicated
9 therein) only with respect to certificates (and supplemental
10 certificates) filed pursuant to section 1402 (e) of the Internal
11 Revenue Code of 1954 after the date of the enactment of
12 this Act; except that no monthly benefits under title II of
13 the Social Security Act for the month in which this Act is
14 enacted or any prior month shall be payable or increased by
15 reason of such amendments, and no lump-sum death payment
16 under such title shall be payable or increased by reason of
17 such amendments in the case of any individual who died prior
18 to the date of the enactment of this Act.

19 STATE AND LOCAL GOVERNMENTAL EMPLOYEES

20 Delegation by Governor of Certification Functions

21 SEC. 102. (a) (1) Section 218 (d) (3) of the Social

1 Security Act is amended by inserting “, or an official of the
2 State designated by him for the purpose,” after “the governor
3 of the State”.

4 (2) Section 218(d)(7) of such Act is amended
5 by inserting “(or an official of the State designated by him
6 for the purpose)” after “by the governor”, and by inserting
7 “(or the official so designated)” after “if the governor”.

8 Employees Transferred From One Retirement System to
9 Another

10 (b)(1) Section 218(d)(6)(C) of the Social Secu-
11 rity Act is further amended by adding at the end thereof
12 the following new sentence: “If, in the case of a separate
13 retirement system which is deemed to exist by reason of
14 subparagraph (A) and which has been divided into two
15 divisions or parts pursuant to the first sentence of this sub-
16 paragraph, individuals become members of such system by
17 reason of action taken by a political subdivision after cover-
18 age under an agreement under this section has been extended
19 to the division or part thereof composed of positions of indi-
20 viduals who desire such coverage, the positions of such indi-
21 viduals who become members of such retirement system by
22 reason of the action so taken shall be included in the division

1 or part of such system composed of positions of members who
2 do not desire such coverage if (i) such individuals, on the
3 day before becoming such members, were in the division or
4 part of another separate retirement system (deemed to exist
5 by reason of subparagraph (A)) composed of positions
6 of members of such system who do not desire coverage under
7 an agreement under this section, and (ii) all of the positions
8 in the separate retirement system of which such individuals
9 so become members and all of the positions in the separate
10 retirement system referred to in clause (i) would have been
11 covered by a single retirement system if the State had not
12 taken action to provide for separate retirement systems un-
13 der this paragraph.”

14 (2) The amendment made by paragraph (1) shall
15 apply in the case of transfers of positions (as described
16 therein) which occur on or after the date of enactment of
17 this Act. Such amendment shall also apply in the case of
18 such transfers in any State which occurred prior to such date.
19 but only upon request of the Governor (or other official
20 designated by him for the purpose) filed with the Secretary
21 of Health, Education, and Welfare before July 1, 1961; and,
22 in the case of any such request, such amendment shall apply

1 only with respect to wages paid on and after the date on
2 which such request is filed.

3 **Retroactive Coverage**

4 (c) (1) Section 218 (f) (1) of the Social Security Act
5 is amended by striking out all that follows the first semi-
6 colon and inserting in lieu thereof the following: "except
7 that such date may not be earlier than the last day of the
8 sixth calendar year preceding the year in which such agree-
9 ment or modification, as the case may be, is agreed to by
10 the Secretary and the State."

11 (2) Section 218 (d) (6) (A) of such Act is amended
12 by adding at the end thereof the following new sentence:
13 "Where a retirement system covering positions of employees
14 of a State and positions of employees of one or more politi-
15 cal subdivisions of the State, or covering positions of em-
16 ployees of two or more political subdivisions of the State,
17 is not divided into separate retirement systems pursuant to
18 the preceding sentence or pursuant to subparagraph (C),
19 then the State may, for purposes of subsection (f) only,
20 deem the system to be a separate retirement system with
21 respect to any one or more of the political subdivisions con-
22 cerned and, where the retirement system covers positions

1 of employees of the State, a separate retirement system with
2 respect to the State or with respect to the State and any
3 one or more of the political subdivisions concerned.”

4 (3) The amendment made by paragraph (1) shall
5 apply in the case of any agreement or modification of an
6 agreement under section 218 of the Social Security Act
7 which is agreed to on or after January 1, 1960; except that
8 in the case of any such agreement or modification agreed to
9 before January 1, 1961, the effective date specified therein
10 shall not be earlier than December 31, 1955. The amend-
11 ment made by paragraph (2) shall apply in the
12 case of any such agreement or modification which is agreed
13 to on or after the date of the enactment of this Act.

14 **Policemen and Firemen**

15 (d) Section 218(p) of the Social Security Act is
16 amended by inserting “Hawaii,” after “Georgia,”; and by
17 striking out “Washington, or Territory of Hawaii” and
18 inserting in lieu thereof “Virginia, or Washington”.

19 **Limitation on States' Liability for Employer (and Em-**
20 **ployee) Contributions in Certain Cases**

21 (e) (1) Section 218(e) of the Social Security Act is
22 amended by inserting “(1)” immediately after “(e)”, by

1 redesignating paragraphs (1) and (2) as subparagraphs
2 (A) and (B), respectively, and by adding at the end
3 thereof the following new paragraph:

4 “(2) Where—

5 “(A) an individual in any calendar year performs
6 services to which an agreement under this section is
7 applicable (i) as the employee of two or more political
8 subdivisions of a State or (ii) as the employee of a
9 State and one or more political subdivisions of such
10 State; and

11 “(B) such State provides all of the funds for the
12 payment of those amounts referred to in paragraph
13 (1) (A) which are equivalent to the taxes imposed
14 by section 3111 of the Internal Revenue Code of 1954
15 with respect to wages paid to such individual for such
16 services; and

17 “(C) the political subdivision or subdivisions in-
18 volved do not reimburse such State for the payment
19 of such amounts or, in the case of services described in
20 subparagraph (A) (ii), for the payment of so much
21 of such amounts as is attributable to employment by
22 such subdivision or subdivisions;

23 then, notwithstanding paragraph (1), the agreement under
24 this section with such State may provide (either in the origi-
25 nal agreement or by a modification thereof) that the

1 amounts referred to in paragraph (1) (A) may be computed
2 as though the wages paid to such individual for the services
3 referred to in clause (A) of this paragraph were paid by
4 one political subdivision for services performed in its em-
5 ploy; but the provisions of this paragraph shall be applicable
6 only where such State complies with such regulations as
7 the Secretary may prescribe to carry out the purposes of this
8 paragraph. The preceding sentence shall be applicable with
9 respect to wages paid after an effective date specified in such
10 agreement or modification, but in no event with respect to
11 wages paid before the first day of the year following the year
12 in which this paragraph is enacted, or before the first day of
13 the year in which such agreement or modification is mailed
14 or delivered by other means to the Secretary, whichever such
15 day is the later.”

16 (2) Section 218(f) (1) of such Act is amended by
17 striking out “Any agreement” and inserting in lieu thereof
18 “Except as provided in subsection (e) (2), any agreement”.

19 Statute of Limitations for State and Local Coverage

20 (f) (1) Section 218 of the Social Security Act is
21 amended by adding at the end thereof the following new
22 subsections:

23 “Time Limitation on Assessments

24 “(q) (1) Where a State is liable for an amount due
25 under an agreement pursuant to this section, such State shall

1 remain so liable until the Secretary is satisfied that the
2 amount due has been paid to the Secretary of the Treasury.

3 “(2) Notwithstanding paragraph (1), a State shall not
4 be liable for an amount due under an agreement pursuant to
5 this section, with respect to the wages paid to individuals,
6 after the expiration of the latest of the following periods—

7 “(A) three years, three months, and fifteen days
8 after the year in which such wages were paid, or

9 “(B) three years after the date on which such
10 amount became due, or

11 “(C) three years, three months, and fifteen days
12 after the year following the year in which this subsection
13 is enacted,

14 unless prior to the expiration of such period the Secretary
15 makes an assessment of the amount due.

16 “(3) For purposes of this subsection and section
17 205 (c), an assessment of an amount due is made when the
18 Secretary mails or otherwise delivers to the State a notice
19 stating the amount he has determined to be due under an
20 agreement pursuant to this section and the basis for such
21 determination.

22 “(4) An assessment of an amount due made by the
23 Secretary after the expiration of the period specified in para-
24 graph (2) shall nevertheless be deemed to have been made
25 within such period if—

1 “(A) before the expiration of such period (or, if
2 it has previously been extended under this paragraph,
3 of such period as so extended), the State and the
4 Secretary agree in writing to an extension of such period
5 (or extended period) and, subject to such conditions as
6 may be agreed upon, the Secretary makes the assess-
7 ment prior to the expiration of such extension; or

8 “(B) within the 365 days immediately pre-
9 ceding the expiration of such period (or extended
10 period) the State pays to the Secretary of the Treasury
11 less than the correct amount due under an agreement
12 pursuant to this section with respect to wages paid to
13 individuals in any calendar quarters as members of a cov-
14 erage group, and the Secretary of Health, Education, and
15 Welfare makes the assessment, adjusted to take into ac-
16 count the amount paid by the State, no later than the
17 365th day after the day the State made payment to the
18 Secretary of the Treasury; but the Secretary of Health,
19 Education, and Welfare shall make such assessment only
20 with respect to the wages paid to such individuals in such
21 calendar quarters as members of such coverage group;
22 or

23 “(C) pursuant to subparagraph (A) or (B) of
24 section 205 (c) (5) he includes in his records an entry

1 with respect to wages for an individual, but only if such
2 assessment is limited to the amount due with respect to
3 such wages and is made within the period such entry
4 could be made in such records under such subparagraph.

5 “(5) If the Secretary allows a claim for a credit or
6 refund of an overpayment by a State under an agreement
7 pursuant to this section, with respect to wages paid or alleged
8 to have been paid to an individual in a calendar year for serv-
9 ices as a member of a coverage group, and if as a result of
10 the facts on which such allowance is based there is an amount
11 due from the State, with respect to wages paid to such indi-
12 vidual in such calendar year for services performed as a
13 member of a coverage group, for which amount the State
14 is not liable by reason of paragraph (2), then notwithstand-
15 ing paragraph (2) the State shall be liable for such amount
16 due if the Secretary makes an assessment of such amount
17 due at the time of or prior to notification to the State of the
18 allowance of such claim. For purposes of this paragraph
19 and paragraph (6), interest as provided for in subsection (j)
20 shall not be included in determining the amount due.

21 “(6) The Secretary shall accept wage reports filed by
22 a State under an agreement pursuant to this section or
23 regulations of the Secretary thereunder, after the expiration
24 of the period specified in paragraph (2) or such period as
25 extended pursuant to paragraph (4), with respect to wages

1 which are paid to individuals performing services as em-
2 ployees in a coverage group included in the agreement and
3 for payment in connection with which the State is not liable
4 by reason of paragraph (2), only if the State—

5 “(A) pays to the Secretary of the Treasury the
6 amount due under such agreement with respect to such
7 wages, and

8 “(B) agrees in writing with the Secretary of
9 Health, Education, and Welfare to an extension of
10 the period specified in paragraph (2) with re-
11 spect to wages paid to all individuals performing
12 services as employees in such coverage group in the
13 calendar quarters designated by the State in such wage
14 reports as the periods in which such wages were paid.
15 If the State so agrees, the period specified in paragraph
16 (2), or such period as extended pursuant to paragraph
17 (4), shall be extended until such time as the Secretary
18 notifies the State that such wage reports have been
19 accepted.

20 “(7) Notwithstanding the preceding provisions of this
21 subsection, where there is an amount due by a State under
22 an agreement pursuant to this section and there has been a
23 fraudulent attempt on the part of an officer or employee of
24 the State or any political subdivision thereof to defeat or
25 evade payment of such amount due, the State shall be liable

1 for such amount due without regard to the provisions of para-
2 graph (2), and the Secretary may make an assessment of
3 such amount due at any time.

4 “Time Limitation on Credits and Refunds

5 “(r) (1) No credit or refund of an overpayment by a
6 State under an agreement pursuant to this section with re-
7 spect to wages paid or alleged to have been paid to an indi-
8 vidual as a member of a coverage group in a calendar quarter
9 shall be allowed after the expiration of the latest of the fol-
10 lowing periods—

11 “(A) three years, three months, and fifteen days
12 after the year in which occurred the calendar quarter
13 in which such wages were paid or alleged to have been
14 paid, or

15 “(B) three years after the date the payment which
16 included such overpayment became due under such
17 agreement with respect to the wages paid or alleged to
18 have been paid to such individual as a member of such
19 coverage group in such calendar quarter, or

20 “(C) two years after such overpayment was made
21 to the Secretary of the Treasury, or

22 “(D) three years, three months, and fifteen days
23 after the year following the year in which this subsection
24 is enacted,

1 unless prior to the expiration of such period a claim for such
2 credit or refund is filed with the Secretary of Health, Educa-
3 tion, and Welfare by the State.

4 “(2) A claim for a credit or refund filed by a State
5 after the expiration of the period specified by paragraph (1)
6 shall nevertheless be deemed to have been filed within such
7 period if—

8 “(A) before the expiration of such period (or,
9 if it has previously been extended under this subpara-
10 graph, of such period as so extended) the State and
11 the Secretary agree in writing to an extension of such
12 period (or extended period) and the claim is filed with
13 the Secretary by the State prior to the expiration of such
14 extension; but any claim for a credit or refund valid
15 because of this subparagraph shall be allowed only to the
16 extent authorized by the conditions provided for in the
17 agreement for such extension, or

18 “(B) the Secretary deletes from his records an
19 entry with respect to wages of an individual pursuant
20 to the provisions of subparagraph (A), (B), or (E)
21 of section 205(c)(5), but only with respect to the
22 entry so deleted.

1 the allowance of the refund or credit, as the case may be,
2 with respect to which the Secretary has rendered such deci-
3 sion. Such action shall be brought in the district court of
4 the United States for the judicial district in which is located
5 the capital of such State, or, if such action is brought by an
6 instrumentality of two or more States, the principal office
7 of such instrumentality. The judgment of the court shall
8 be final, except that it shall be subject to review in the
9 same manner as judgments of such court in other civil
10 actions. Any action filed under this subsection shall survive
11 notwithstanding any change in the person occupying the
12 office of Secretary or any vacancy in such office.

13 “(2) Notwithstanding the provisions of section 2411 of
14 title 28, United States Code, no interest shall accrue to a
15 State after final judgment with respect to a credit or refund
16 of an overpayment made under an agreement pursuant to
17 this section.

18 “(3) The first sentence of section 2414 of title 28,
19 United States Code, shall not apply to final judgments
20 rendered by district courts of the United States in civil
21 actions filed under this subsection. In such cases, the pay-
22 ment of amounts due to States pursuant to such final judg-
23 ments shall be adjusted in accordance with the provisions of
24 this section and with regulations promulgated by the
25 Secretary.”

1 (2) Section 205 (c) (5) (F) of such Act is amended to
2 read as follows:

3 “(F) to conform his records to—

4 “(i) tax returns or portions thereof (including
5 information returns and other written statements)
6 filed with the Commissioner of Internal Revenue
7 under title VIII of the Social Security Act, under
8 subchapter E of chapter 1 or subchapter A of chap-
9 ter 9 of the Internal Revenue Code of 1939, under
10 chapter 2 or 21 of the Internal Revenue Code of
11 1954, or under regulations made under authority
12 of such title, subchapter, or chapter;

13 “(ii) wage reports filed by a State pursuant
14 to an agreement under section 218 or regulations
15 of the Secretary thereunder; or

16 “(iii) assessments of amounts due under an
17 agreement pursuant to section 218, if such assess-
18 ments are made within the period specified in sub-
19 section (q) of such section, or allowances of credits
20 or refunds of overpayments by a State under an
21 agreement pursuant to such section;

22 except that no amount of self-employment income of an
23 individual for any taxable year (if such return or state-
24 ment was filed after the expiration of the time limitation

1 following the taxable year) shall be included in the
2 Secretary's records pursuant to this subparagraph;".

3 (3) (A) The amendments made by paragraphs (1) and
4 (2) shall become effective on the first day of the second cal-
5 endar year following the year in which this Act is enacted.

6 (B) In any case in which the Secretary of Health,
7 Education, and Welfare has notified a State prior to the
8 beginning of such second calendar year that there is an
9 amount due by such State, that such State's claim for a
10 credit or refund of an overpayment is disallowed, or that such
11 State has been allowed a credit or refund of an overpayment,
12 under an agreement pursuant to section 218 of the Social Se-
13 curity Act, then the Secretary shall be deemed to have made
14 an assessment of such amount due as provided in section
15 218 (q) of such Act or notified the State of such allowance
16 or disallowance, as the case may be, on the first day of such
17 second calendar year. In such a case the 90-day limitation
18 in section 218 (s) of such Act shall not be applicable
19 with respect to the assessment so deemed to have been made
20 or the notification of allowance or disallowance so deemed to
21 have been given the State. However, the preceding sen-
22 tences of this subparagraph shall not apply if the
23 Secretary makes an assessment of such amount due or noti-
24 fies the State of such allowance or disallowance on or after

1 the first day of the second calendar year following the
2 year in which this Act is enacted and within the period
3 specified in section 218 (q) of the Social Security Act or the
4 period specified in section 218 (r) of such Act, as the case
5 may be.

6 Municipal and County Hospitals

7 (g) Section 218 (d) (6) (B) of the Social Security Act
8 is amended by adding at the end thereof the following new
9 sentence: "If a retirement system covers positions of em-
10 ployees of a hospital which is an integral part of a political
11 subdivision, then, for purposes of the preceding paragraphs
12 there shall, if the State so desires, be deemed to be a separate
13 retirement system for the employees of such hospital."

14 Validation of Coverage for Certain Mississippi Teachers

15 (h) For purposes of the agreement under section 218
16 of the Social Security Act entered into by the State of Mis-
17 sissippi, services of teachers in such State performed after
18 February 28, 1951, and prior to October 1, 1959, shall be
19 deemed to have been performed by such teachers as em-
20 ployees of the State. The term "teacher" as used in the
21 preceding sentence means—

22 (1) any individual who is licensed to serve in the
23 capacity of teacher, librarian, registrar, supervisor, prin-
24 cipal, or superintendent and who is principally engaged

1 in the public elementary or secondary school system of
2 the State in any one or more of such capacities;

3 (2) any employee in the office of the county super-
4 intendent of education or the county school supervisor,
5 or in the office of the principal of any county or municipi-
6 pal public elementary or secondary school in the State;
7 and

8 (3) any individual licensed to serve in the ca-
9 pacity of teacher who is engaged in any educational
10 capacity in any day or night school conducted under
11 the supervision of the State department of educa-
12 tion as a part of the adult education program provided
13 for under the laws of Mississippi or under the laws of
14 the United States.

15 EXTENSION OF THE PROGRAM TO GUAM AND AMERICAN
16 SAMOA

17 SEC. 103. (a) (1) (A) The next to the last sentence of
18 section 202 (i) of the Social Security Act is amended by
19 striking out "Puerto Rico, or the Virgin Islands" and in-
20 serting in lieu thereof "the Commonwealth of Puerto Rico,
21 the Virgin Islands, Guam, or American Samoa".

22 (B) The last sentence of such section 202 (i) is
23 amended by striking out "any of such States, or the District
24 of Columbia" and inserting in lieu thereof "any State".

1 (2) Section 101 (d) of the Social Security Act Amend-
2 ments of 1950 and section 5 (e) (2) of the Social Security
3 Act Amendments of 1952 are each amended by striking out
4 “Puerto Rico, or the Virgin Islands” and inserting in lieu
5 thereof “the Commonwealth of Puerto Rico, the Virgin
6 Islands, Guam, or American Samoa”.

7 (b) Section 203 (k) of the Social Security Act is
8 amended by striking out “Puerto Rico, or the Virgin
9 Islands” and inserting in lieu thereof “the Commonwealth of
10 Puerto Rico, the Virgin Islands, Guam, or American
11 Samoa”, and by striking out “Puerto Rico and the Virgin
12 Islands” and inserting in lieu thereof “the Commonwealth of
13 Puerto Rico, the Virgin Islands, Guam, and American
14 Samoa”.

15 (c) Section 210 (a) (7) of such Act is amended to read
16 as follows:

17 “(7) Service performed in the employ of a State, or
18 any political subdivision thereof, or any instrumentality
19 of any one or more of the foregoing which is wholly
20 owned thereby, except that this paragraph shall not
21 apply in the case of—

22 “(A) service included under an agreement un-
23 der section 218,

24 “(B) service which, under subsection (k),
25 constitutes covered transportation service, or

1 “(C) service in the employ of the Government
2 of Guam or the Government of American Samoa or
3 any political subdivision thereof, or of any instru-
4 mentality of any one or more of the foregoing which
5 is wholly owned thereby, performed by an officer
6 or employee thereof (including a member of the
7 legislature of any such Government or political
8 subdivision), and, for purposes of this title—

9 “(i) any person whose service as such an
10 officer or employee is not covered by a retire-
11 ment system established by a law of the United
12 States shall not, with respect to such service, be
13 regarded as an officer or employee of the United
14 States or any agency or instrumentality thereof,
15 and

16 “(ii) the remuneration for service de-
17 scribed in clause (i) (including fees paid to a
18 public official) shall be deemed to have been
19 paid by the Government of Guam or the
20 Government of American Samoa or by a politi-
21 cal subdivision thereof or an instrumentality of
22 any one or more of the foregoing which is
23 wholly owned thereby, whichever is appro-
24 priate;”.

25 (d) Section 210 (a) of such Act is further amended—

1 (g) (1) Section 211 (a) of such Act is amended by
2 striking out the period at the end of paragraph (7) and in-
3 serting in lieu thereof “; and”, and by inserting after
4 paragraph (7) the following new paragraph:

5 “(8) The term ‘possession of the United States’ as
6 used in sections 931, (relating to income from sources
7 within possessions of the United States) and 932 (re-
8 lating to citizens of possessions of the United States) of
9 the Internal Revenue Code of 1954 shall be deemed not
10 to include the Virgin Islands, Guam, or American
11 Samoa.”

12 (2) Clauses (v) and (vi) in the last sentence of sec-
13 tion 211 (a) of such Act are each amended by striking out
14 “paragraphs (1) through (6)” and inserting in lieu there-
15 of “paragraphs (1) through (6) and paragraph (8)”.

16 (h) Section 211 (b) of such Act is amended by striking
17 out the last two sentences and inserting in lieu thereof the
18 following:

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

24 (i) Section 218 (b) (1) of such Act is amended by in-

1 serting “, Guam, or American Samoa” immediately before
2 the period at the end thereof.

3 (j) (1) Section 219 of such Act is repealed.

4 (2) (A) Section 210 (j) of such Act is repealed.

5 (B) Subsections (k) through (o) of section 210 of such
6 Act are redesignated as subsections (j) through (n), re-
7 spectively.

8 (C) Sections 202 (i), 215 (h) (1), and 217 (e) (1), and
9 the last paragraph of section 209, are each amended by strik-
10 ing out “section 210 (m) (1)” and inserting in lieu thereof
11 “section 210 (l) (1)”.

12 (D) Section 202 (t) (4) (D) of such Act is amended—

13 (i) by striking out “section 210 (m) (2)”, “section
14 210 (m) (3)”, and “section 210 (m) (2) and (3)” and
15 inserting in lieu thereof “section 210 (l) (2)”, “section
16 210 (l) (3)”, and “section 210 (l) (2) and (3)”, re-
17 spectively; and

18 (ii) by striking out “section 210 (n)” each place
19 it appears and inserting in lieu thereof “section 210 (m)”.

20 (E) Section 205 (p) (1) of such Act is amended by
21 striking out “subsection (m) (1)” and inserting in lieu
22 thereof “subsection (l) (1)”.

23 (F) Section 209 (j) of such Act is amended by striking
24 out “section 210 (k) (3) (C)” and inserting in lieu thereof
25 “section 210 (j) (3) (C)”.

1 (G) Section 218 (c) (6) (C) of such Act is amended
2 by striking out “section 210 (l)” and inserting in lieu thereof
3 “section 210 (k)”.

4 (3) Section 211 (a) (6) of such Act is amended to read
5 as follows:

6 “(6) A resident of the Commonwealth of Puerto
7 Rico shall compute his net earnings from self-employ-
8 ment in the same manner as a citizen of the United
9 States but without regard to the provisions of section 933
10 of the Internal Revenue Code of 1954;”.

11 (k) (1) Section 1402 (a) of the Internal Revenue Code
12 of 1954 (relating to definition of net earnings from self-
13 employment) is amended by striking out the period at the
14 end of paragraph (8) and inserting in lieu thereof “; and”,
15 and by inserting after paragraph (8) the following new
16 paragraph:

17 “(9) the term ‘possession of the United States’ as
18 used in sections 931 (relating to income from sources
19 within possessions of the United States) and 932 (re-
20 lating to citizens of possessions of the United States)
21 shall be deemed not to include the Virgin Islands,
22 Guam, or American Samoa.”

23 (2) Clauses (v) and (vi) in the last sentence of such
24 section 1402 (a) are each amended by striking out “para-

1 graphs (1) through (7)” and inserting in lieu thereof
2 “paragraphs (1) through (7) and paragraph (9)”.

3 (l) The last sentence of section 1402 (b) of such Code
4 (relating to definition of self-employment income) is
5 amended by striking out “the Virgin Islands or a resi-
6 dent of Puerto Rico” and inserting in lieu thereof “the Com-
7 monwealth of Puerto Rico, the Virgin Islands, Guam, or
8 American Samoa”.

9 (m) Section 1403 (b) (2) of such Code (relating to
10 cross references) is amended by inserting “, Guam, Ameri-
11 can Samoa,” after “Virgin Islands”.

12 (n) Section 3121 (b) (7) of such Code (relating to
13 definition of employment) is amended to read as follows:

14 “(7) service performed in the employ of a State,
15 or any political subdivision thereof, or any instru-
16 mentality of any one or more of the foregoing which is
17 wholly owned thereby, except that this paragraph shall
18 not apply in the case of—

19 “(A) service which, under subsection (j), con-
20 stitutes covered transportation service, or

21 “(B) service in the employ of the Government
22 of Guam or the Government of American Samoa or
23 any political subdivision thereof, or of any instru-
24 mentality of any one or more of the foregoing which
25 is wholly owned thereby, performed by an officer

1 or employee thereof (including a member of the
2 legislature of any such Government or political sub-
3 division), and, for purposes of this title with respect
4 to the taxes imposed by this chapter—

5 “(i) any person whose service as such an
6 officer or employee is not covered by a retire-
7 ment system established by a law of the United
8 States shall not, with respect to such service,
9 be regarded as an employee of the United
10 States or any agency or instrumentality thereof,
11 and

12 “(ii) the remuneration for service de-
13 scribed in clause (i) (including fees paid to
14 a public official) shall be deemed to have
15 been paid by the Government of Guam or the
16 Government of American Samoa or by a politi-
17 cal subdivision thereof or an instrumentality
18 of any one or more of the foregoing which is
19 wholly owned thereby, whichever is appro-
20 priate;”.

21 (o) Section 3121 (b) of such Code is further amended—

22 (1) by striking out “or” at the end of paragraph
23 (16),

24 (2) by striking out the period at the end of para-
25 graph (17) and inserting in lieu thereof a semicolon, and

1 (3) by adding at the end thereof the following new
2 paragraph:

3 “(18) service performed in Guam by a resident of
4 the Republic of the Philippines while in Guam on a
5 temporary basis as a nonimmigrant alien admitted to
6 Guam pursuant to section 101 (a) (15) (H) (ii) of the
7 Immigration and Nationality Act (8 U.S.C. 1101 (a)
8 (15) (H) (ii)) ; or”.

9 (p) Section 3121 (e) of such Code (relating to defini-
10 tion of State, United States, and citizen) is amended to read
11 as follows:

12 “(e) STATE, UNITED STATES, AND CITIZEN.—For pur-
13 poses of this chapter—

14 “(1) STATE.—The term ‘State’ includes the District
15 of Columbia, the Commonwealth of Puerto Rico, the
16 Virgin Islands, Guam, and American Samoa.

17 “(2) UNITED STATES.—The term ‘United States’
18 when used in a geographical sense includes the Common-
19 wealth of Puerto Rico, the Virgin Islands, Guam, and
20 American Samoa.

21 An individual who is a citizen of the Commonwealth of
22 Puerto Rico (but not otherwise a citizen of the United
23 States) shall be considered, for purposes of this section, as
24 a citizen of the United States.”

25 (q) (1) Subchapter C of chapter 21 of such Code (gen-

1 eral provisions relating to tax under Federal Insurance Con-
2 tributions Act) is amended by redesignating section 3125 as
3 section 3126, and by inserting after section 3124 the fol-
4 lowing new section:

5 **“SEC. 3125. RETURNS IN THE CASE OF GOVERNMENTAL**
6 **EMPLOYEES IN GUAM AND AMERICAN SAMOA.**

7 “(a) GUAM.—The return and payment of the taxes im-
8 posed by this chapter on the income of individuals who
9 are officers or employees of the Government of Guam or
10 any political subdivision thereof or of any instrumentality
11 of any one or more of the foregoing which is wholly owned
12 thereby, and those imposed on such Government or political
13 subdivision or instrumentality with respect to having such
14 individuals in its employ, may be made by the Governor of
15 Guam or by such agents as he may designate. The person
16 making such return may, for convenience of administration,
17 make payments of the tax imposed under section 3111 with
18 respect to the service of such individuals without regard to
19 the \$4,800 limitation in section 3121 (a) (1).

20 “(b) AMERICAN SAMOA.—The return and payment of
21 the taxes imposed by this chapter on the income of indi-
22 viduals who are officers or employees of the Government of
23 American Samoa or any political subdivision thereof or of
24 any instrumentality of any one or more of the foregoing
25 which is wholly owned thereby, and those imposed on such

1 Government or political subdivision or instrumentality with
 2 respect to having such individuals in its employ, may be
 3 made by the Governor of American Samoa or by such agents
 4 as he may designate. The person making such return may,
 5 for convenience of administration, make payments of the tax
 6 imposed under section 3111 with respect to the service of
 7 such individuals without regard to the \$4,800 limitation in
 8 section 3121 (a) (1).”

9 (2) The table of sections for such subchapter C is
 10 amended by striking out

“Sec. 3125. Short title.”

11 and inserting in lieu thereof:

“Sec. 3125. Returns in the case of governmental employees
 in Guam and American Samoa.

“Sec. 3126. Short title.”

12 (r) (1) Section 6205 (a) of such Code (relating to
 13 adjustment of tax) is amended by adding at the end thereof
 14 the following new paragraph:

15 “(3) GUAM OR AMERICAN SAMOA AS EMPLOYER. —
 16 For purposes of this subsection, in the case of remunera-
 17 tion received during any calendar year from the Govern-
 18 ment of Guam, the Government of American Samoa, a
 19 political subdivision of either, or any instrumentality of
 20 any one or more of the foregoing which is wholly owned
 21 thereby, the Governor of Guam, the Governor of Ameri-
 22 can Samoa, and each agent designated by either who

1 makes a return pursuant to section 3125 shall be deemed
2 a separate employer.”

3 (2) Section 6413 (a) of such Code (relating to
4 adjustment of tax) is amended by adding at the end thereof
5 the following new paragraph:

6 “(3) GUAM OR AMERICAN SAMOA AS EM-
7 PLOYER.—For purposes of this subsection, in the case
8 of remuneration received during any calendar year
9 from the Government of Guam, the Government of
10 American Samoa, a political subdivision of either, or
11 any instrumentality of any one or more of the fore-
12 going which is wholly owned thereby, the Governor
13 of Guam, the Governor of American Samoa, and each
14 agent designated by either who makes a return pur-
15 suant to section 3125 shall be deemed a separate
16 employer.”

17 (3) Section 6413 (c) (2) of such Code (relating to
18 applicability of special rules to certain employment taxes)
19 is amended by adding at the end thereof the following new
20 subparagraphs:

21 “(D) GOVERNMENTAL EMPLOYEES IN GUAM.—
22 In the case of remuneration received from the Gov-
23 ernment of Guam or any political subdivision thereof
24 or from any instrumentality of any one or more of the
25 foregoing which is wholly owned thereby, during any

1 calendar year, the Governor of Guam and each agent
2 designated by him who makes a return pursuant to
3 section 3125 (a) shall, for purposes of this subsection,
4 be deemed a separate employer.

5 “(E) GOVERNMENTAL EMPLOYEES IN AMERICAN
6 SAMOA.—In the case of remuneration received from
7 the Government of American Samoa or any political
8 subdivision thereof or from any instrumentality of any
9 one or more of the foregoing which is wholly owned
10 thereby, during any calendar year, the Governor of
11 American Samoa and each agent designated by him who
12 makes a return pursuant to section 3125 (b) shall, for
13 purposes of this subsection, be deemed a separate em-
14 ployer.”

15 (4) The heading of such section 6413 (c) (2) is
16 amended by striking out “AND EMPLOYEES OF CERTAIN FOR-
17 EIGN CORPORATIONS” and inserting in lieu thereof “, EM-
18 PLOYEES OF CERTAIN FOREIGN CORPORATIONS, AND GOV-
19 ERNMENTAL EMPLOYEES IN GUAM AND AMERICAN
20 SAMOA”.

21 (s) Section 7213 of such Code (relating to unauthor-
22 ized disclosure of information) is amended by redesignating
23 subsection (d) as subsection (e) and by inserting after
24 subsection (c) the following new subsection:

25 “(d) DISCLOSURES BY CERTAIN DELEGATES OF SEC-

1 **SECRETARY.**—All provisions of law relating to the disclosure
 2 of information, and all provisions of law relating to penalties
 3 for unauthorized disclosure of information, which are ap-
 4 plicable in respect of any function under this title when
 5 performed by an officer or employee of the Treasury De-
 6 partment are likewise applicable in respect of such function
 7 when performed by any person who is a ‘delegate’ within
 8 the meaning of section 7701 (a) (12) (B).”

9 (t) Section 7701 (a) (12) of such Code (relating to
 10 definition of delegate) is amended to read as follows:

11 “(12) **DELEGATE.**—

12 “(A) **IN GENERAL.**—The term ‘Secretary or
 13 his delegate’ means the Secretary of the Treasury,
 14 or any officer, employee, or agency of the Treasury
 15 Department duly authorized by the Secretary
 16 (directly, or indirectly by one or more redelega-
 17 tions of authority) to perform the function men-
 18 tioned or described in the context, and the term ‘or
 19 his delegate’ when used in connection with any
 20 other official of the United States shall be similarly
 21 construed.

22 “(B) **PERFORMANCE OF CERTAIN FUNCTIONS**
 23 **IN GUAM OR AMERICAN SAMOA.**—The term ‘dele-
 24 gate’, in relation to the performance of functions in
 25 Guam or American Samoa with respect to the taxes

1 imposed by chapters 2 and 21, also includes any
2 officer or employee of any other department or
3 agency of the United States, or of any possession
4 thereof, duly authorized by the Secretary (directly,
5 or indirectly by one or more redelegations of author-
6 ity) to perform such functions.”

7 (u) Section 30 of the Organic Act of Guam (48
8 U.S.C., sec. 1421h) is amended by inserting before the
9 period at the end thereof the following: “; except that
10 nothing in this Act shall be construed to apply to any tax
11 imposed by chapter 2 or 21 of the Internal Revenue Code
12 of 1954”.

13 (v) (1) The amendments made by subsection (a) shall
14 apply only with respect to reinterments after the date of the
15 enactment of this Act. The amendments made by subsec-
16 tions (b), (e), and (f) shall apply only with
17 respect to service performed after 1960; except that insofar
18 as the carrying on of a trade or business (other than per-
19 formance of service as an employee) is concerned, such
20 amendments shall apply only in the case of taxable years
21 beginning after 1960. The amendments made by subsec-
22 tions (d), (i), (o), and (p) shall apply only with respect
23 to service performed after 1960. The amendments made by
24 subsections (h) and (l) shall apply only in the case of tax-
25 able years beginning after 1960. The amendments made

1 by subsections (c), (n), (q), and (r) shall apply only
2 with respect to (1) service in the employ of the Govern-
3 ment of Guam or any political subdivision thereof, or any
4 instrumentality of any one or more of the foregoing wholly
5 owned thereby, which is performed after 1960 and after the
6 calendar quarter in which the Secretary of the Treasury
7 receives a certification by the Governor of Guam that legis-
8 lation has been enacted by the Government of Guam express-
9 ing its desire to have the insurance system established by title
10 II of the Social Security Act extended to the officers and
11 employees of such Government and such political subdivi-
12 sions and instrumentalities, and (2) service in the employ of
13 the Government of American Samoa or any political subdivi-
14 sion thereof, or any instrumentality of any one or more of
15 the foregoing wholly owned thereby, which is performed after
16 1960 and after the calendar quarter in which the Secretary
17 of the Treasury receives a certification by the Governor of
18 American Samoa that the Government of American Samoa
19 desires to have the insurance system established by such title
20 II extended to the officers and employees of such Govern-
21 ment and such political subdivisions and instrumentalities.
22 The amendments made by subsections (g) and (k) shall
23 apply only in the case of taxable years beginning after 1960,
24 except that, insofar as they involve the nonapplication of
25 section 932 of the Internal Revenue Code of 1954 to the

1 Virgin Islands for purposes of chapter 2 of such
2 Code and section 211 of the Social Security Act, such
3 amendments shall be effective in the case of all taxable
4 years with respect to which such chapter 2 (and corre-
5 sponding provisions of prior law) and such section 211 are
6 applicable. The amendments made by subsections (j), (s),
7 and (t) shall take effect on the date of the enactment of this
8 Act; and there are authorized to be appropriated such sums
9 as may be necessary for the performance by any officer or
10 employee of functions delegated to him by the Secretary
11 of the Treasury in accordance with the amendment made by
12 such subsection (t).

13 (2) The amendments made by subsections (c) and
14 (n) shall have application only as expressly provided there-
15 in, and determinations as to whether an officer or employee
16 of the Government of Guam or the Government of Ameri-
17 can Samoa or any political subdivision thereof, or of any
18 instrumentality of any one or more of the foregoing which is
19 wholly owned thereby, is an employee of the United States
20 or any agency or instrumentality thereof within the meaning
21 of any provision of law not affected by such amendments,
22 shall be made without any inferences drawn from such
23 amendments.

24 (3) The repeal (by subsection (j) (1)) of section
25 219 of the Social Security Act, and the elimination (by

1 subsections (e), (f), (h), (j) (2), and (j) (3)) of other
2 provisions of such Act making reference to such section
3 219, shall not be construed as changing or otherwise affecting
4 the effective date specified in such section for the extension
5 to the Commonwealth of Puerto Rico of the insurance sys-
6 tem under title II of such Act, the manner or consequences
7 of such extension, or the status of any individual with respect
8 to whom the provisions so eliminated are applicable.

9

DOCTORS OF MEDICINE

10 SEC. 104. (a) (1) Section 211(c) (5) of the Social
11 Security Act is amended to read as follows:

12 “(5) The performance of service by an individual
13 in the exercise of his profession as a Christian Science
14 practitioner.”

15 (2) Section 211(c) of such Act is further amended
16 by striking out the last two sentences and inserting in lieu
17 thereof the following:

18 “The provisions of paragraph (4) or (5) shall not apply
19 to service (other than service performed by a member of a
20 religious order who has taken a vow of poverty as a member
21 of such order) performed by an individual during the period
22 for which a certificate filed by him under section 1402 (e)
23 of the Internal Revenue Code of 1954 is in effect.”

24 (b) Section 210(a) (6) (C) (iv) of such Act is
25 amended by striking out all that follows “1947” and insert-

1 ing in lieu thereof “ (relating to certain student employees of
2 hospitals of the Federal Government; 5 U.S.C. 1052),
3 other than as a medical or dental intern or a medical or
4 dental resident-in-training;”.

5 (c) Section 210 (a) (13) of such Act is amended
6 by striking out all that follows the first semicolon.

7 (d) (1) Section 1402 (c) (5) of the Internal Revenue
8 Code of 1954 (relating to definition of trade or business) is
9 amended to read as follows:

10 “(5) the performance of service by an individual
11 in the exercise of his profession as a Christian Science
12 practitioner.”

13 (2) Section 1402 (c) of such Code is further amended
14 by striking out the last two sentences and inserting in
15 lieu thereof the following:

16 “The provisions of paragraph (4) or (5) shall not apply to
17 service (other than service performed by a member of a
18 religious order who has taken a vow of poverty as a member
19 of such order) performed by an individual during the period
20 for which a certificate filed by him under subsection (e) is
21 in effect.”

22 (e) (1) Section 1402 (e) (1) of such Code (relating
23 to filing of waiver certificate by ministers, members of
24 religious orders, and Christian Science practitioners) is

1 amended by striking out "extended to service" and all that
2 follows and inserting in lieu thereof "extended to service
3 described in subsection (c) (4) or (c) (5) performed by
4 him."

5 (2) Clause (A) of section 1402 (e) (2) of such Code
6 (relating to time for filing waiver certificate) is amended to
7 read as follows: "(A) the due date of the return (including
8 any extension thereof) for his second taxable year ending
9 after 1954 for which he has net earnings from self-employ-
10 ment (computed without regard to subsections (c) (4) and
11 (c) (5)) of \$400 or more, any part of which was derived
12 from the performance of service described in subsection
13 (c) (4) or (c) (5) ; or".

14 (f) Section 3121 (b) (6) (C) (iv) of such Code (re-
15 lating to definition of employment) is amended by striking
16 out all that follows "1947" and inserting in lieu thereof
17 "(relating to certain student employees of hospitals of the
18 Federal Government; 5 U.S.C. 1052), other than as a
19 medical or dental intern or a medical or dental resident-in-
20 training;"

21 (g) Section 3121 (b) (13) of such Code is amended
22 by striking out all that follows the first semicolon.

23 (h) The amendments made by subsections (a), (d),
24 and (e) shall apply only with respect to taxable years ending

1 on or after December 31, 1960. The amendments made by
2 subsections (b), (c), (f), and (g) shall apply only with
3 respect to services performed after 1960.

4 SERVICE OF PARENT FOR SON OR DAUGHTER

5 SEC. 105. (a) Section 210(a)(3) of the Social Se-
6 curity Act is amended to read as follows:

7 “(3) (A) Service performed by an individual in
8 the employ of his spouse, and service performed by a
9 child under the age of twenty-one in the employ of his
10 father or mother;

11 “(B) Service not in the course of the employer’s
12 trade or business, or domestic service in a private home
13 of the employer, performed by an individual in the
14 employ of his son or daughter;”.

15 (b) Section 3121(b)(3) of the Internal Revenue Code
16 of 1954 (relating to definition of employment) is amended
17 to read as follows:

18 “(3) (A) service performed by an individual in
19 the employ of his spouse, and service performed by a
20 child under the age of 21 in the employ of his father
21 or mother;

22 “(B) service not in the course of the employer’s
23 trade or business, or domestic service in a private home
24 of the employer, performed by an individual in the
25 employ of his son or daughter;”.

1 (c) The amendments made by subsections (a) and
2 (b) shall apply only with respect to services performed
3 after 1960.

4 EMPLOYEES OF NONPROFIT ORGANIZATIONS

5 SEC. 106. (a) (1) The first sentence of section 3121 (k)
6 (1) (A) of the Internal Revenue Code of 1954 (relating to
7 waiver of exemption by religious, charitable, and certain
8 other organizations) is amended by striking out “and that
9 at least two-thirds of its employees concur in the filing of
10 the certificate”.

11 (2) The second sentence of such section 3121 (k) (1)
12 (A) is amended by inserting “(if any)” after “each em-
13 ployee”.

14 (3) Section 3121 (k) (1) (E) of such Code is
15 amended by striking out the last two sentences and in-
16 serting in lieu thereof: “An organization which has so di-
17 vided its employees into two groups may file a certificate
18 pursuant to subparagraph (A) with respect to the employees
19 in either group, or may file a separate certificate pursuant
20 to such subparagraph with respect to the employees in each
21 group.”

22 (b) (1) If—

23 (A) an individual performed service in the employ
24 of an organization after 1950 with respect to which

1 remuneration was paid before July 1, 1960, and such
2 service is excepted from employment under section
3 210 (a) (8) (B) of the Social Security Act,

4 (B) such service would have constituted employ-
5 ment as defined in section 210 of such Act if the require-
6 ments of section 3121 (k) (1) of the Internal Revenue
7 Code of 1954 (or corresponding provisions of prior law)
8 were satisfied,

9 (C) such organization paid before August 11, 1960,
10 any amount, as taxes imposed by sections 3101 and
11 3111 of the Internal Revenue Code of 1954 (or corre-
12 sponding provisions of prior law), with respect to such
13 remuneration paid by the organization to the individual
14 for such service,

15 (D) such individual (or a fiduciary acting for such
16 individual or his estate, or his survivor (within the
17 meaning of section 205 (c) (1) (C) of the Social Secu-
18 rity Act)) requests that such remuneration be deemed
19 to constitute remuneration for employment for purposes
20 of title II of the Social Security Act, and

21 (E) the request is made in such form and manner,
22 and with such official, as may be prescribed by regula-
23 tions made by the Secretary of Health, Education, and
24 Welfare,

25 then, subject to the conditions stated in paragraphs (2),

1 (3), and (4), the remuneration with respect to which the
2 amount has been paid as taxes shall be deemed to constitute
3 remuneration for employment for purposes of title II of the
4 Social Security Act.

5 (2) Paragraph (1) shall not apply with respect to an
6 individual unless the organization referred to in paragraph
7 (1) (A) —

8 (A) on or before the date on which the request de-
9 scribed in paragraph (1) is made, has filed a certificate
10 pursuant to section 3121 (k) (1) of the Internal Reve-
11 nue Code of 1954 (or corresponding provisions of prior
12 law), or

13 (B) no longer has any individual in its employ
14 for remuneration at the time such request is made.

15 (3) Paragraph (1) shall not apply with respect to an
16 individual who was in the employ of the organization re-
17 ferred to in paragraph (2) (A) at any time during the 24-
18 month period following the calendar quarter in which the
19 certificate was filed, unless the organization paid an amount
20 as taxes under sections 3101 and 3111 of the Internal Rev-
21 enue Code of 1954 (or corresponding provisions of prior
22 law) with respect to remuneration paid by the organization
23 to the employee during some portion of such 24-month
24 period.

25 (4) If credit or refund of any portion of the amount

1 referred to in paragraph (1) (C) (other than a credit or
2 refund which would be allowed if the service constituted
3 employment for purposes of chapter 21 of the Internal Reve-
4 nue Code of 1954) has been obtained, paragraph (1) shall
5 not apply with respect to the individual unless the amount
6 credited or refunded (including any interest under section
7 6611) is repaid before January 1, 1963.

8 (5) If—

9 (A) any remuneration for service performed by
10 an individual is deemed pursuant to paragraph (1) to
11 constitute remuneration for employment for purposes
12 of title II of the Social Security Act,

13 (B) such individual performs service, on or after
14 the date on which the request is made, in the employ
15 of the organization referred to in paragraph (1) (A),
16 and

17 (C) the certificate filed by such organization pur-
18 suant to section 3121 (k) (1) of the Internal Revenue
19 Code of 1954 (or corresponding provisions of prior law)
20 is not effective with respect to service performed by
21 such individual before the first day of the calendar
22 quarter following the quarter in which the request is
23 made,

24 then, for purposes of clauses (ii) and (iii) of section 210
25 (a) (8) (B) of the Social Security Act and of clauses (ii)
26 and (iii) of section 3121 (b) (8) (B) of the Internal

1 Revenue Code of 1954, such individual shall be deemed to
2 have become an employee of such organization (or to have
3 become a member of a group described in section 3121
4 (k) (1) (E) of such Code) on the first day of the calendar
5 quarter following the quarter in which the request is made.

6 (6) Section 403 (a) of the Social Security Amend-
7 ments of 1954 is amended by striking out "filed in such
8 form and manner" and inserting in lieu thereof "filed on or
9 before the date of the enactment of the Social Security
10 Amendments of 1960 and in such form and manner".

11 (c) (1) Section 1402 of such Code is further amended
12 by adding at the end thereof the following new subsection:

13 " (g) TREATMENT OF CERTAIN REMUNERATION ER-
14 RONEOUSLY REPORTED AS NET EARNINGS FROM SELF-
15 EMPLOYMENT.—If—

16 " (1) an amount is erroneously paid as tax under
17 section 1401, for any taxable year ending after 1954
18 and before 1962, with respect to remuneration for serv-
19 ice described in section 3121 (b) (8) (other than service
20 described in section 3121 (b) (8) (A)), and such re-
21 muneration is reported as self-employment income on a
22 return filed on or before the due date prescribed for
23 filing such return (including any extension thereof),

24 " (2) the individual who paid such amount (or a
25 fiduciary acting for such individual or his estate, or his

1 survivor (within the meaning of section 205 (c) (1)
2 (C) of the Social Security Act)) requests that such
3 remuneration be deemed to constitute net earnings from
4 self-employment,

5 “(3) such request is filed after the date of the enact-
6 ment of this paragraph and on or before April 15, 1962,

7 “(4) such remuneration was paid to such individual
8 for services performed in the employ of an organiza-
9 tion which, on or before the date on which such re-
10 quest is filed, has filed a certificate pursuant to section
11 3121 (k), and

12 “(5) no credit or refund of any portion of the
13 amount erroneously paid for such taxable year as tax
14 under section 1401 (other than a credit or refund which
15 would be allowable if such tax were applicable with re-
16 spect to such remuneration) has been obtained before
17 the date on which such request is filed or, if obtained,
18 the amount credited or refunded (including any interest
19 under section 6611) is repaid on or before such date,

20 then, for purposes of this chapter and chapter 21, any
21 amount of such remuneration which is paid to such in-
22 dividual before the calendar quarter in which such request
23 is filed (or before the succeeding quarter if such certificate
24 first becomes effective with respect to services performed by
25 such individual in such succeeding quarter), and with re-

1 spect to which no tax (other than an amount erroneously
2 paid as tax) has been paid under chapter 21, shall be deemed
3 to constitute net earnings from self-employment and not
4 remuneration for employment. For purposes of section 3121
5 (b) (8) (B) (ii) and (iii), if the certificate filed by such
6 organization pursuant to section 3121 (k) is not effective
7 with respect to services performed by such individual on or
8 before the first day of the calendar quarter in which the re-
9 quest is filed, such individual shall be deemed to have become
10 an employee of such organization (or to have become a mem-
11 ber of a group described in section 3121 (k) (1) (E)) on the
12 first day of the succeeding quarter.”

13 (2) Remuneration which is deemed under section
14 1402 (g) of the Internal Revenue Code of 1954 to con-
15 stitute net earnings from self-employment and not remunera-
16 tion for employment shall also be deemed, for purposes of
17 title II of the Social Security Act, to constitute net earnings
18 from self-employment and not remuneration for employ-
19 ment. If, pursuant to the last sentence of section 1402 (g)
20 of the Internal Revenue Code of 1954, an individual is
21 deemed to have become an employee of an organization (or
22 to have become a member of a group) on the first day of a
23 calendar quarter, such individual shall likewise be deemed,
24 for purposes of clause (ii) or (iii) of section 210 (a) (8) (B)
25 of the Social Security Act, to have become an employee of

1 such organization (or to have become a member of such
2 group) on such day.

3 (d) (1) Section 3121(h) of such Code (relating to
4 definition of American employer) is amended by striking out
5 “or” at the end of paragraph (4), by striking out the period
6 at the end of paragraph (5) and inserting in lieu thereof
7 “, or”, and by adding at the end thereof the following new
8 paragraph:

9 “(6) a labor organization created or organized
10 in the Canal Zone, if such organization is chartered by
11 a labor organization (described in section 501(c)(5)
12 and exempt from tax under section 501(a)) created or
13 organized in the United States.”

14 (2) Section 210(e) of the Social Security Act is
15 amended by striking out “or (6)” and inserting in lieu
16 thereof “(6)”, and by inserting before the period at the
17 end thereof the following: “, or (7) a labor organization
18 created or organized in the Canal Zone, if such organization
19 is chartered by a labor organization (described in section
20 501(c)(5) of the Internal Revenue Code of 1954 and
21 exempt from tax under section 501(a) of such Code)
22 created or organized in the United States”.

23 (3) For purposes of title II of the Social Security Act,
24 if—

25 (A) a citizen of the United States is paid remunera-

1 tion for service performed after 1954 and before 1961 as
2 an employee of an American employer (as defined in
3 section 210 (e) (7) of such Act) ;

4 (B) amounts are paid, as taxes imposed by sections
5 3101 and 3111 of the Internal Revenue Code of 1954,
6 with respect to any part of the remuneration paid in any
7 calendar quarter to such individual for such service and
8 part of such amounts have been paid before the date
9 of the enactment of this Act; and

10 (C) no claim for credit or refund of such amounts
11 paid with respect to such calendar quarter (other than a
12 claim which would be allowed if such services constituted
13 employment for purposes of chapter 21 of such Code) is
14 filed prior to the expiration of the period prescribed
15 in section 6511 for filing claim for credit or refund,
16 then the remuneration paid in such calendar quarter with re-
17 spect to which such amounts are timely paid shall be deemed
18 to constitute remuneration for employment.

19 (e) (1) The amendments made by subsection (a) shall
20 apply only with respect to certificates filed under section
21 3121 (k) (1) of the Internal Revenue Code of 1954 after
22 the date of the enactment of this Act.

23 (2) The amendments made by paragraphs (1) and (2)
24 of subsection (d) shall be effective with respect to service
25 performed after December 31, 1960.

1 of 1954 (relating to definition of trade or business) is
2 amended to read as follows:

3 “(2) the performance of service by an individual as
4 an employee, other than—

5 “(A) service described in section 3121 (b)
6 (14) (B) performed by an individual who has
7 attained the age of 18,

8 “(B) service described in section 3121 (b) (16),

9 “(C) service described in section 3121 (b) (11),
10 (12), or (15) performed in the United States (as
11 defined in section 3121 (e) (2)) by a citizen of
12 the United States, and

13 “(D) service described in paragraph (4) of
14 this subsection;”.

15 (c) The amendments made by this section shall apply
16 only with respect to taxable years ending on or after De-
17 cember 31, 1960; except that for purposes of section 203
18 of the Social Security Act, the amendment made by subsec-
19 tion (a) shall apply only with respect to taxable years (of
20 the individual performing the service involved) beginning
21 after the date of the enactment of this Act.

22 **DOMESTIC SERVICE AND CASUAL LABOR**

23 **SEC. 108.** (a) Paragraphs (2) and (3) of section 209
24 (g) of the Social Security Act are each amended by strik-
25 ing out “\$50” and inserting in lieu thereof “\$25”.

1 (b) Section 210 (a) of such Act is amended by adding
2 after paragraph (18) (added by section 103 of this Act)
3 the following new paragraph:

4 “(19) Service not in the course of the employer’s
5 trade or business, or domestic service in a private home
6 of the employer, performed by an individual under the
7 age of sixteen.”

8 (c) Subparagraphs (B) and (C) of section 3121
9 (a) (7) of the Internal Revenue Code of 1954 (relating to
10 definition of wages) are each amended by striking out “\$50”
11 and inserting in lieu thereof “\$25”.

12 (d) Section 3121 (b) of such Code (relating to defini-
13 tion of employment) is amended by adding after paragraph
14 (18) (added by section 103 of this Act) the following new
15 paragraph:

16 “(19) service not in the course of the employer’s
17 trade or business, or domestic service in a private home
18 of the employer, performed by an individual under the
19 age of sixteen.”

20 (e) The amendments made by subsections (a) and (c)
21 shall apply only with respect to remuneration paid after
22 1960. The amendments made by subsections (b) and (d)
23 shall apply only with respect to service performed after 1960.

1 adopted by such individual) or was legally adopted by such
2 individual before the end of the twenty-four month period
3 beginning with the month after the month in which such
4 individual most recently became entitled to disability insur-
5 ance benefits.”

6 (c) The amendments made by this section shall apply
7 as though this Act had been enacted on August 28, 1958,
8 and with respect to monthly benefits under section 202 of the
9 Social Security Act for months after August 1958 based on
10 applications for such benefits filed on or after August 28,
11 1958.

12 CONTINUED DEPENDENCY OF STEPCHILD ON NATURAL
13 FATHER

14 SEC. 202. (a) Section 202 (d) (3) of the Social Security
15 Act is amended by striking out subparagraph (C), and by
16 striking out “, or” at the end of subparagraph (B) and
17 inserting in lieu thereof a period.

18 (b) The amendments made by subsection (a) shall
19 apply with respect to monthly benefits under section 202 of
20 the Social Security Act for months beginning with the month
21 in which this Act is enacted, but only if an application for
22 such benefits is filed in or after such month.

23 PAYMENT OF BURIAL EXPENSES

24 SEC. 203. (a) The second and third sentences of section
25 202 (i) of the Social Security Act are amended to read

1 as follows: "If there is no such person, or if such person
2 dies before receiving payment, then such amount shall be
3 paid—

4 " (1) if all or part of the burial expenses of such
5 insured individual which are incurred by or through a
6 funeral home or funeral homes remains unpaid, to such
7 funeral home or funeral homes to the extent of such un-
8 paid expenses, but only if (A) any person who as-
9 sumed the responsibility for the payment of all or any
10 part of such burial expenses files an application, prior to
11 the expiration of two years after the date of death of such
12 insured individual, requesting that such payment be
13 made to such funeral home or funeral homes, or (B)
14 at least 90 days have elapsed after the date of death of
15 such insured individual and prior to the expiration of
16 such 90 days no person has assumed responsibility for
17 the payment of any of such burial expenses;

18 " (2) if all of the burial expenses of such insured
19 individual which were incurred by or through a funeral
20 home or funeral homes have been paid (including pay-
21 ments made under clause (1)), to any person or per-
22 sons, equitably entitled thereto, to the extent and in the
23 proportions that he or they shall have paid such burial
24 expenses; or

25 " (3) if any part of the amount payable under this

1 subsection remains after payments have been made pur-
2 suant to clauses (1) and (2), to any person or persons,
3 equitably entitled thereto, to the extent and in the pro-
4 portions that he or they shall have paid other expenses
5 in connection with the burial of such insured individual,
6 in the following order of priority: (A) expenses of open-
7 ing and closing the grave of such insured individual,
8 (B) expenses of providing the burial plot of such insured
9 individual, and (C) any remaining expenses in connec-
10 tion with the burial of such insured individual.

11 No payment (except a payment authorized pursuant to
12 clause (1) (A) of the preceding sentence) shall be made
13 to any person under this subsection unless application there-
14 for shall have been filed, by or on behalf of such person
15 (whether or not legally competent), prior to the expiration
16 of two years after the date of death of such insured individual,
17 or unless such person was entitled to wife's or husband's
18 insurance benefits, on the basis of the wages and self-employ-
19 ment income of such insured individual, for the month pre-
20 ceding the month in which such individual died."

21 (b) The amendment made by subsection (a) shall
22 apply—

23 (1) in the case of the death of an individual oc-
24 ccurring on or after the date of the enactment of this
25 Act, and

1 (2) in the case of the death of an individual oc-
2 curring prior to such date, but only if no application
3 for a lump-sum death payment under section 202 (i)
4 of the Social Security Act is filed on the basis of such
5 individual's wages and self-employment income prior
6 to the third calendar month beginning after such date.

7 FULLY INSURED STATUS

8 SEC. 204. (a) Section 214 (a) of the Social Security
9 Act is amended to read as follows:

10 "Fully Insured Individual

11 " (a) The term 'fully insured individual' means any in-
12 dividual who had not less than—

13 " (1) one quarter of coverage (whenever acquired)
14 for each four of the quarters elapsing—

15 " (A) after (i) December 31, 1950, or (ii)
16 if later, December 31 of the year in which he at-
17 tained the age of twenty-one, and

18 " (B) prior to (i) the year in which he died,
19 or (ii) if earlier, the year in which he attained re-
20 tirement age,

21 except that in no case shall an individual be a fully
22 insured individual unless he has at least six quarters of
23 coverage; or

24 " (2) forty quarters of coverage; or

1 “(3) in the case of an individual who died prior
2 to 1951, six quarters of coverage;
3 not counting as an elapsed quarter for purposes of paragraph
4 (1) any quarter any part of which was included in a period
5 of disability (as defined in section 216(i)) unless such
6 quarter was a quarter of coverage. When the number of
7 elapsed quarters referred to in paragraph (1) is not a mul-
8 tiple of four, such number shall, for purposes of such para-
9 graph, be reduced to the next lower multiple of four.”

10 (b) The primary insurance amount (for purposes of
11 title II of the Social Security Act) of any individual who
12 died after 1939 and prior to 1951 shall be determined as
13 provided in section 215 (a) (2) of such Act.

14 (c) Section 109(b) of the Social Security Amend-
15 ments of 1954 is amended by inserting immediately before
16 the period at the end of such subsection “and in or prior
17 to the month in which the Social Security Amendments
18 of 1960 are enacted”.

19 (d) (1) The amendments made by subsections (a) and
20 (b) of this section shall be applicable (A) in the case of
21 monthly benefits under title II of the Social Security Act
22 for months after the month in which this Act is enacted, on
23 the basis of applications filed in or after such month, (B)
24 in the case of lump-sum death payments under such title

1 with respect to deaths occurring after such month, and (C)
2 in the case of an application for a disability determination
3 with respect to a period of disability (as defined in section
4 216 (i) of the Social Security Act) filed after such month.

5 (2) For the purposes of determining (A) entitlement
6 to monthly benefits under title II of the Social Security Act
7 for the month in which this Act is enacted and prior months
8 with respect to the wages and self-employment income of an
9 individual and (B) an individual's closing date prior to
10 1960 under section 215 (b) (3) (B) of the Social Security
11 Act, the provisions of section 214 (a) of the Social Security
12 Act in effect prior to the date of the enactment of this Act
13 and the provisions of section 109 of the Social Security
14 Amendments of 1954 in effect prior to such date shall apply.

15 SURVIVORS OF INDIVIDUALS WHO DIED PRIOR TO 1940 AND
16 OF CERTAIN OTHER INDIVIDUALS

17 SEC. 205. (a) Subsections (d) (1), (e) (1), (g) (1),
18 and (h) (1) of section 202 of the Social Security Act are
19 each amended by striking out "after 1939".

20 (b) That part of section 202 (f) (1) of such Act which
21 precedes subparagraph (A) is amended by striking out
22 "after August 1950".

23 (c) The primary insurance amount (for purposes
24 of title II of the Social Security Act) of any individual

1 who died prior to 1940, and who had not less than six
 2 quarters of coverage (as defined in section 213 of such Act),
 3 shall be computed under section 215 (a) (2) of such Act.

4 (d) The preceding provisions of this section and the
 5 amendments made thereby shall apply only in the case
 6 of monthly benefits under title II of the Social Security
 7 Act for months after the month in which this Act is enacted,
 8 on the basis of applications filed in or after such month.

9 **CREDITING OF QUARTERS OF COVERAGE FOR YEARS**

10 **BEFORE 1951**

11 **SEC. 206.** (a) Section 213 (a) (2) of the Social Secu-
 12 rity Act is amended by striking out all that precedes
 13 "\$3,600 in the case of a calendar year after 1950 and be-
 14 fore 1955" in clause (ii) of subparagraph (B) and inserting
 15 in lieu thereof the following:

16 "(2) The term 'quarter of coverage' means a quarter
 17 in which the individual has been paid \$50 or more in wages
 18 (except wages for agricultural labor paid after 1954) or for
 19 which he has been credited (as determined under section
 20 212) with \$100 or more of self-employment income, except
 21 that—

22 "(i) no quarter after the quarter in which such in-
 23 dividual died shall be a quarter of coverage, and no quar-
 24 ter any part of which was included in a period of dis-

1 ability (other than the initial quarter and the last
2 quarter of such period) shall be a quarter of coverage;

3 “(ii) if the wages paid to any individual in any
4 calendar year equal \$3,000 in the case of a calendar
5 year before 1951, or”.

6 (b) (1) Except as provided in paragraph (2), the
7 amendment made by subsection (a) shall apply only in the
8 case of monthly benefits under title II of the Social Security
9 Act, and the lump-sum death payment under section 202
10 of such Act, based on the wages and self-employment income
11 of an individual—

12 (A) who becomes entitled to benefits under section
13 202 (a) or 223 of such Act on the basis of an application
14 filed in or after the month in which this Act is enacted;
15 or

16 (B) who is (or would, but for the provisions of
17 section 215 (f) (6) of the Social Security Act, be)
18 entitled to a recomputation of his primary insurance
19 amount under section 215 (f) (2) (A) of such Act on
20 the basis of an application filed in or after the month in
21 which this Act is enacted; or

22 (C) who dies without becoming entitled to benefits
23 under section 202 (a) or 223 of the Social Security Act,
24 and (unless he dies a currently insured individual but

1 not a fully insured individual (as those terms are defined
2 in section 214 of such Act)) without leaving any
3 individual entitled (on the basis of his wages and self-
4 employment income) to survivor's benefits or a lump-
5 sum death payment under section 202 of such Act on
6 the basis of an application filed prior to the month in
7 which this Act is enacted; or

8 (D) who dies in or after the month in which this
9 Act is enacted and whose survivors are (or would, but
10 for the provisions of section 215 (f) (6) of the Social
11 Security Act, be) entitled to a recomputation of his
12 primary insurance amount under section 215 (f) (4) (A)
13 of such Act; or

14 (E) who dies prior to the month in which this Act
15 is enacted and (i) whose survivors are (or would, but
16 for the provisions of section 215 (f) (6) of the Social
17 Security Act, be) entitled to a recomputation of his pri-
18 mary insurance amount under section 215 (f) (4) (A)
19 of such Act, and (ii) on the basis of whose wages and
20 self-employment income no individual was entitled to
21 survivor's benefits or a lump-sum death payment under
22 section 202 of such Act on the basis of an application
23 filed prior to the month in which this Act is enacted
24 (and no individual was entitled to such a benefit, with-

1 out the filing of an application, for any month prior to
2 the month in which this Act is enacted) ; or

3 (F) who files an application for a recomputation
4 under section 102 (f) (2) (B) of the Social Security
5 Amendments of 1954 in or after the month in which
6 this Act is enacted and is (or would, but for the fact
7 that such recomputation would not result in a higher
8 primary insurance amount, be) entitled to have his
9 primary insurance amount recomputed under such sub-
10 paragraph ; or

11 (G) who dies and whose survivors are (or would,
12 but for the fact that such recomputation would not result
13 in a higher primary insurance amount for such individ-
14 ual, be) entitled, on the basis of an application filed
15 in or after the month in which this Act is enacted, to
16 have his primary insurance amount recomputed under
17 section 102 (f) (2) (B) of the Social Security Amend-
18 ments of 1954.

19 (2) The amendment made by subsection (a) shall also
20 be applicable in the case of applications for disability deter-
21 mination under section 216 (i) of the Social Security Act
22 filed in or after the month in which this Act is enacted.

23 (3) Notwithstanding any other provision of this sub-
24 section, in the case of any individual who would not be a

1 fully insured individual under section 214 (a) of the Social
2 Security Act except for the enactment of this section, no
3 benefits shall be payable on the basis of his wages and self-
4 employment income for any month prior to the month in
5 which this Act is enacted.

6 TIME NEEDED TO ACQUIRE STATUS OF WIFE, CHILD, OR
7 HUSBAND IN CERTAIN CASES

8 SEC. 207. (a) Section 216 (b) of the Social Security
9 Act is amended by striking out "not less than three years
10 immediately preceding the day on which her application is
11 filed" and inserting in lieu thereof "not less than one year
12 immediately preceding the day on which her application is
13 filed".

14 (b) The first sentence of section 216 (e) of such Act is
15 amended to read as follows: "The term 'child' means (1)
16 the child or legally adopted child of an individual, and (2) a
17 stepchild who has been such stepchild for not less than one
18 year immediately preceding the day on which application for
19 child's insurance benefits is filed or (if the insured indi-
20 vidual is deceased) the day on which such individual died."

21 (c) Section 216 (f) of such Act is amended by striking
22 out "not less than three years immediately preceding the
23 day on which his application is filed" and inserting in lieu
24 thereof "not less than one year immediately preceding the
25 day on which his application is filed".

1 (d) The amendments made by this section shall apply
2 only with respect to monthly benefits under section 202 of
3 the Social Security Act for months beginning with the
4 month in which this Act is enacted, on the basis of applica-
5 tions filed in or after such month.

6 MARRIAGES SUBJECT TO LEGAL IMPEDIMENT

7 SEC. 208. (a) Section 216(h) (1) of the Social Secu-
8 rity Act is amended by inserting “(A)” after “(1)”, and
9 by adding at the end thereof the following new sub-
10 paragraph:

11 “(B) In any case where under subparagraph (A) an
12 applicant is not (and is not deemed to be) the wife, widow,
13 husband, or widower of a fully or currently insured indi-
14 vidual, or where under subsection (b), (c), (f), or (g) such
15 applicant is not the wife, widow, husband, or widower
16 of such individual, but it is established to the satisfaction
17 of the Secretary that such applicant in good faith went
18 through a marriage ceremony with such individual re-
19 sulting in a purported marriage between them which,
20 but for a legal impediment not known to the appli-
21 cant at the time of such ceremony, would have been a valid
22 marriage, and such applicant and the insured individual were
23 living in the same household at the time of the death of
24 such insured individual or (if such insured individual is
25 living) at the time such applicant files the application, then,

1 for purposes of subparagraph (A) and subsections (b), (c),
2 (f), and (g), such purported marriage shall be deemed
3 to be a valid marriage. The provisions of the preceding
4 sentence shall not apply (i) if another person is or has
5 been entitled to a benefit under subsection (b), (c), (e),
6 (f), or (g) of section 202 on the basis of the wages and
7 self-employment income of such insured individual and such
8 other person is (or is deemed to be) a wife, widow, hus-
9 band, or widower of such insured individual under sub-
10 paragraph (A) at the time such applicant files the applica-
11 tion, or (ii) if the Secretary determines, on the basis of
12 information brought to his attention, that such applicant
13 entered into such purported marriage with such insured
14 individual with knowledge that it would not be a valid mar-
15 riage. The entitlement to a monthly benefit under sub-
16 section (b), (c), (e), (f), or (g) of section 202, based
17 on the wages and self-employment income of such insured
18 individual, of a person who would not be deemed to be a wife,
19 widow, husband, or widower of such insured individual
20 but for this subparagraph, shall end with the month before
21 the month (i) in which the Secretary certifies, pursuant
22 to section 205 (i), that another person is entitled to a
23 benefit under subsection (b), (c), (e), (f), or (g) of
24 section 202 on the basis of the wages and self-employment

1 income of such insured individual, if such other person is
2 (or is deemed to be) the wife, widow, husband, or widower
3 of such insured individual under subparagraph (A), or
4 (ii) if the applicant is entitled to a monthly benefit under
5 subsection (b) or (c) of section 202, in which such appli-
6 cant entered into a marriage, valid without regard to this
7 subparagraph, with a person other than such insured indi-
8 vidual. For purposes of this subparagraph, a legal impedi-
9 ment to the validity of a purported marriage includes only
10 an impediment (i) resulting from the lack of dissolution
11 of a previous marriage or otherwise arising out of such
12 previous marriage or its dissolution, or (ii) resulting from a
13 defect in the procedure followed in connection with such
14 purported marriage.”

15 (b) Section 216(h)(2) of such Act is amended by in-
16 serting “(A)” after “(2)”, and by adding at the end
17 thereof the following new subparagraph:

18 “(B) If an applicant is a son or daughter of a fully or
19 currently insured individual but is not (and is not deemed to
20 be) the child of such insured individual under subparagraph
21 (A), such applicant shall nevertheless be deemed to be the
22 child of such insured individual if such insured individual and
23 the mother or father, as the case may be, of such applicant
24 went through a marriage ceremony resulting in a purported

1 marriage between them which, but for a legal impediment de-
2 scribed in the last sentence of paragraph (1) (B), would have
3 been a valid marriage.”

4 (c) Section 216 (e) of such Act is amended by adding
5 at the end thereof the following new sentence: “For pur-
6 poses of clause (2), a person who is not the stepchild of
7 an individual shall be deemed the stepchild of such
8 individual if such individual was not the mother or adopting
9 mother or the father or adopting father of such person and
10 such individual and the mother or adopting mother, or the
11 father or adopting father, as the case may be, of such person
12 went through a marriage ceremony resulting in a purported
13 marriage between them which, but for a legal impediment
14 described in the last sentence of subsection (h) (1) (B),
15 would have been a valid marriage.”

16 (d) Section 202 (d) (3) of such Act (as amended by
17 section 202 of this Act) is amended by adding after and be-
18 low subparagraph (B) the following new sentence:
19 “For purposes of this paragraph, a child deemed to be a
20 child of a fully or currently insured individual pursuant to
21 section 216 (h) (2) (B) shall, if such individual is the
22 child’s father, be deemed to be the legitimate child of such
23 individual.”

1 (e) Where—

2 (1) one or more persons were entitled (without
3 the application of section 202 (j) (1) of the Social
4 Security Act) to monthly benefits under section 202 of
5 such Act for the month before the month in which this
6 Act is enacted on the basis of the wages and self-
7 employment income of an individual; and

8 (2) any person is entitled to benefits under subsec-
9 tion (b), (c), (d), (e), (f), or (g) of section 202 of
10 the Social Security Act for any subsequent month on
11 the basis of such individual's wages and self-employment
12 income and such person would not be entitled to such
13 benefits but for the enactment of this section; and

14 (3) the total of the benefits to which all persons
15 are entitled under section 202 of the Social Security Act
16 on the basis of such individual's wages and self-employ-
17 ment income for such subsequent month is reduced
18 by reason of the application of section 203 (a) of such
19 Act,

20 then the amount of the benefit to which each person re-
21 ferred to in paragraph (1) of this subsection is entitled for
22 such subsequent month shall not, after the application of
23 such section 203 (a), be less than the amount it would have

1 been (determined without regard to section 301) if no per-
2 son referred to in paragraph (2) of this subsection was en-
3 titled to a benefit referred to in such paragraph for such
4 subsequent month on the basis of such wages and self-
5 employment income of such individual.

6 (f) The amendments made by the preceding provisions
7 of this section shall be applicable (1) with respect to
8 monthly benefits under title II of the Social Security Act for
9 months beginning with the month in which this Act is enacted
10 on the basis of an application filed in or after such month,
11 and (2) in the case of a lump-sum death payment under
12 such title based on an application filed in or after such
13 month, but only if no person, other than the person filing
14 such application, has filed an application for a lump-sum
15 death payment under such title prior to the date of the
16 enactment of this Act with respect to the death of the same
17 individual.

18 **PENALTY DEDUCTIONS UNDER FOREIGN WORK TEST**

19 **SEC. 209. (a)** Section 203 (f) of the Social Security
20 Act is amended by striking out “or (c)” wherever it appears
21 and by striking out “or (c) (1)”.

22 (b) No deduction shall be imposed on or after the
23 date of the enactment of this Act under section 203 (f)
24 of the Social Security Act, as in effect prior to such date, on
25 account of failure to file a report of an event described in

1 section 203 (c) of such Act; and no such deduction imposed
2 prior to such date shall be collected after such date.

3 EXTENSION OF FILING PERIOD FOR HUSBAND'S, WIDOWER'S,
4 OR PARENT'S BENEFITS IN CERTAIN CASES

5 SEC. 210. (a) In the case of any husband who would
6 not be entitled to husband's insurance benefits under section
7 202 (c) of the Social Security Act except for the enactment
8 of this Act, the requirement in section 202 (c) (1) (C) of
9 the Social Security Act relating to the time within which
10 proof of support must be filed shall not apply if such proof
11 of support is filed within two years after the month in which
12 this Act is enacted.

13 (b) In the case of any widower who would not be
14 entitled to widower's insurance benefits under section 202 (f)
15 of the Social Security Act except for the enactment of this
16 Act, the requirement in section 202 (f) (1) (D) of the
17 Social Security Act relating to the time within which
18 proof of support must be filed shall not apply if such proof of
19 support is filed within two years after the month in which this
20 Act is enacted.

21 (c) In the case of any parent who would not be entitled
22 to parent's insurance benefits under section 202 (h) of the
23 Social Security Act except for the enactment of this Act,
24 the requirement in section 202 (h) (1) (B) of the Social
25 Security Act relating to the time within which proof of sup-

1 port must be filed shall not apply if such proof of support is
2 filed within two years after the month in which this Act is
3 enacted.

4 TITLE III—BENEFIT AMOUNTS

5 INCREASE IN INSURANCE BENEFITS OF CHILDREN OF

6 DECEASED WORKERS

7 SEC. 301. (a) The second sentence of section 202 (d)
8 (2) of the Social Security Act is amended to read as follows:
9 “Such child’s insurance benefit for each month shall, if such
10 individual has died in or prior to such month, be equal to
11 three-fourths of the primary insurance amount of such indi-
12 vidual.”

13 (b) The amendment made by this section shall apply
14 only with respect to monthly benefits under section 202 of the
15 Social Security Act for months after the second month fol-
16 lowing the month in which this Act is enacted.

17 (c) Where—

18 (1) one or more persons were entitled (without
19 the application of section 202 (j) (1) of the Social
20 Security Act) to monthly benefits under section 202
21 of such Act for the second month following the month
22 in which this Act is enacted on the basis of the wages
23 and self-employment income of a deceased individual
24 (but not including any person who became so entitled
25 by reason of section 208 of this Act) ; and

1 (2) no person, other than (i) those persons re-
2 ferred to in paragraph (1) of this subsection and (ii)
3 those persons who are entitled to benefits under section
4 202 (d), (e), (f), or (g) of the Social Security Act
5 but would not be so entitled except for the enactment
6 of section 208 of this Act, is entitled to benefits under
7 such section 202 on the basis of such individual's wages
8 and self-employment income for any subsequent month
9 or for any month after the second month following the
10 month in which this Act is enacted and prior to such
11 subsequent month; and

12 (3) the total of the benefits to which all persons
13 referred to in paragraph (1) of this subsection are en-
14 titled under section 202 of the Social Security Act on
15 the basis of such individual's wages and self-employment
16 income for such subsequent month exceeds the maxi-
17 mum of benefits payable, as provided in section 203 (a)
18 of such Act, on the basis of such wages and self-
19 employment income,

20 then the amount of the benefit to which each such person
21 referred to in paragraph (1) of this subsection is entitled
22 for such subsequent month shall be determined—

23 (4) in case such person is entitled to benefits

1 under section 202 (e), (f), (g), or (h), as though
2 this section and section 208 had not been enacted, or
3 (5) in case such person is entitled to benefits
4 under section 202 (d), as though (i) no person is
5 entitled to benefits under section 202 (e), (f), (g), or
6 (h) for such subsequent month, and (ii) the maximum
7 of benefits payable, as described in paragraph (3), is
8 such maximum less the amount of each person's benefit
9 for such month determined pursuant to paragraph (4).

10 MAXIMUM FAMILY BENEFITS IN CERTAIN CASES

11 SEC. 302. (a) Section 203 (a) (3) of the Social Secu-
12 rity Act is amended—

13 (1) by striking out “and is not less than \$68, then
14 such total of benefits shall not be reduced to less than the
15 smaller of” and inserting in lieu thereof “, then such
16 total of benefits shall not be reduced to less than \$99.10
17 if such primary insurance amount is \$66, to less than
18 \$102.40 if such primary insurance amount is \$67, to
19 less than \$106.50 if such primary insurance amount is
20 \$68, or, if such primary insurance amount is higher
21 than \$68, to less than the smaller of”; and

22 (2) by striking out “the last figure in column V of
23 the table appearing in section 215 (a)” and inserting
24 in lieu thereof “the amount determined under this sub-

1 section without regard to this paragraph, or \$206.60,
2 whichever is larger”.

3 (b) The amendments made by subsection (a) shall
4 apply only in the case of monthly benefits under section 202
5 or section 223 of the Social Security Act for months after the
6 month following the month in which this Act is enacted, and
7 then only (1) if the insured individual on the basis of whose
8 wages and self-employment income such monthly benefits are
9 payable became entitled (without the application of section
10 202 (j) (1) or section 223 (b) of such Act) to benefits un-
11 der section 202 (a) or section 223 of such Act after the
12 month following the month in which this Act is enacted, or
13 (2) if such insured individual died before becoming so en-
14 titled and no person was entitled (without the application of
15 section 202 (j) (1) or section 223 (b) of such Act) on the
16 basis of such wages and self-employment income to monthly
17 benefits under title II of the Social Security Act for the
18 month following the month in which this Act is enacted or
19 any prior month.

20 COMPUTATIONS AND RECOMPUTATIONS OF PRIMARY
21 INSURANCE AMOUNTS

22 SEC. 303. (a) Section 215 (b) of the Social Security
23 Act is amended to read as follows:

24 “(b) (1) For the purposes of column III of the table

1 appearing in subsection (a) of this section, an individual's
2 'average monthly wage' shall be the quotient obtained by
3 dividing—

4 “(A) the total of his wages paid in and self-em-
5 ployment income credited to his 'benefit computation
6 years' (determined under paragraph (2)), by

7 “(B) the number of months in such years.

8 “(2) (A) The number of an individual's 'benefit com-
9 putation years' shall be equal to the number of elapsed years
10 (determined under paragraph (3) of this subsection), re-
11 duced by five; except that the number of an individual's
12 benefit computation years shall in no case be less than two.

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

17 “(C) For the purposes of subparagraph (B), 'com-
18 putation base years' include only calendar years occurring—

19 “(i) after December 31, 1950, and

20 “(ii) prior to the year in which the individual be-
21 came entitled to old-age insurance benefits or died,
22 whichever first occurred;

23 except that the year in which the individual became entitled
24 to old-age insurance benefits or died, as the case may be,
25 shall be included as a computation base year if the Secretary

1 determines, on the basis of evidence available to him at the
2 time of the computation of the primary insurance amount
3 for such individual, that the inclusion of such year would
4 result in a higher primary insurance amount. Any calendar
5 year all of which is included in a period of disability shall not
6 be included as a computation base year.

7 “(3) For the purposes of paragraph (2), an individual’s
8 ‘elapsed years’ shall be the number of calendar years—

9 “(A) after (i) December 31, 1950, or (ii) if
10 later, December 31 of the year in which he attained the
11 age of twenty-one, and

12 “(B) prior to (i) the year in which he died, or
13 (ii) if earlier, the first year after December 31, 1960,
14 in which he both was fully insured and had attained re-
15 tirement age.

16 For the purposes of the preceding sentence, any calendar
17 year any part of which was included in a period of disa-
18 bility shall not be included in such number of calendar years.

19 “(4) The provisions of this subsection shall be appli-
20 cable only in the case of an individual with respect to whom
21 not less than six of the quarters elapsing after 1950 are
22 quarters of coverage, and—

23 “(A) who becomes entitled to benefits after De-
24 cember 1960 under section 202 (a) or section 223; or

25 “(B) who dies after December 1960 without being

1 entitled to benefits under section 202 (a) or section
2 223; or

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

8 “(D) who dies after December 1960 and whose
9 survivors are (or would, but for the provisions of sub-
10 section (f) (6), be) entitled to a recomputation of his
11 primary insurance amount under subsection (f) (4).

12 “(5) In the case of any individual—

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

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

21 then the provisions of this subsection as in effect prior to
22 such enactment shall apply to such individual for the pur-
23 poses of column III of the table appearing in subsection (a)
24 of this section.”

1 (b) Section 215 (c) (2) (B) of such Act is amended
2 to read as follows:

3 “(B) to whom the provisions of neither paragraph
4 (4) nor paragraph (5) of subsection (b) are appli-
5 cable.”

6 (c) (1) Section 215 (d) (1) (A) of such Act is amended
7 to read as follows:

8 “(A) In the computation of such benefit, such in-
9 dividual’s average monthly wage shall (in lieu of being
10 determined under section 209 (f) of this title as in
11 effect prior to the enactment of such amendments) be
12 determined as provided in subsection (b) of this sec-
13 tion (but without regard to paragraphs (4) and (5)
14 thereof), except that for the purposes of paragraphs
15 (2) (C) (i) and (3) (A) (i) of subsection (b), De-
16 cember 31, 1936, shall be used instead of December 31,
17 1950.”

18 (2) Section 215 (d) (1) (C) of such Act is amended
19 by striking out “any part” and inserting in lieu thereof “all”;
20 and by striking out the last sentence thereof.

21 (3) Section 215 (d) (2) (B) of such Act is amended by
22 striking out “paragraph (5)” and inserting in lieu thereof
23 “paragraph (4)”.

1 (4) Section 215 (d) of such Act is further amended
2 by adding at the end thereof the following new paragraph:

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

9 (d) (1) Effective with respect to individuals who be-
10 come entitled to benefits under section 202 (a) of the Social
11 Security Act after 1960, section 215 (e) (3) of such Act is
12 amended to read as follows:

13 “(3) if an individual has self-employment income in
14 a taxable year which begins prior to the calendar year
15 in which he becomes entitled to old-age insurance bene-
16 fits and ends after the last day of the month preceding
17 the month in which he becomes so entitled, his self-
18 employment income in such taxable year shall not be
19 counted in determining his benefit computation years,
20 except as provided in subsection (f) (3) (C).”

21 (2) Effective with respect to individuals who meet any
22 of the subparagraphs of paragraph (4) of section 215 (b)
23 of the Social Security Act, as amended by this Act, section
24 215 (e) of the Social Security Act is further amended by

1 inserting “and” after the semicolon at the end of paragraph
2 (2) and by striking out paragraph (4).

3 (e) (1) Effective with respect to applications for re-
4 computation under section 215 (f) (2) of the Social Security
5 Act filed after 1960, section 215 (f) (2) of such Act is
6 amended by striking out “1954” the first time it appears
7 and inserting in lieu thereof “1960”, and by striking out
8 “no earlier than six months” in subparagraph (A) (iii).

9 (2) Section 215 (f) (2) (B) of such Act is amended to
10 read as follows:

11 “(B) A recomputation pursuant to subparagraph (A)
12 shall be made—

13 “(i) only as provided in subsection (a) (1), if the
14 provisions of subsection (b), as amended by the Social
15 Security Amendments of 1960, were applicable to the
16 last previous computation of the individual’s primary
17 insurance amount, or

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

20 Such recomputation shall be made as though the individual
21 became entitled to old-age insurance benefits in the month in
22 which he filed the application for such recomputation, except
23 that if clause (i) of this subparagraph is applicable to such
24 recomputation, the computation base years referred to in sul

1 section (b) (2) shall include only calendar years occurring
2 prior to the year in which he filed his application for such
3 recomputation.”

4 (3) Section 215 (f) (3) of such Act is amended to read
5 as follows:

6 “(3) (A) Upon application by an individual—

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

9 “(ii) whose primary insurance amount was recom-
10 puted as provided in paragraph (2) (B) (ii) of this
11 subsection on the basis of an application filed after
12 December 1960,

13 the Secretary shall recompute his primary insurance amount
14 if such application is filed after the calendar year in which
15 he became entitled to old-age insurance benefits or in
16 which he filed application for the recomputation of his
17 primary insurance amount under clause (ii) of this sentence,
18 whichever is the later. Such recomputation under this sub-
19 paragraph shall be made as provided in subsection (a) (1)
20 and (3) of this section, except that such individual’s com-
21 putation base years referred to in subsection (b) (2) shall
22 include the calendar year referred to in the preceding sen-
23 tence. Such recomputation under this subparagraph shall be
24 effective for and after the first month for which his last pre-
25 vious computation of his primary insurance amount was

1 effective, but in no event for any month prior to the twenty-
2 fourth month before the month in which the application for
3 such recomputation is filed.

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

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

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

10 “(iii) whose primary insurance amount was re-
11 computed under paragraph (2) of this subsection on the
12 basis of an application filed after December 1960, or

13 “(iv) whose primary insurance amount was re-
14 computed under paragraph (4) of this subsection,

15 the Secretary shall recompute his primary insurance amount
16 upon the filing of an application by a person entitled to
17 monthly benefits or a lump-sum death payment on the basis
18 of such individual's wages and self-employment income.

19 Such recomputation shall be made as provided in subsection

20 (a) (1) and (3) of this section, except that such in-
21 dividual's computation base years referred to in subsection

22 (b) (2) shall include the calendar year in which he died
23 in the case of an individual who was not entitled to old-age

24 insurance benefits at the time of death or whose primary
25 insurance amount was recomputed under paragraph (4) of

1 this subsection, or in all other cases, the calendar year
2 in which he filed his application for the last previous
3 computation of his primary insurance amount. In the
4 case of monthly benefits, such recomputation shall be
5 effective for and after the month in which the person en-
6 titled to such monthly benefits became so entitled, but in no
7 event for any month prior to the twenty-fourth month before
8 the month in which the application for such recomputation
9 is filed.

10 “(C) In the case of an individual who becomes en-
11 titled to old-age insurance benefits in a calendar year after
12 1960, if such individual has self-employment income in a tax-
13 able year which begins prior to such calendar year and ends
14 after the last day of the month preceding the month in which
15 he became so entitled, the Secretary shall recompute such
16 individual’s primary insurance amount after the close of
17 such taxable year and shall take into account in determining
18 the individual’s benefit computation years only such self-
19 employment income in such taxable year as is credited, pur-
20 suant to section 212, to the year preceding the year in which
21 he became so entitled. Such recomputation shall be effective
22 for and after the first month in which he became entitled to
23 old-age insurance benefits.”

24 (4) (A) Section 215 (f) (4) of such Act is amended

1 by striking out "1954" in the first sentence and inserting
2 in lieu thereof "1960", and by striking out the second and
3 third sentences and inserting in lieu thereof the following:
4 "If the recomputation is permitted by subparagraph (A),
5 the recomputation shall be made (if at all) as though he had
6 filed application for a recomputation under paragraph (2)
7 (A) in the month in which he died. If the recomputation is
8 permitted by subparagraph (B), the recomputation shall
9 take into account only the wages and self-employment in-
10 come which were considered in the last previous computation
11 of his primary insurance amount and the compensation (de-
12 scribed in section 205(o)) paid to him in the years in
13 which such wages were paid or to which such self-employ-
14 ment income was credited.

15 (B) Effective in the case of deaths occurring on or after
16 the date of the enactment of this Act, the first sentence of
17 such section 215(f)(4) is further amended by striking out
18 "(without the application of clause (iii) thereof)".

19 (f) Effective with respect to individuals who become
20 entitled to benefits under section 223 of the Social Security
21 Act after 1960, section 223(a)(2) of such Act (as amended
22 by section 402(b) of this Act) is amended to read as
23 follows:

24 "(2) Such individual's disability insurance benefit for

1 any month shall be equal to his primary insurance amount
2 for such month determined under section 215 as though he
3 had attained retirement age in—

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

5 “(B) in any case in which clause (ii) of para-
6 graph (1) of this subsection is applicable, the first month
7 for which he becomes entitled to such disability insurance
8 benefits,

9 and as though he had become entitled to old-age insurance
10 benefits in the month in which he filed his application for
11 disability insurance benefits. For the purposes of the pre-
12 ceding sentence, in the case of a woman who both was fully
13 insured and had attained retirement age in or before the
14 first month referred to in subparagraph (A) or (B) of
15 such sentence, as the case may be, the elapsed years referred
16 to in section 215(b)(3) shall not include the first year
17 in which she both was fully insured and had attained retire-
18 ment age, or any year thereafter.”

19 (g) (1) In the case of any individual who both was
20 fully insured and had attained retirement age prior to 1961
21 and (A) who becomes entitled to old-age insurance benefits
22 after 1960, or (B) who dies after 1960 without being en-
23 titled to such benefits, then, notwithstanding the amendments
24 made by the preceding subsections of this section, the Secre-
25 tary shall also compute such individual's primary insurance

1 amount on the basis of such individual's average monthly
2 wage determined under the provisions of section 215 of the
3 Social Security Act in effect prior to the enactment of this
4 Act with a closing date determined under section 215 (b)
5 (3) (B) of such Act as then in effect, but only if such closing
6 date would have been applicable to such computation had this
7 section not been enacted. If the primary insurance amount
8 resulting from the use of such an average monthly wage is
9 higher than the primary insurance amount resulting from the
10 use of an average monthly wage determined pursuant to the
11 provisions of section 215 of the Social Security Act, as
12 amended by the Social Security Amendments of 1960, such
13 higher primary insurance amount shall be the individual's
14 primary insurance amount for purposes of such section 215.
15 The terms used in this subsection shall have the meaning
16 assigned to them by title II of the Social Security Act.

17 (2) Notwithstanding the amendments made by the
18 preceding subsections of this section, in the case of any
19 individual who was entitled (without regard to the provi-
20 sions of section 223 (b) of the Social Security Act) to a
21 disability insurance benefit under such section 223 for the
22 month before the month in which he became entitled to an
23 old-age insurance benefit under section 202 (a) of such Act,
24 or in which he died, and such disability insurance benefit was
25 based upon a primary insurance amount determined under

1 the provisions of section 215 of the Social Security Act in
2 effect prior to the enactment of this Act, the Secretary shall,
3 in applying the provisions of such section 215 (a) (except
4 paragraph (4) thereof), for purposes of determining benefits
5 payable under section 202 of such Act on the basis of such
6 individual's wages and self-employment income, determine
7 such individual's average monthly wage under the provisions
8 of section 215 of the Social Security Act in effect prior to the
9 enactment of this Act. The provisions of this paragraph
10 shall not apply with respect to any such individual, entitled to
11 such old-age insurance benefits, (i) who applies, after 1960,
12 for a recomputation (to which he is entitled) of his primary
13 insurance amount under section 215 (f) (2) of such Act, or
14 (ii) who dies after 1960 and meets the conditions for a
15 recomputation of his primary insurance amount under section
16 215 (f) (4) of such Act.

17 (h) In any case where application for recomputation
18 under section 215 (f) (3) of the Social Security Act is filed
19 on or after the date of the enactment of this Act with
20 respect to an individual for whom the last previous com-
21 putation of the primary insurance amount was based on an
22 application filed prior to 1961, or who died before 1961,
23 the provisions of section 215 of such Act as in effect prior
24 to the enactment of this Act shall apply except that—

25 (1) such recomputation shall be made as provided

1 in section 215 (a) of the Social Security Act (as in
2 effect prior to the enactment of this Act) and as though
3 such individual first became entitled to old-age insur-
4 ance benefits in the month in which he filed his applica-
5 tion for such recomputation or died without filing such
6 an application, and his closing date for such purposes
7 shall be as specified in such section 215 (f) (3) ; and

8 (2) the provisions of section 215 (b) (4) of the
9 Social Security Act (as in effect prior to the enactment
10 of this Act) shall apply only if they were applicable to
11 the last previous computation of such individual's pri-
12 mary insurance amount, or would have been applicable
13 to such computation if there had been taken into
14 account—

15 (A) his wages and self-employment income in
16 the year in which he became entitled to old-age
17 insurance benefits or filed application for the last
18 previous recomputation of his primary insurance
19 amount, where he is living at the time of the appli-
20 cation for recomputation under this subsection, or

21 (B) his wages and self-employment income in
22 the year in which he died without becoming entitled
23 to old-age insurance benefits, or (if he was entitled
24 to such benefits) the year in which application was

1 filed for the last previous computation of his primary
2 insurance amount or in which he died, whichever
3 first occurred, where he has died at the time of the
4 application for such recomputation.

5 If the primary insurance amount of an individual was re-
6 computed under section 215 (f) (3) of the Social Security
7 Act as in effect prior to the enactment of this Act, and such
8 amount would have been larger if the recomputation had been
9 made under such section as modified by this subsection, then
10 the Secretary shall recompute such primary insurance
11 amount under such section as so modified, but only if
12 an application for such recomputation is filed on or after the
13 date of the enactment of this Act. A recomputation under
14 the preceding sentence shall be effective for and after the first
15 month for which the last previous recomputation of such in-
16 dividual's primary insurance amount under such section 215
17 was effective, but in no event for any month prior to the
18 twenty-fourth month before the month in which the applica-
19 tion for a recomputation is filed under the preceding sentence.

20 (i) (1) In the case of an application for a recomputa-
21 tion under section 215 (f) (2) of the Social Security Act
22 filed after 1954 and prior to 1961, the provisions of section
23 215 (f) (2) of such Act in effect prior to the enactment of
24 this Act shall apply.

25 (2) In the case of an individual who died after 1954

1 and prior to 1961 and who was entitled to an old-age in-
2 surance benefit under section 202 (a) at the time of his death,
3 the provisions of section 215 (f) (4) of the Social Security
4 Act in effect prior to the enactment of this Act shall apply.

5 (j) In the case of an individual whose average monthly
6 wage is computed under the provisions of section 215 (b)
7 of the Social Security Act, as amended by this Act, and—

8 (1) who is entitled, by reason of the provisions
9 of section 202 (j) (1) or section 223 (b) of the Social
10 Security Act, to a monthly benefit for any month prior
11 to January 1961, or

12 (2) who is (or would, but for the fact that such
13 recomputation would not result in a higher primary
14 insurance amount for such individual, be) entitled, by
15 reason of section 215 (f) of the Social Security Act, to
16 have his primary insurance amount recomputed effective
17 for a month prior to January 1961,

18 his average monthly wage as determined under the provi-
19 sions of such section 215 (b) shall be his average monthly
20 wage for the purposes of determining his primary insurance
21 amount for such prior month.

22 (k) Section 102 (f) (2) (B) of the Social Security
23 Amendments of 1954 is amended by inserting after “Social
24 Security Act” in the second sentence thereof “as in effect
25 prior to the enactment of the Social Security Amendments

1 of 1960"; and by striking out "bond" and inserting in lieu
2 thereof "month".

3 ELIMINATION OF CERTAIN OBSOLETE RECOMPUTATIONS

4 SEC. 304. (a) The first sentence of section 215 (f) (5)
5 of the Social Security Act is amended by striking out "after
6 the close of such taxable year by such individual or (if he
7 died without filing such application)" and inserting in lieu
8 thereof the following: "by such individual after the close
9 of such taxable year and prior to January 1961 or (if he
10 died without filing such application and such death occurred
11 prior to January 1961)".

12 (b) Section 102 (e) (5) of the Social Security Amend-
13 ments of 1954 is amended by adding at the end thereof the
14 following new subparagraph:

15 "(D) Notwithstanding the provisions of subparagraphs
16 (A), (B), and (C), the primary insurance amount of an
17 individual shall not be recomputed under such provisions un-
18 less such individual files the application referred to in sub-
19 paragraph (A) or (B) prior to January 1961 or, if he dies
20 without filing such application, his death occurred prior to
21 January 1961."

22 (c) Section 102 (e) (8) of the Social Security Amend-
23 ments of 1954 is amended by inserting before the period at
24 the end thereof "but only if such individual files the applica-
25 tion referred to in subparagraph (A) of such section prior to

1 January 1961 or (if he dies without filing such application)
2 his death occurred prior to January 1961”.

3 (d) Section 5(c)(1) of the Social Security Act
4 Amendments of 1952 is amended by adding at the end
5 thereof the following new sentence: “Notwithstanding the
6 preceding provisions of this paragraph, the primary insur-
7 ance amount of an individual shall not be recomputed under
8 such provisions unless such individual files the application
9 referred to in clause (A) of the first sentence of this para-
10 graph prior to January 1961 or, if he dies without filing such
11 application, his death occurred prior to January 1961.”

12 **TITLE IV—DISABILITY INSURANCE BENEFITS**
13 **AND THE DISABILITY FREEZE**

14 **ELIMINATION OF REQUIREMENT OF ATTAINMENT OF AGE**
15 **FIFTY FOR DISABILITY INSURANCE BENEFITS**

16 **SEC. 401.** (a) Section 223(a)(1)(B) of the Social
17 Security Act is amended by striking out “has attained the
18 age of fifty and”.

19 (b) The last sentence of section 223(c)(3) of such
20 Act is amended by striking out the semicolon and all that
21 follows and inserting in lieu thereof a period.

22 (c) The amendments made by this section shall apply
23 only with respect to monthly benefits under sections 202 and
24 223 of the Social Security Act for months after the
25 month following the month in which this Act is enacted

1 which are based on the wages and self-employment income
2 of an individual who did not attain the age of fifty in or
3 prior to the month following the month in which this Act
4 is enacted, but only where applications for such benefits are
5 filed in or after the month in which this Act is enacted.

6 ELIMINATION OF THE WAITING PERIOD FOR DISABILITY
7 INSURANCE BENEFITS IN CERTAIN CASES

8 SEC. 402. (a) Section 223 (a) (1) of the Social Secu-
9 rity Act is amended by striking out "shall be entitled to a
10 disability insurance benefit for each month, beginning
11 with the first month after his waiting period (as defined
12 in subsection (c) (3)) in which he becomes so entitled
13 to such insurance benefits" and inserting in lieu thereof
14 the following: "shall be entitled to a disability insurance
15 benefit (i) for each month beginning with the first month
16 after his waiting period (as defined in subsection (c) (3))
17 in which he becomes so entitled to such insurance benefits,
18 or (ii) for each month beginning with the first month dur-
19 ing all of which he is under a disability and in which he
20 becomes so entitled to such insurance benefits, but only if
21 he was entitled to disability insurance benefits which ter-
22 minated, or had a period of disability (as defined in section
23 216 (i)) which ceased, within the 60-month period preceding
24 the first month in which he is under such disability,".

1 (b) Section 223 (a) (2) of such Act is amended to
2 read as follows:

3 “(2) Such individual’s disability insurance benefit for
4 any month shall be equal to his primary insurance amount
5 for such month determined under section 215 as though he
6 became entitled to old-age insurance benefits in—

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

8 “(B) in any case in which clause (ii) of para-
9 graph (1) of this subsection is applicable, the first
10 month for which he becomes so entitled to such dis-
11 ability insurance benefits.”

12 (c) The first sentence of section 223 (b) of such Act
13 is amended to read as follows: “No application for dis-
14 ability insurance benefits shall be accepted as a valid appli-
15 cation for purposes of this section (1) if it is filed more than
16 nine months before the first month for which the applicant
17 becomes entitled to such benefits, or (2) in any case in
18 which clause (ii) of paragraph (1) of subsection (a) is
19 applicable, if it is filed more than six months before the
20 first month for which the applicant becomes entitled to such
21 benefits; and any application filed within such nine months’
22 period or six months’ period, as the case may be, shall
23 be deemed to have been filed in such first month.”

24 (d) The second sentence of section 223 (b) of such

1 Act is amended by striking out “if he files application
2 therefor” and inserting in lieu thereof “if he is continuously
3 under a disability after such month and until he files appli-
4 cation therefor, and he files such application”.

5 (e) (1) The first sentence of section 216(i) (2)
6 of such Act is amended to read as follows: “The
7 term ‘period of disability’ means a continuous period (be-
8 ginning and ending as hereinafter provided in this subsec-
9 tion) during which an individual was under a disability (as
10 defined in paragraph (1)), but only if such period is of not
11 less than six full calendar months’ duration or such individual
12 was entitled to benefits under section 223 for one or more
13 months in such period.”

14 (2) (A) The fifth sentence of such section 216(i) (2)
15 is amended by inserting “, or, in any case in which clause
16 (ii) of section 223(a) (1) is applicable, more than six
17 months before the first month for which such applicant be-
18 comes entitled to benefits under section 223,” after “(as
19 determined under this paragraph)”.

20 (B) Such section 216(i) (2) is further amended by
21 adding at the end thereof the following new sentence: “Any
22 application for a disability determination which is filed within
23 such three months’ period or six months’ period shall be
24 deemed to have been filed on such first day or in such first
25 month, as the case may be.”

1 (f) The amendments made by subsections (a) and (b)
2 shall apply only with respect to benefits under section 223
3 of the Social Security Act for the month in which this Act
4 is enacted and subsequent months. The amendment made
5 by subsection (c) shall apply only in the case of applications
6 for benefits under such section 223 filed after the seventh
7 month before the month in which this Act is enacted. The
8 amendment made by subsection (d) shall apply only in the
9 case of applications for benefits under such section 223 filed
10 in or after the month in which this Act is enacted. The
11 amendment made by subsection (e) shall apply only in
12 the case of individuals who become entitled to benefits under
13 such section 223 in or after the month in which this Act
14 is enacted.

15 PERIOD OF TRIAL WORK BY DISABLED INDIVIDUAL

16 SEC. 403. (a) Section 222 of the Social Security Act is
17 amended by striking out subsection (c) and inserting in lieu
18 thereof the following:

19 "Period of Trial Work

20 "(c) (1) The term 'period of trial work', with respect
21 to an individual entitled to benefits under section 223 or
22 202 (d), means a period of months beginning and ending as
23 provided in paragraphs (3) and (4).

24 "(2) For purposes of sections 216 (i) and 223, any
25 services rendered by an individual during a period of trial

1 work shall be deemed not to have been rendered by such in-
2 dividual in determining whether his disability has ceased in
3 a month during such period. For purposes of this subsection
4 the term 'services' means activity which is performed for
5 remuneration or gain or is determined by the Secretary to
6 be of a type normally performed for remuneration or gain.

7 “(3) A period of trial work for any individual shall
8 begin with the month in which he becomes entitled to dis-
9 ability insurance benefits, or, in the case of an individual
10 entitled to benefits under section 202 (d) who has at-
11 tained the age of eighteen, with the month in which
12 he becomes entitled to such benefits or the month in
13 which he attains the age of eighteen, whichever is later.
14 Notwithstanding the preceding sentence, no period of trial
15 work may begin for any individual prior to the beginning of
16 the month following the month in which this paragraph is
17 enacted; and no such period may begin for an individual
18 in a period of disability of such individual in which he had
19 a previous period of trial work.

20 “(4) A period of trial work for any individual shall
21 end with the close of whichever of the following months is
22 the earlier:

23 “(A) the ninth month, beginning on or after the
24 first day of such period, in which the individual renders

1 services (whether or not such nine months are consecu-
2 tive) ; or

3 “(B) the month in which his disability (as defined
4 in section 223 (c) (2)) ceases (as determined after ap-
5 plication of paragraph (2) of this subsection).

6 “(5) In the case of an individual who becomes entitled
7 to benefits under section 223 for any month as provided in
8 clause (ii) of subsection (a) (1) of such section, the pre-
9 ceding provisions of this subsection shall not apply with
10 respect to services in any month beginning with the first
11 month for which he is so entitled and ending with the first
12 month thereafter for which he is not entitled to benefits under
13 section 223.”

14 (b) Section 223 (a) (1) of such Act is amended
15 by striking out “the first month in which any of the
16 following occurs: his disability ceases, he dies, or he at-
17 tains the age of sixty-five” and inserting in lieu thereof
18 “whichever of the following months is the earliest: the month
19 in which he dies, the month in which he attains the age of
20 sixty-five, or the third month following the month in which
21 his disability ceases”.

22 (c) The fourth sentence of section 216 (i) (2) of
23 such Act is amended by striking out “the first month
24 in which either the disability ceases or the individual

1 attains the age of sixty-five” and inserting in lieu thereof “the
2 month preceding whichever of the following months is the
3 earlier: the month in which the individual attains age sixty-
4 five or the third month following the month in which the
5 disability ceases”.

6 (d) (1) The first sentence of section 202(d) (1) of
7 such Act is amended by inserting “or” before “attains
8 the age of eighteen and is not under a disability (as
9 defined in section 223(c)) which began before he at-
10 tained such age” and by striking out “, or ceases to be under
11 a disability (as so defined) on or after the day on which he
12 attains age eighteen”.

13 (2) Such section 202(d) (1) is further amended by
14 inserting after the first sentence the following new sentence:
15 “Entitlement of any child to benefits under this subsection
16 shall also end with the month preceding the third month
17 following the month in which he ceases to be under a dis-
18 ability (as so defined) after the month in which he attains
19 age eighteen.”

20 (e) (1) The amendment made by subsection (a) shall
21 be effective only with respect to months beginning after the
22 month in which this Act is enacted.

23 (2) The amendments made by subsections (b) and
24 (d) shall apply only with respect to benefits under

1 section 223 (a) or 202 (d) of the Social Security Act for
2 months after the month in which this Act is enacted in the
3 case of individuals who, without regard to such amendments,
4 would have been entitled to such benefits for the month in
5 which this Act is enacted or for any succeeding month.

6 (3) The amendment made by subsection (c) shall
7 apply only in the case of individuals who have a period
8 of disability (as defined in section 216 (i) of the Social Secu-
9 rity Act) beginning on or after the date of the enactment
10 of this Act, or beginning before such date and continuing,
11 without regard to such amendment, beyond the end of the
12 month in which this Act is enacted.

13 SPECIAL INSURED STATUS TEST IN CERTAIN CASES FOR
14 DISABILITY PURPOSES

15 SEC. 404. (a) In the case of any individual who does
16 not meet the requirements of section 216 (i) (3) of the
17 Social Security Act with respect to any quarter, or who
18 is not insured for disability insurance benefits as deter-
19 mined under section 223 (c) (1) of such Act with
20 respect to any month in a quarter, such individual shall be
21 deemed to have met such requirements with respect to such
22 quarter or to be so insured with respect to such month of such
23 quarter, as the case may be, if—

24 (1) he had a total of not less than twenty quar-

1 ters of coverage (as defined in section 213 of such
2 Act) during the period ending with the close of such
3 quarter, and

4 (2) all of the quarters elapsing after 1950 and up
5 to but excluding such quarter were quarters of coverage
6 with respect to him and there were not fewer than six
7 such quarters of coverage.

8 (b) Subsection (a) shall apply only in the case of ap-
9 plications for disability insurance benefits under section 223
10 of the Social Security Act, or for disability determinations
11 under section 216 (i) of such Act, filed in or after the month
12 in which this Act is enacted, and then only with respect to an
13 individual who, but for such subsection (a), would not meet
14 the requirements for a period of disability under section
15 216 (i) with respect to the quarter in which this Act is
16 enacted or any prior quarter and would not meet the re-
17 quirements for benefits under section 223 with respect to the
18 month in which this Act is enacted or any prior month. No
19 benefits under title II of the Social Security Act for the
20 month in which this Act is enacted or any prior month shall
21 be payable or increased by reason of the amendment made
22 by such subsection.

1 TITLE V—EMPLOYMENT SECURITY

2 PART 1—SHORT TITLE

3 SEC. 501. This title may be cited as the “Employment
4 Security Act of 1960”.

5 PART 2—EMPLOYMENT SECURITY ADMINISTRATIVE

6 FINANCING AMENDMENTS

7 AMENDMENT OF TITLE IX OF THE SOCIAL SECURITY ACT

8 SEC. 521. Title IX of the Social Security Act (42
9 U.S.C., sec. 1101 and following) is amended to read as
10 follows:

11 “TITLE IX—MISCELLANEOUS PROVISIONS RE-
12 LATING TO EMPLOYMENT SECURITY

13 “EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

14 “Establishment of Account

15 “SEC. 901. (a) There is hereby established in the Un-
16 employment Trust Fund an employment security administra-
17 tion account.

18 “Appropriations to Account

19 “(b) (1) There is hereby appropriated to the Un-
20 employment Trust Fund for credit to the employment
21 security administration account, out of any moneys in the
22 Treasury not otherwise appropriated, for the fiscal year end-

1 ing June 30, 1961, and for each fiscal year thereafter, an
2 amount equal to 100 per centum of the tax (including in-
3 terest, penalties, and additions to the tax) received during
4 the fiscal year under the Federal Unemployment Tax Act
5 and covered into the Treasury.

6 “(2) The amount appropriated by paragraph (1) shall
7 be transferred at least monthly from the general fund of the
8 Treasury to the Unemployment Trust Fund and credited to
9 the employment security administration account. Each such
10 transfer shall be based on estimates made by the Secretary
11 of the Treasury of the amounts received in the Treasury.
12 Proper adjustments shall be made in the amounts subse-
13 quently transferred, to the extent prior estimates (including
14 estimates for the fiscal year ending June 30, 1960) were in
15 excess of or were less than the amounts required to be
16 transferred.

17 “(3) The Secretary of the Treasury is directed to pay
18 from time to time from the employment security administra-
19 tion account into the Treasury, as repayments to the account
20 for refunding internal revenue collections, amounts equal
21 to all refunds made after June 30, 1960, of amounts received
22 as tax under the Federal Unemployment Tax Act (includ-
23 ing interest on such refunds).

1 “Administrative Expenditures

2 “(c) (1) There are hereby authorized to be made avail-
3 able for expenditure out of the employment security adminis-
4 tration account for the fiscal year ending June 30, 1961,
5 and for each fiscal year thereafter—

6 “(A) such amounts (not in excess of \$350,000,000
7 for any fiscal year) as the Congress may deem appropri-
8 ate for the purpose of—

9 “(i) assisting the States in the administration
10 of their unemployment compensation laws as pro-
11 vided in title III (including administration pur-
12 suant to agreements under any Federal unemploy-
13 ment compensation law, except the Temporary
14 Unemployment Compensation Act of 1958, as
15 amended),

16 “(ii) the establishment and maintenance of
17 systems of public employment offices in accordance
18 with the Act of June 6, 1933, as amended (29
19 U.S.C., secs. 49–49n), and

20 “(iii) carrying into effect section 2012 of title
21 38 of the United States Code;

22 “(B) such amounts as the Congress may deem

1 appropriate for the necessary expenses of the Depart-
2 ment of Labor for the performance of its functions
3 under—

4 “(i) this title and titles III and XII of this
5 Act,

6 “(ii) the Federal Unemployment Tax Act,

7 “(iii) the provisions of the Act of June 6,
8 1933, as amended,

9 “(iv) subchapter II of chapter 41 (except sec-
10 tion 2012) of title 38 of the United States Code,
11 and

12 “(v) any Federal unemployment compensation
13 law, except the Temporary Unemployment Com-
14 pensation Act of 1958, as amended.

15 “(2) The Secretary of the Treasury is directed to pay
16 from the employment security administration account into
17 the Treasury as miscellaneous receipts the amount estimated
18 by him which will be expended during a three-month period
19 by the Treasury Department for the performance of its
20 functions under—

21 “(A) this title and titles III and XII of this Act,
22 including the expenses of banks for servicing unemploy-
23 ment benefit payment and clearing accounts which are
24 offset by the maintenance of balances of Treasury
25 funds with such banks,

1 “(B) the Federal Unemployment Tax Act, and

2 “(C) any Federal unemployment compensation law

3 with respect to which responsibility for administration is

4 vested in the Secretary of Labor.

5 In determining the expenses taken into account under sub-

6 paragraphs (B) and (C), there shall be excluded any

7 amount attributable to the Temporary Unemployment Com-

8 pensation Act of 1958, as amended. If it subsequently ap-

9 pears that the estimates under this paragraph in any particu-

10 lar period were too high or too low, appropriate adjustments

11 shall be made by the Secretary of the Treasury in future

12 payments.

13 “Additional Tax Attributable to Reduced Credits

14 “(d) (1) The Secretary of the Treasury is directed to

15 transfer from the employment security administration ac-

16 count—

17 “(A) To the Federal unemployment account, an

18 amount equal to the amount by which—

19 “(i) 100 per centum of the additional tax re-

20 ceived under the Federal Unemployment Tax Act

21 with respect to any State by reason of the reduced

22 credits provisions of section 3302(c) (2) or (3)

23 of such Act and covered into the Treasury for the

24 repayment of advances made to the State under

25 section 1201, exceeds

1 “(ii) the amount transferred to the account of
2 such State pursuant to subparagraph (B) of this
3 paragraph.

4 Any amount transferred pursuant to this subparagraph
5 shall be credited against, and shall operate to reduce,
6 that balance of advances, made under section 1201 to the
7 State, with respect to which employers paid such addi-
8 tional tax.

9 “(B) To the account (in the Unemployment Trust
10 Fund) of the State with respect to which employers
11 paid such additional tax, an amount equal to the amount
12 by which such additional tax received and covered into
13 the Treasury exceeds that balance of advances, made
14 under section 1201 to the State, with respect to which
15 employers paid such additional tax.

16 If, for any taxable year, there is with respect to any State
17 both a balance described in section 3302(c)(2) of the
18 Federal Unemployment Tax Act and a balance described
19 in section 3302(c)(3) of such Act, this paragraph shall
20 be applied separately with respect to section 3302(c)(2)
21 (and the balance described therein) and separately with
22 respect to section 3302(c)(3) (and the balance described
23 therein).

24 “(2) The Secretary of the Treasury is directed to

1 transfer from the employment security administration
2 account—

3 “(A) To the general fund of the Treasury, an
4 amount equal to the amount by which—

5 “(i) 100 per centum of the additional tax re-
6 ceived under the Federal Unemployment Tax Act
7 with respect to any State by reason of the reduced
8 credit provision of section 104 of the Temporary
9 Unemployment Compensation Act of 1958, as
10 amended, and covered into the Treasury, exceeds

11 “(ii) the amount transferred to the account
12 of such State pursuant to subparagraph (B) of this
13 paragraph.

14 “(B) To the account (in the Unemployment Trust
15 Fund) of the State with respect to which employers
16 paid such additional tax, an amount equal to the amount
17 by which—

18 “(i) such additional tax received and covered
19 into the Treasury, exceeds

20 “(ii) the total amount restorable to the Treas-
21 ury under section 104 of the Temporary Unemploy-
22 ment Compensation Act of 1958, as amended, as
23 limited by Public Law 85-457.

24 “(3) Transfers under this subsection shall be as of the

1 beginning of the month succeeding the month in which the
2 moneys were credited to the employment security adminis-
3 tration account pursuant to subsection (b) (2).

4 "Revolving Fund

5 " (e) (1) There is hereby established in the Treasury
6 a revolving fund which shall be available to make the
7 advances authorized by this subsection. There are hereby
8 authorized to be appropriated, without fiscal year limitation,
9 to such revolving fund such amounts as may be necessary
10 for the purposes of this section.

11 " (2) The Secretary of the Treasury is directed to
12 advance from time to time from the revolving fund to
13 the employment security administration account such
14 amounts as may be necessary for the purposes of this sec-
15 tion. If the net balance in the employment security admin-
16 istration account as of the beginning of any fiscal year is
17 \$250,000,000, no advance may be made under this subsection
18 during such fiscal year.

19 " (3) Advances to the employment security administra-
20 tion account made under this subsection shall bear interest
21 until repaid at a rate equal to the average rate of interest
22 (computed as of the end of the calendar month next pre-
23 ceding the date of such advance) borne by all interest-bear-
24 ing obligations of the United States then forming a part of
25 the public debt; except that where such average rate is not

1 a multiple of one-eighth of 1 per centum, the rate of interest
2 shall be the multiple of one-eighth of 1 per centum next
3 lower than such average rate.

4 “(4) Advances to the employment security adminis-
5 tration account made under this subsection, plus interest
6 accrued thereon, shall be repaid by the transfer from time
7 to time, from the employment security administration ac-
8 count to the revolving fund, of such amounts as the Secre-
9 tary of the Treasury, in consultation with the Secretary of
10 Labor, determines to be available in the employment security
11 administration account for such repayment. Any amount
12 transferred as a repayment under this paragraph shall be
13 credited against, and shall operate to reduce, any balance of
14 advances (plus accrued interest) repayable under this
15 subsection.

16 “Determination of Excess and Amount To Be Retained in
17 Employment Security Administration Account

18 “(f) (1) The Secretary of the Treasury shall determine
19 as of the close of each fiscal year (beginning with the fiscal
20 year ending June 30, 1961) the excess in the employment
21 security administration account.

22 “(2) The excess in the employment security adminis-
23 tration account as of the close of any fiscal year is the
24 amount by which the net balance in such account as of such
25 time (after the application of section 902 (b)) exceeds the

1 net balance in the employment security administrati3n ac-
2 count as of the beginning of that fiscal year (including the
3 fiscal year for which the excess is being computed) for which
4 the net balance was higher than as of the beginning of any
5 other such fiscal year.

6 “(3) If the entire amount of the excess determined
7 under paragraph (1) as of the close of any fiscal year is
8 not transferred to the Federal unemployment account, there
9 shall be retained (as of the beginning of the succeeding fiscal
10 year) in the employment security administration account so
11 much of the remainder as does not increase the net balance
12 in such account (as of the beginning of such succeeding fiscal
13 year) above \$250,000,000.

14 “(4) For the purposes of this section, the net balance
15 in the employment security administration account as of any
16 time is the amount in such account as of such time reduced
17 by the sum of—

18 “(A) the amounts then subject to transfer pur-
19 suant to subsection (d), and

20 “(B) the balance of advances (plus interest ac-
21 crued thereon) then repayable to the revolving fund
22 established by subsection (e).

23 The net balance in the employment security administration
24 account as of the beginning of any fiscal year shall be de-

1 terminated after the disposition of the excess in such account
 2 as of the close of the preceding fiscal year.

3 "TRANSFERS BETWEEN FEDERAL UNEMPLOYMENT ACCOUNT
 4 AND EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

5 "Transfers to Federal Unemployment Account

6 "SEC. 902. (a) Whenever the Secretary of the Treas-
 7 ury determines pursuant to section 901 (f) that there is an
 8 excess in the employment security administration account as
 9 of the close of any fiscal year, there shall be transferred
 10 (as of the beginning of the succeeding fiscal year) to the
 11 Federal unemployment account the total amount of such
 12 excess or so much thereof as is required to increase the
 13 amount in the Federal unemployment account to whichever
 14 of the following is the greater:

15 " (1) \$550,000,000, or

16 " (2) The amount (determined by the Secretary
 17 of Labor and certified by him to the Secretary of the
 18 Treasury) equal to four-tenths of 1 per centum of the
 19 total wages subject to contributions under all State
 20 unemployment compensation laws for the calendar
 21 year ending during the fiscal year for which the excess
 22 is determined.

23 "Transfers to Employment Security Administration Account.

24 " (b) The amount, if any, by which the amount in the

1 Federal unemployment account as of the close of any fiscal
2 year exceeds the greater of the amounts specified in para-
3 graphs (1) and (2) of subsection (a) shall be transferred
4 to the employment security administration account as of
5 the close of such fiscal year.

6 "AMOUNTS TRANSFERRED TO STATE ACCOUNTS

7 "In General

8 "SEC. 903. (a) (1) Except as provided in subsection
9 (b), whenever, after the application of section 1203
10 with respect to the excess in the employment security ad-
11 ministration account as of the close of any fiscal year, there
12 remains any portion of such excess, the remainder of such
13 excess shall be transferred (as of the beginning of the suc-
14 ceeding fiscal year) to the accounts of the States in the
15 Unemployment Trust Fund.

16 "(2) Each State's share of the funds to be transferred
17 under this subsection as of any July 1—

18 "(A) shall be determined by the Secretary of Labor
19 and certified by him to the Secretary of the Treasury
20 before that date on the basis of reports furnished by
21 the States to the Secretary of Labor before June 1, and

22 "(B) shall bear the same ratio to the total amount
23 to be so transferred as the amount of wages subject to
24 contributions under such State's unemployment compen-
25 sation law during the preceding calendar year which

1 have been reported to the State before May 1 bears to
2 the total of wages subject to contributions under all
3 State unemployment compensation laws during such
4 calender year which have been reported to the States
5 before May 1.

6 "Limitations on Transfers

7 "(b) (1) If the Secretary of Labor finds that on July 1
8 of any fiscal year—

9 "(A) a State is not eligible for certification under
10 section 303, or

11 "(B) the law of a State is not approvable under
12 section 3304 of the Federal Unemployment Tax Act,
13 then the amount available for transfer to such State's account
14 shall, in lieu of being so transferred, be transferred to the
15 Federal unemployment account as of the beginning of such
16 July 1. If, during the fiscal year beginning on such July
17 1, the Secretary of Labor finds and certifies to the Secretary
18 of the Treasury that such State is eligible for certification
19 under section 303, that the law of such State is approvable
20 under such section 3304, or both, the Secretary of the Treas-
21 ury shall transfer such amount from the Federal unemploy-
22 ment account to the account of such State. If the Secretary
23 of Labor does not so find and certify to the Secretary of the
24 Treasury before the close of such fiscal year then the amount
25 which was available for transfer to such State's account as

1 of July 1 of such fiscal year shall (as of the close of such
2 fiscal year) become unrestricted as to use as part of the
3 Federal unemployment account.

4 “(2) The amount which, but for this paragraph,
5 would be transferred to the account of a State under sub-
6 section (a) or paragraph (1) of this subsection shall be
7 reduced (but not below zero) by the balance of advances
8 made to the State under section 1201. The sum by which
9 such amount is reduced shall—

10 “(A) be transferred to or retained in (as the case
11 may be) the Federal unemployment account, and

12 “(B) be credited against, and operate to reduce—

13 “(i) first, any balance of advances made be-
14 fore the date of the enactment of the Employment
15 Security Act of 1960 to the State under section
16 1201, and

17 “(ii) second, any balance of advances made on
18 or after such date to the State under section 1201.

19 “Use of Transferred Amounts

20 “(c) (1) Except as provided in paragraph (2),
21 amounts transferred to the account of a State pursuant to
22 subsections (a) and (b) shall be used only in the payment
23 of cash benefits to individuals with respect to their unem-
24 ployment, exclusive of expenses of administration.

25 “(2) A State may, pursuant to a specific appropriation

1 made by the legislative body of the State, use money with-
2 drawn from its account in the payment of expenses incurred
3 by it for the administration of its unemployment compensa-
4 tion law and public employment offices if and only if—

5 “(A) the purposes and amounts were specified in
6 the law making the appropriation,

7 “(B) the appropriation law did not authorize the
8 obligation of such money after the close of the two-year
9 period which began on the date of enactment of the ap-
10 propriation law,

11 “(C) the money is withdrawn and the expenses are
12 incurred after such date of enactment, and

13 “(D) the appropriation law limits the total amount
14 which may be obligated during a fiscal year to an
15 amount which does not exceed the amount by which
16 (i) the aggregate of the amounts transferred to the
17 account of such State pursuant to subsections (a) and
18 (b) during such fiscal year and the four preceding fiscal
19 years, exceeds (ii) the aggregate of the amounts used
20 by the State pursuant to this subsection and charged
21 against the amounts transferred to the account of such
22 State during such five fiscal years.

23 For the purposes of subparagraph (D), amounts used by a
24 State during any fiscal year shall be charged against equiva-
25 lent amounts which were first transferred and which have

1 not previously been so charged; except that no amount.
2 obligated for administration during any fiscal year may be
3 charged against any amount transferred during a fiscal year
4 earlier than the fourth preceding fiscal year.

5 "UNEMPLOYMENT TRUST FUND

6 "Establishment, etc.

7 "SEC. 904. (a) There is hereby established in the
8 Treasury of the United States a trust fund to be known as
9 the 'Unemployment Trust Fund', hereinafter in this title
10 called the 'Fund'. The Secretary of the Treasury is author-
11 ized and directed to receive and hold in the Fund all moneys
12 deposited therein by a State agency from a State unem-
13 ployment fund, or by the Railroad Retirement Board to the
14 credit of the railroad unemployment insurance account or
15 the railroad unemployment insurance administration fund, or
16 otherwise deposited in or credited to the Fund or any account
17 therein. Such deposit may be made directly with the
18 Secretary of the Treasury, with any depositary designated
19 by him for such purpose, or with any Federal Reserve Bank.

20 "Investments

21 "(b) It shall be the duty of the Secretary of the Treas-
22 ury to invest such portion of the Fund as is not, in his judg-
23 ment, required to meet current withdrawals. Such invest-
24 ment may be made only in interest-bearing obligations of
25 the United States or in obligations guaranteed as to both

1 principal and interest by the United States. For such pur-
2 pose such obligations may be acquired (1) on original issue
3 at the issue price, or (2) by purchase of outstanding obliga-
4 tions at the market price. The purposes for which obliga-
5 tions of the United States may be issued under the Second
6 Liberty Bond Act, as amended, are hereby extended to
7 authorize the issuance at par of special obligations exclusively
8 to the Fund. Such special obligations shall bear interest at a
9 rate equal to the average rate of interest, computed as of the
10 end of the calendar month next preceding the date of such
11 issue, borne by all interest-bearing obligations of the United
12 States then forming part of the public debt; except that
13 where such average rate is not a multiple of one-eighth of 1
14 per centum, the rate of interest of such special obligations
15 shall be the multiple of one-eighth of 1 per centum next lower
16 than such average rate. Obligations other than such special
17 obligations may be acquired for the Fund only on such terms
18 as to provide an investment yield not less than the yield
19 which would be required in the case of special obligations if
20 issued to the Fund upon the date of such acquisition. Ad-
21 vances made to the Federal unemployment account pur-
22 suant to section 1203 shall not be invested.

23 "Sale or Redemption of Obligations

24 "(c) Any obligations acquired by the Fund (except
25 special obligations issued exclusively to the Fund) may be

1 sold at the market price, and such special obligations may be
2 redeemed at par plus accrued interest.

3 "Treatment of Interest and Proceeds

4 "(d) The interest on, and the proceeds from the sale
5 or redemption of, any obligations held in the Fund shall be
6 credited to and form a part of the Fund.

7 "Separate Book Accounts

8 "(e) The Fund shall be invested as a single fund, but
9 the Secretary of the Treasury shall maintain a separate book
10 account for each State agency, the employment security
11 administration account, the Federal unemployment account,
12 the railroad unemployment insurance account, and the rail-
13 road unemployment insurance administration fund and shall
14 credit quarterly (on March 31, June 30, September 30,
15 and December 31, of each year) to each account, on the basis
16 of the average daily balance of such account, a proportionate
17 part of the earnings of the Fund for the quarter ending on
18 such date. For the purpose of this subsection, the average
19 daily balance shall be computed—

20 "(1) in the case of any State account, by reducing
21 (but not below zero) the amount in the account by
22 the balance of advances made to the State under section
23 1201, and

24 "(2) in the case of the Federal unemployment
25 account—

1 employment account a sum equal to (1) the excess of taxes
2 collected prior to July 1, 1946, under title IX of this Act
3 or under the Federal Unemployment Tax Act, over the
4 total unemployment administrative expenditures made prior
5 to July 1, 1946, plus (2) the excess of taxes collected under
6 the Federal Unemployment Tax Act after June 30, 1946,
7 and prior to July 1, 1953, over the unemployment admin-
8 istrative expenditures made after June 30, 1946, and prior
9 to July 1, 1953. As used in this subsection, the term 'un-
10 employment administrative expenditures' means expendi-
11 tures for grants under title III of this Act, expenditures for
12 the administration of that title by the Social Security Board,
13 the Federal Security Administrator, or the Secretary of
14 Labor, and expenditures for the administration of title IX
15 of this Act, or of the Federal Unemployment Tax Act, by
16 the Department of the Treasury, the Social Security Board,
17 the Federal Security Administrator, or the Secretary of
18 Labor. For the purposes of this subsection, there shall be
19 deducted from the total amount of taxes collected prior to
20 July 1, 1943, under title IX of this Act, the sum of
21 \$40,561,886.43 which was authorized to be appropriated
22 by the Act of August 24, 1937 (50 Stat. 754), and the
23 sum of \$18,451,846 which was authorized to be appropriated
24 by section 11 (b) of the Railroad Unemployment Insurance
25 Act."

1 AMENDMENT OF TITLE XII OF THE SOCIAL SECURITY ACT

2 SEC. 522. (a) Title XII of the Social Security Act (42
3 U.S.C., sec. 1321 and following) is amended to read as
4 follows:

5 "TITLE XII—ADVANCES TO STATE UNEMPLOY-
6 MENT FUNDS

7 "ADVANCES TO STATE UNEMPLOYMENT FUNDS

8 "SEC. 1201. (a) (1) Advances shall be made to the
9 States from the Federal unemployment account in the Unem-
10 ployment Trust Fund as provided in this section, and shall
11 be repayable, without interest, in the manner provided in
12 sections 901 (d) (1), 903 (b) (2), and 1202. An advance
13 to a State for the payment of compensation in any month
14 may be made if—

15 " (A) the Governor of the State applies therefor
16 no earlier than the first day of the preceding month, and

17 " (B) he furnishes to the Secretary of Labor his
18 estimate of the amount of an advance which will be
19 required by the State for the payment of compensation
20 in such month.

21 " (2) In the case of any application for an advance
22 under this section to any State for any month, the Secretary
23 of Labor shall—

24 " (A) determine the amount (if any) which he

1 finds will be required by such State for the payment of
2 compensation in such month, and

3 “(B) certify to the Secretary of the Treasury the
4 amount (not greater than the amount estimated by the
5 Governor of the State) determined under subparagraph
6 (A).

7 The aggregate of the amounts certified by the Secretary of
8 Labor with respect to any month shall not exceed the amount
9 which the Secretary of the Treasury reports to the Secretary
10 of Labor is available in the Federal unemployment account
11 for advances with respect to such month.

12 “(3) For purposes of this subsection—

13 “(A) an application for an advance shall be made
14 on such forms, and shall contain such information and
15 data (fiscal and otherwise) concerning the operation
16 and administration of the State unemployment com-
17 pensation law, as the Secretary of Labor deems neces-
18 sary or relevant to the performance of his duties under
19 this title,

20 “(B) the amount required by any State for the
21 payment of compensation in any month shall be deter-
22 mined with due allowance for contingencies and taking
23 into account all other amounts that will be available
24 in the State’s unemployment fund for the payment of
25 compensation in such month, and

1 vances (without interest) , such sums as may be necessary to
2 carry out the purposes of this title. Whenever, after the ap-
3 plication of section 901 (f) (3) with respect to the excess in
4 the employment security administration account as of the
5 close of any fiscal year, there remains any portion of such ex-
6 cess, so much of such remainder as does not exceed the
7 balance of advances made pursuant to this section shall be
8 transferred to the general fund of the Treasury and shall be
9 credited against, and shall operate to reduce, such balance of
10 advances.

11 "DEFINITION OF GOVERNOR

12 "SEC. 1204. When used in this title, the term 'Governor'
13 includes the Commissioners of the District of Columbia."

14 (b) (1) No amount shall be transferred on or after the
15 date of the enactment of this Act from the Federal unem-
16 ployment account to the account of any State in the Unem-
17 ployment Trust Fund pursuant to any application made
18 under section 1201 (a) of the Social Security Act as in effect
19 before such date; except that, if—

20 (A) some but not all of an amount certified by the
21 Secretary of Labor to the Secretary of the Treasury for
22 transfer to the account of any State was transferred to
23 such account before such date, and

24 (B) the Governor of such State, after the date of
25 the enactment of this Act, requests the Secretary of the

1 Treasury to transfer all or any part of the remainder to
2 such account,
3 the Secretary of the Treasury shall, prior to audit or set-
4 tlement by the General Accounting Office, transfer from the
5 Federal unemployment account to the account of such State
6 in the Unemployment Trust Fund the amount so requested
7 or (if smaller) the amount available in the Federal unem-
8 ployment account at the time of the transfer. No such
9 amount shall be transferred under this paragraph after the
10 one-year period beginning on the date of the enactment of
11 this Act.

12 (2) For purposes of section 3302 (c) of the Federal
13 Unemployment Tax Act and titles IX and XII of the Social
14 Security Act, if any amount is transferred pursuant to para-
15 graph (1) to the unemployment account of any State, such
16 amount shall be treated as an advance made before the
17 date of the enactment of this Act.

18 **AMENDMENTS TO THE FEDERAL UNEMPLOYMENT TAX ACT**

19 **Increase in Tax Rate**

20 **SEC. 523. (a)** Section 3301 of the Internal Revenue
21 Code of 1954 (relating to rate of tax under Federal Unem-
22 ployment Tax Act) is amended—

23 (1) by striking out “1955” and inserting in lieu
24 thereof “1961”, and

1 (2) by striking out "3 percent" and inserting in
2 lieu thereof "3.1 percent".

3 Computation of Credits Against Tax

4 (b) Section 3302 of such Code (relating to credits
5 against tax) is amended by striking out subsection (c) and
6 inserting in lieu thereof the following new subsections:

7 “(c) LIMIT ON TOTAL CREDITS.—

8 “(1) The total credits allowed to a taxpayer under
9 this section shall not exceed 90 percent of the tax
10 against which such credits are allowable.

11 “(2) If an advance or advances have been made to
12 the unemployment account of a State under title XII
13 of the Social Security Act before the date of the enact-
14 ment of the Employment Security Act of 1960, then the
15 total credits (after applying subsections (a) and (b)
16 and paragraph (1) of this subsection) otherwise allow-
17 able under this section for the taxable year in the case
18 of a taxpayer subject to the unemployment compensa-
19 tion law of such State shall be reduced—

20 “(A) in the case of a taxable year beginning
21 with the fourth consecutive January 1 as of the
22 beginning of which there is a balance of such
23 advances, by 5 percent of the tax imposed by sec-
24 tion 3301 with respect to the wages paid by such

1 taxpayer during such taxable year which are attrib-
2 utable to such State; and

3 “(B) in the case of any succeeding taxable year
4 beginning with a consecutive January 1 as of the be-
5 ginning of which there is a balance of such advances,
6 by an additional 5 percent, for each such succeeding
7 taxable year, of the tax imposed by section 3301
8 with respect to the wages paid by such taxpayer
9 during such taxable year which are attributable to
10 such State.

11 “(3) If an advance or advances have been made
12 to the unemployment account of a State under title XII
13 of the Social Security Act on or after the date of the
14 enactment of the Employment Security Act of 1960,
15 then the total credits (after applying subsections (a)
16 and (b) and paragraphs (1) and (2) of this sub-
17 section) otherwise allowable under this section for the
18 taxable year in the case of a taxpayer subject to the un-
19 employment compensation law of such State shall be
20 reduced—

21 “(A) (i) in the case of a taxable year begin-
22 ning with the second consecutive January 1 as of
23 the beginning of which there is a balance of such
24 advances, by 10 percent of the tax imposed by sec-

1 tion 3301 with respect to the wages paid by such
2 taxpayer during such taxable year which are at-
3 tributable to such State; and

4 “(ii) in the case of any succeeding taxable
5 year beginning with a consecutive January 1 as of
6 the beginning of which there is a balance of such
7 advances, by an additional 10 percent, for each such
8 succeeding taxable year, of the tax imposed by
9 section 3301 with respect to the wages paid by
10 such taxpayer during such taxable year which are
11 attributable to such State;

12 “(B) in the case of a taxable year beginning
13 with the third or fourth consecutive January 1 as
14 of the beginning of which there is a balance of such
15 advances, by the amount determined by multiplying
16 the wages paid by such taxpayer during such taxable
17 year which are attributable to such State by the
18 percentage (if any) by which—

19 “(i) 2.7 percent, exceeds

20 “(ii) the average employer contribution
21 rate for such State for the calendar year pre-
22 ceding such taxable year; and

23 “(C) in the case of a taxable year beginning
24 with the fifth or any succeeding consecutive January
25 1 as of the beginning of which there is a balance

1 of such advances, by the amount determined by
2 multiplying the wages paid by such taxpayer during
3 such taxable year which are attributable to such
4 State by the percentage (if any) by which—

5 “(i) the 5-year benefit cost rate applicable
6 to such State for such taxable year or (if
7 higher) 2.7 percent, exceeds

8 “(ii) the average employer contribution
9 rate for such State for the calendar year pre-
10 ceding such taxable year.

11 “(d) DEFINITIONS AND SPECIAL RULES RELATING
12 TO SUBSECTION (c).—

13 “(1) RATE OF TAX DEEMED TO BE 3 PERCENT.—
14 In applying subsection (c), the tax imposed by section
15 3301 shall be computed at the rate of 3 percent in lieu
16 of 3.1 percent.

17 “(2) WAGES ATTRIBUTABLE TO A PARTICULAR
18 STATE.—For purposes of subsection (c), wages shall
19 be attributable to a particular State if they are subject
20 to the unemployment compensation law of the State, or
21 (if not subject to the unemployment compensation law
22 of any State) if they are determined (under rules or
23 regulations prescribed by the Secretary or his delegate)
24 to be attributable to such State.

25 “(3) ADDITIONAL TAXES INAPPLICABLE WHERE

1 ADVANCES ARE REPAID BEFORE NOVEMBER 10 OF TAX-
2 ABLE YEAR.—Paragraph (2) or (3) of subsection (c)
3 shall not apply with respect to any State for the taxable
4 year if (as of the beginning of November 10 of such
5 year) there is no balance of advances referred to in such
6 paragraph.

7 “(4) AVERAGE EMPLOYER CONTRIBUTION RATE.—
8 For purposes of subparagraphs (B) and (C) of subsec-
9 tion (c) (3), the average employer contribution rate
10 for any State for any calendar year is that percentage
11 obtained by dividing—

12 “(A) the total of the contributions paid into
13 the State unemployment fund with respect to such
14 calendar year, by

15 “(B) the total of the remuneration subject to
16 contributions under the State unemployment com-
17 pensation law with respect to such calendar year.

18 For purposes of subparagraph (C) of subsection (c)
19 (3), if the average employer contribution rate for any
20 State for any calendar year (determined without regard
21 to this sentence) equals or exceeds 2.7 percent, such rate
22 shall be determined by increasing the amount taken
23 into account under subparagraph (A) of the preceding
24 sentence by the aggregate amount of employee pay-
25 ments (if any) into the unemployment fund of such

1 State with respect to such calendar year which are
2 to be used solely in the payment of unemployment
3 compensation.

4 “(5) 5-YEAR BENEFIT COST RATE.—For purposes
5 of subparagraph (C) of subsection (c) (3), the 5-year
6 benefit cost rate applicable to any State for any taxable
7 year is that percentage obtained by dividing—

8 “(A) one-fifth of the total of the compensa-
9 tion paid under the State unemployment compensa-
10 tion law during the 5-year period ending at the
11 close of the second calendar year preceding such
12 taxable year; by

13 “(B) the total of the remuneration subject to
14 contributions under the State unemployment com-
15 pensation law with respect to the first calendar
16 year preceding such taxable year.

17 “(6) ROUNDING.—If any percentage referred to
18 in either subparagraph (B) or (C) of subsection
19 (c) (3) is not a multiple of .1 percent, it shall be
20 rounded to the nearest multiple of .1 percent.

21 “(7) DETERMINATION AND CERTIFICATION OF
22 PERCENTAGES.—The percentage referred to in subsec-
23 tion (c) (3) (B) or (C) for any taxable year for any
24 State having a balance referred to therein shall be de-
25 termined by the Secretary of Labor, and shall be certi-

1 respectively, the contributions required of such instrumen-
2 tality or the individuals in its employ shall not be at a greater
3 rate than is required of such other persons and such em-
4 ployees, and if the rates are determined separately for
5 different persons or classes of persons having individuals in
6 their employ or for different classes of employees, the de-
7 termination shall be based solely upon unemployment ex-
8 perience and other factors bearing a direct relation to unem-
9 ployment risk; (B) only if such State law makes provision
10 for the refund of any contributions required under such law
11 from an instrumentality of the United States or its employees
12 for any year in the event such State is not certified by the
13 Secretary of Labor under section 3304 with respect to such
14 year; and (C) only if such State law makes provision for
15 the payment of unemployment compensation to any em-
16 ployee of any such instrumentality of the United States in
17 the same amount, on the same terms, and subject to the
18 same conditions as unemployment compensation is payable
19 to employees of other employers under the State unemploy-
20 ment compensation law.”

21 (b) The third sentence of section 3305 (g) of such Code
22 is amended by striking out “not wholly” and inserting in lieu
23 thereof “neither wholly nor partially”.

1 (c) Section 3306(c)(6) of such Code is amended to
2 read as follows:

3 “(6) service performed in the employ of the
4 United States Government or of an instrumentality of
5 the United States which is—

6 “(A) wholly or partially owned by the United
7 States, or

8 “(B) exempt from the tax imposed by section
9 3301 by virtue of any provision of law which spe-
10 cifically refers to such section (or the corresponding
11 section of prior law) in granting such exemption;”.

12 (d) (1) Chapter 23 of such Code is amended by re-
13 numbering section 3308 as section 3309 and by inserting
14 after section 3307 the following new section:

15 **“SEC. 3308. INSTRUMENTALITIES OF THE UNITED STATES.**

16 “Notwithstanding any other provision of law (whether
17 enacted before or after the enactment of this section) which
18 grants to any instrumentality of the United States an ex-
19 emption from taxation, such instrumentality shall not be
20 exempt from the tax imposed by section 3301 unless such
21 other provision of law grants a specific exemption, by refer-
22 ence to section 3301 (or the corresponding section of prior
23 law), from the tax imposed by such section.”

1 in connection with such vessel or aircraft when outside the
2 United States,”.

3 (b) Section 3306 (c) (4) of such Code is amended to
4 read as follows:

5 “(4) service performed on or in connection with a
6 vessel or aircraft not an American vessel or American
7 aircraft, if the employee is employed on and in connec-
8 tion with such vessel or aircraft when outside the United
9 States;”,

10 (c) Section 3306 (m) of such Code is amended—

11 (1) by striking out the heading and inserting in
12 lieu thereof the following:

13 “(m) AMERICAN VESSEL AND AIRCRAFT.—”; and

14 (2) by striking out the period at the end thereof
15 and inserting in lieu thereof a semicolon and the follow-
16 ing: “and the term ‘American aircraft’ means an air-
17 craft registered under the laws of the United States.”

18 FEEDER ORGANIZATIONS, ETC.

19 SEC. 533. Section 3306 (c) (8) of the Internal Revenue
20 Code of 1954 is amended to read as follows:

21 “(8) service performed in the employ of a reli-
22 gious, charitable, educational, or other organization de-

1 scribed in section 501 (c) (3) which is exempt from
2 income tax under section 501 (a) ;”.

3 **FRATERNAL BENEFICIARY SOCIETIES, AGRICULTURAL OR-**
4 **GANIZATIONS, VOLUNTARY EMPLOYEES' BENEFICIARY**
5 **ASSOCIATIONS, ETC.**

6 **SEC. 534.** Section 3306 (c) (10) of the Internal Reve-
7 nue Code of 1954 is amended to read as follows:

8 “(10) (A) service performed in any calendar
9 quarter in the employ of any organization exempt from
10 income tax under section 501 (a) (other than an or-
11 ganization described in section 401 (a)) or under section
12 521, if the remuneration for such service is less than
13 \$50, or

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

18 **EFFECTIVE DATE**

19 **SEC. 535.** The amendments made by this part (other
20 than the amendments made by subsections (e) and (f) of
21 section 531) shall apply with respect to remuneration paid
22 after 1961 for services performed after 1961. The amend-
23 ments made by subsections (e) and (f) of section 531 shall
24 apply with respect to any week of unemployment which
25 begins after December 31, 1960.

1 PART 4—EXTENSION OF FEDERAL-STATE UNEMPLOYMENT
2 COMPENSATION PROGRAM TO PUERTO RICO
3 EXTENSION OF TITLES III, IX, AND XII OF THE SOCIAL
4 SECURITY ACT

5 SEC. 541. Effective on and after January 1, 1961, para-
6 graphs (1) and (2) of section 1101 (a) of the Social Secu-
7 rity Act are amended to read as follows:

8 “(1) The term ‘State’, except where otherwise
9 provided, includes the District of Columbia and the
10 Commonwealth of Puerto Rico, and when used in titles
11 I, IV, V, VII, X, and XIV includes the Virgin Islands
12 and Guam.

13 “(2) The term ‘United States’ when used in a
14 geographical sense means, except where otherwise pro-
15 vided, the States, the District of Columbia, and the
16 Commonwealth of Puerto Rico.”

17 FEDERAL EMPLOYEES AND EX-SERVICEMEN

18 SEC. 542. (a) (1) Effective with respect to weeks of
19 unemployment beginning after December 31, 1965, section
20 1503 (b) of such Act is amended by striking out “Puerto
21 Rico or”.

22 (2) Effective with respect to first claims filed after
23 December 31, 1965, paragraph (3) of section 1504 of
24 such Act is amended by striking out “Puerto Rico or”
25 wherever appearing therein.

1 (b) (1) Effective on and after January 1, 1961 (but
2 only in the case of weeks of unemployment beginning before
3 January 1, 1966) —

4 (A) Section 1502 (b) of such Act is amended
5 by striking out “(b) Any” and inserting in lieu thereof
6 “(b) (1) Except as provided in paragraph (2), any”,
7 and by adding at the end thereof the following new
8 paragraph:

9 “(2) In the case of the Commonwealth of Puerto Rico,
10 the agreement shall provide that compensation will be paid
11 by the Commonwealth of Puerto Rico to any Federal em-
12 ployee whose Federal service and Federal wages are assigned
13 under section 1504 to such Commonwealth, with respect to
14 unemployment after December 31, 1960 (but only in the
15 case of weeks of unemployment beginning before January 1,
16 1966), in the same amount, on the same terms, and subject
17 to the same conditions as the compensation which would be
18 payable to such employee under the unemployment compen-
19 sation law of the District of Columbia if such employee’s
20 Federal service and Federal wages had been included as em-
21 ployment and wages under such law, except that if such em-
22 ployee, without regard to his Federal service and Federal
23 wages, has employment or wages sufficient to qualify for any
24 compensation during the benefit year under such law, then

1 payments of compensation under this subsection shall be
2 made only on the basis of his Federal service and Federal
3 wages. In applying this paragraph or subsection (b) of sec-
4 tion 1503, as the case may be, employment and wages under
5 the unemployment compensation law of the Commonwealth
6 of Puerto Rico shall not be combined with Federal service
7 or Federal wages.”

8 (B) Section 1503 (a) of such Act is amended
9 by adding at the end thereof the following: “For the
10 purposes of this subsection, the term ‘State’ does not
11 include the Commonwealth of Puerto Rico.”

12 (C) Section 1503 (b) of such Act is amended by
13 adding at the end thereof the following: “This subsec-
14 tion shall apply in respect of the Commonwealth of
15 Puerto Rico only if such Commonwealth does not have
16 an agreement under this title with the Secretary.”

17 (2) Effective on and after January 1, 1961 (but only
18 in the case of first claims filed before January 1, 1966),
19 section 1504 of such Act is amended by adding after and
20 below paragraph (3) the following:

21 “For the purposes of paragraph (2), the term ‘United
22 States’ does not include the Commonwealth of Puerto Rico.”

23 (c) Effective on and after January 1, 1961—

24 (1) section 1503 (d) of such Act is amended by

1 striking out “Puerto Rico and”, and by striking out
 2 “agencies” each place it appears and inserting in lieu
 3 thereof “agency”; and

4 (2) section 1511 (e) of such Act is amended by
 5 striking out “Puerto Rico or”.

6 (d) The last sentence of section 1501 (a) of such Act
 7 is amended to read as follows:

8 “For the purpose of paragraph (5) of this subsection, the
 9 term ‘United States’ when used in the geographical sense
 10 means the States, the District of Columbia, the Common-
 11 wealth of Puerto Rico, and the Virgin Islands.”

12 EXTENSION OF FEDERAL UNEMPLOYMENT TAX ACT

13 SEC. 543. (a) Effective with respect to remuneration
 14 paid after December 31, 1960, for services performed after
 15 such date, section 3306 (j) of the Internal Revenue Code
 16 of 1954 is amended to read as follows:

17 “(j) STATE, UNITED STATES, AND CITIZEN.—For
 18 purposes of this chapter—

19 “(1) STATE.—The term ‘State’ includes the Dis-
 20 trict of Columbia and the Commonwealth of Puerto Rico.

21 “(2) UNITED STATES.—The term ‘United States’
 22 when used in a geographical sense includes the States,
 23 the District of Columbia, and the Commonwealth of
 24 Puerto Rico.

25 An individual who is a citizen of the Commonwealth of

1 Puerto Rico (but not otherwise a citizen of the United
2 States) shall be considered, for purposes of this section, as
3 a citizen of the United States.”

4 (b) The unemployment compensation law of the Com-
5 monwealth of Puerto Rico shall be considered as meeting the
6 requirements of—

7 (1) Section 3304 (a) (2) of the Federal Unem-
8 ployment Tax Act, if such law provides that no com-
9 pensation is payable with respect to any day of unem-
10 ployment occurring before January 1, 1959.

11 (2) Section 3304 (a) (3) of the Federal Unem-
12 ployment Tax Act and section 303 (a) (4) of the Social
13 Security Act, if such law contains the provisions re-
14 quired by those sections and if it requires that, on or
15 before February 1, 1961, there be paid over to the Sec-
16 retary of the Treasury, for credit to the Puerto Rico
17 account in the Unemployment Trust Fund, an amount
18 equal to the excess of—

19 (A) the aggregate of the moneys received in
20 the Puerto Rico unemployment fund before Janu-
21 ary 1, 1961, over

22 (B) the aggregate of the moneys paid from
23 such fund before January 1, 1961, as unemploy-
24 ment compensation or as refunds of contributions
25 erroneously paid.

1 TITLE VI—MEDICAL SERVICES FOR THE AGED

2 ESTABLISHMENT OF PROGRAM

3 SEC. 601. The Social Security Act is amended by add-
4 ing at the end thereof the following new title:

5 “TITLE XVI—MEDICAL SERVICES FOR THE AGED

6 “APPROPRIATION

7 “SEC. 1601. For the purpose of enabling each State,
8 as far as practicable under the conditions in such State, to
9 assist aged individuals of low income in meeting their medi-
10 cal expenses, there is hereby authorized to be appropriated
11 for each fiscal year a sum sufficient to carry out the purposes
12 of this title. The sums made available under this section
13 shall be used for making payments to States which have
14 submitted, and had approved by the Secretary, State plans
15 for medical services for the aged.

16 “STATE PLANS

17 “SEC. 1602. (a) A State plan for medical services for
18 the aged must—

19 “(1) provide that it shall be in effect in all political
20 subdivisions of the State, and, if administered by them,
21 be mandatory upon them;

22 “(2) provide for financial participation by the
23 State;

24 “(3) provide for the establishment or designation

1 of a single State agency to administer or supervise the
2 administration of the plan;

3 “(4) provide that the medical services with respect
4 to which payments are made under the plan shall include
5 both institutional and noninstitutional medical services;

6 “(5) include reasonable standards, consistent with
7 the objectives of this title, for determining the eligibility
8 of individuals for medical benefits under the plan and
9 the amounts thereof, and provide that no benefits under
10 the plan will be furnished any individual who is not an
11 eligible individual (as defined in section 1605) ;

12 “(6) provide that all individuals wishing to apply
13 for medical benefits under the plan shall have oppor-
14 tunity to do so, and that such benefits shall be furnished
15 with reasonable promptness to all individuals making
16 application therefor who are eligible for medical benefits
17 under the plan;

18 “(7) provide that no benefits will be furnished any
19 individual under the plan with respect to any period with
20 respect to which he is receiving old-age assistance under
21 the State plan approved under section 2, aid to depend-
22 ent children under the State plan approved under sec-
23 tion 402, aid to the blind under the State plan approved
24 under section 1002, or aid to the permanently and totally

1 disabled under the State plan approved under section
2 1402 (and for purposes of this paragraph an individual
3 shall not be deemed to have received such assistance or
4 aid with respect to any month unless he received such
5 assistance or aid in the form of money payments for such
6 month, or in the form of medical or any other type of
7 remedial care in such month (without regard to when
8 the expenditures in the form of such care were made)) ;

9 “(8) provide that no lien may be imposed against
10 the property of any individual prior to his death on
11 account of benefits paid or to be paid on his behalf under
12 the plan (except pursuant to the judgment of a court
13 on account of benefits incorrectly paid on behalf of such
14 individual), and that there shall be no adjustment or
15 recovery (except, after the death of such individual and
16 his surviving spouse, if any, from such individual’s
17 estate) of any benefits correctly paid on behalf of any
18 individual under the plan;

19 “(9) provide that no enrollment fee, premium, or
20 similar charge will be imposed as a condition of any
21 individual’s eligibility for medical benefits under the
22 plan;

23 “(10) provide that benefits under the plan shall not
24 be greater in amount, duration, or scope than the

1 assistance furnished under a plan of such State approved
2 under section 2—

3 “(A) in the form of medical or any other type
4 of remedial care, and

5 “(B) in the form of money payments to the
6 extent that amounts are included in such payments
7 because of the medical needs of the recipients;

8 “(11) provide for granting an opportunity for a fair
9 hearing before the State agency to any individual whose
10 claim for medical benefits under the plan is denied or is
11 not acted upon with reasonable promptness;

12 “(12) provide such methods of administration (in-
13 cluding methods relating to the establishment and main-
14 tenance of personnel standards on a merit basis, except
15 that the Secretary shall exercise no authority with re-
16 spect to the selection, tenure of office, and compensation
17 of any individual employed in accordance with such
18 methods) as are found by the Secretary to be necessary
19 for the proper and efficient operation of the plan;

20 “(13) provide safeguards which restrict the use or
21 disclosure of information concerning applicants for and
22 recipients of benefits under the plan to purposes directly
23 connected with the administration of the plan;

24 “(14) provide for establishment or designation of

1 a State authority or authorities which shall be responsi-
2 ble for establishing and maintaining standards for—

3 “(A) hospitals providing hospital services,

4 “(B) nursing homes providing skilled nursing
5 home services, and

6 “(C) agencies providing organized home care
7 services,

8 for which expenditures are made under the plan;

9 “(15) include methods for determining—

10 “(A) rates of payment for institutional serv-
11 ices, and

12 “(B) schedules of fees or rates of payment for
13 other medical services,

14 for which expenditures are made under the plan;

15 “(16) to the extent required by regulations pre-
16 scribed by the Secretary, include provisions (conform-
17 ing to such regulations) with respect to the furnishing
18 of medical benefits to eligible individuals who are resi-
19 dents of the State but absent therefrom; and

20 “(17) provide that the State agency will make such
21 reports, in such form and containing such information,
22 as the Secretary may from time to time require, and
23 comply with such provisions as the Secretary may from
24 time to time find necessary to assure the correctness and
25 verification of such reports.

1 “(1) in the case of any State other than the
2 Commonwealth of Puerto Rico, the Virgin Islands, and
3 Guam, an amount equal to the Federal percentage (as
4 defined in section 1101 (a) (8)) of the total amounts
5 expended during such quarter for medical benefits under
6 the State plan;

7 “(2) in the case of the Commonwealth of Puerto
8 Rico, the Virgin Islands, and Guam, an amount equal
9 to one-half of the total amounts expended during such
10 quarter for medical benefits under the State plan; and

11 “(3) in the case of any State, an amount equal to
12 one-half of the total of the sums expended during such
13 quarter as found necessary by the Secretary for the
14 proper and efficient administration of the State plan;

15 except that there shall not be counted as an expenditure
16 for purposes of paragraph (1) or (2) any amount expended
17 for an individual during a benefit year of such individual—

18 “(A) for inpatient hospital services after expendi-
19 tures have been made for the cost of 120 days of such
20 services for such individual during such year, or

21 “(B) for laboratory and X-ray services (which do
22 not constitute inpatient hospital services) after expendi-
23 tures of \$200 have been made for such individual during
24 such year, or

25 “(C) for prescribed drugs (which do not constitute

1 inpatient hospital services) after expenditures of \$200
2 have been made for such individual during such year.

3 “(b) Prior to the beginning of each quarter, the Secre-
4 tary shall estimate the amounts to be paid to each State
5 under subsection (a) for such quarter, such estimates to
6 be based on (1) a report filed by the State containing its
7 estimate of the total sum to be expended in such quarter in
8 accordance with the provisions of such subsection, and
9 stating the amount appropriated or made available by the
10 State and its political subdivisions for such expenditures in
11 such quarter, and if such amount is less than the State’s
12 proportionate share of the total sum of such estimated ex-
13 penditures, the source or sources from which the difference is
14 expected to be derived, and (2) such other investigation as
15 the Secretary may find necessary. The amount so estimated,
16 reduced or increased to the extent of any overpayment or
17 underpayment which the Secretary determines was made
18 under this section to such State for any prior quarter and
19 with respect to which adjustment has not already been
20 made under this subsection, shall then be paid to the State,
21 through the disbursing facilities of the Treasury Department,
22 in such installments as the Secretary may determine. The
23 reductions under the preceding sentence shall include the pro

1 rata share to which the United States is equitably entitled,
2 as determined by the Secretary, of the net amount recovered
3 by the State or any political subdivision thereof with respect
4 to medical benefits furnished under the State plan.

5 "OPERATION OF STATE PLANS

6 "SEC. 1604. If the Secretary, after reasonable notice
7 and opportunity for hearing to the State agency administer-
8 ing or supervising the administration of any State plan which
9 has been approved by him under section 1602, finds—

10 " (1) that the plan has been so changed that it no
11 longer complies with the provisions of section 1602, or

12 " (2) that in the administration of the plan there is
13 a failure to comply substantially with any such provision,
14 the Secretary shall notify such State agency that further
15 payments will not be made to the State under section 1603
16 (or, in his discretion, that payments will be limited to parts
17 of the plan not affected by such noncompliance) until the Sec-
18 retary is satisfied that there is no longer any such noncompli-
19 ance. Until he is so satisfied, no further payments shall be
20 made to such State under section 1603 (or payments shall be
21 limited to parts of the plan not affected by such noncompli-
22 ance). For purposes of this section, a plan shall be treated
23 as having been so changed that it no longer complies with the
24 provisions of section 1602 if at any time the Secretary deter-

1 mines that, were such plan to be submitted at such time for
2 approval, he would be barred from approving such plan
3 by reason of section 1602 (c).

4 "ELIGIBLE INDIVIDUALS

5 "SEC. 1605. For the purposes of this title, the term
6 'eligible individual' means any individual—

7 "(1) who is sixty-five years of age or over, and

8 "(2) whose income and resources, taking into ac-
9 count his other living requirements as determined by the
10 State, are insufficient to meet the cost of his medical
11 services.

12 "BENEFITS

13 "SEC. 1606. For the purposes of this title—

14 "(a) The term 'medical benefits' means payment of
15 part or all of the cost of medical services on behalf of eligible
16 individuals.

17 "(b) (1) Except as provided in paragraph (2), the
18 term 'medical services' means the following to the extent
19 determined by the physician to be medically necessary:

20 "(A) inpatient hospital services;

21 "(B) skilled nursing-home services;

22 "(C) physicians' services;

23 "(D) outpatient hospital services;

24 "(E) organized home care services;

1 “(F) private duty nursing services;

2 “(G) therapeutic services;

3 “(H) major dental treatment;

4 “(I) laboratory and X-ray services; and

5 “(J) prescribed drugs.

6 “(2) The term ‘medical services’ does not include—

7 “(A) services for any individual who is an inmate
8 of a public institution (except as a patient in a medical
9 institution) or any individual who is a patient in an
10 institution for tuberculosis or mental diseases; or

11 “(B) services for any individual who is a patient in
12 a medical institution as a result of a diagnosis of tuber-
13 culosis or psychosis, with respect to any period after
14 the individual has been a patient in such an institution,
15 as a result of such diagnosis, for forty-two days.

16 “(c) The term ‘inpatient hospital services’ means the
17 following items furnished to an inpatient by a hospital:

18 “(1) Bed and board (at a rate not in excess of the
19 rate for semiprivate accommodations) ;

20 “(2) Physicians’ services; and

21 “(3) Nursing services, interns’ services, laboratory
22 and X-ray services, ambulance service, and other serv-
23 ices, drugs, and appliances related to his care and treat-
24 ment (whether furnished directly by the hospital or, by
25 arrangement, through other persons).

1 “(d) The term ‘skilled nursing-home services’ means
2 the following items furnished to an inpatient in a nursing
3 home:

4 “(1) Skilled nursing care provided by a registered
5 professional nurse or a licensed practical nurse which is
6 prescribed by, or performed under the general direction
7 of, a physician;

8 “(2) Medical care and other services related to
9 such skilled nursing care; and

10 “(3) Bed and board in connection with the fur-
11 nishing of such skilled nursing care.

12 “(e) The term ‘physicians’ services’ means services
13 provided in the exercise of his profession in any State by a
14 physician licensed in such State; and the term ‘physician’
15 includes a physician within the meaning of section 1101
16 (a) (7).

17 “(f) The term ‘outpatient hospital services’ means
18 medical and surgical care furnished by a hospital to an indi-
19 vidual as an outpatient.

20 “(g) The term ‘organized home care services’ means
21 visiting nurse services and physicians’ services, and services
22 related thereto, which are prescribed by a physician and
23 are provided in the home through a public or private non-
24 profit agency operated in accordance with medical policies
25 established by one or more physicians (who are responsi-

1 ble for supervising the execution of such policies) to govern
2 such services.

3 “(h) The term ‘private duty nursing services’ means
4 nursing care provided in the home by a registered profes-
5 sional nurse or licensed practical nurse, under the general
6 direction of a physician, to a patient requiring nursing care
7 on a full-time basis.

8 “(i) The term ‘therapeutic services’ means services
9 prescribed by a physician for the treatment of disease or
10 injury by physical nonmedical means, including retraining
11 for the loss of speech.

12 “(j) The term ‘major dental treatment’ means services
13 provided by a dentist, in the exercise of his profession, with
14 respect to a condition of an individual’s teeth, oral cavity,
15 or associated parts which has seriously affected, or may seri-
16 ously affect, his general health. As used in the preceding
17 sentence, the term ‘dentist’ means a person licensed to prac-
18 tice dentistry or dental surgery in the State where the serv-
19 ices are provided.

20 “(k) The term ‘laboratory and X-ray services’ includes
21 only such services prescribed by a physician.

22 “(l) The term ‘prescribed drugs’ means medicines
23 which are prescribed by a physician.

24 “(m) The term ‘hospital’ means a hospital (other than
25 a mental or tuberculosis hospital) licensed as such by the

1 State in which it is located or, in the case of a State hospital,
2 approved by the licensing agency of the State.

3 “(n) The term ‘nursing home’ means a nursing home
4 which is licensed as such by the State in which it is located,
5 and which (1) is operated in connection with a hospital or
6 (2) has medical policies established by one or more physi-
7 cians (who are responsible for supervising the execution of
8 such policies) to govern the skilled nursing care and related
9 medical care and other services which it provides.

10 “BENEFIT YEAR

11 “SEC. 1607. For the purposes of this title, the term
12 ‘benefit year’ means, with respect to any individual, a period
13 of 12 consecutive calendar months as designated by the State
14 agency for the purposes of this title in accordance with regu-
15 lations prescribed by the Secretary. Subject to regulations
16 prescribed by the Secretary, the State plan may permit the
17 extension of a benefit year in order to avoid hardship.”

18 IMPROVEMENT OF MEDICAL CARE FOR OLD-AGE ASSISTANCE

19 RECIPIENTS

20 SEC. 602. (a) Section 3 (a) of the Social Security Act
21 is amended by striking out “and (3) in the case of any
22 State,” and inserting in lieu thereof the following: “and
23 (3) in the case of any State which is qualified for such
24 quarter (as determined under subsection (c) (1)), an
25 amount equal to 5 per centum of the total of the sums

1 expended during such quarter as old-age assistance under
2 the State plan in the form of medical or any other type of
3 remedial care, not counting so much of any expenditure
4 with respect to any month as exceeds whichever of the fol-
5 lowing is the smaller—

6 “(A) \$5 multiplied by the total number of re-
7 cipients of old-age assistance for such month, or

8 “(B) the additional expenditure per recipient of
9 old-age assistance for such month (as determined under
10 subsection (c) (2)), multiplied by the total number of
11 recipients of old-age assistance for such month;

12 and (4) in the case of any State.”.

13 (b) Section 3 of such Act is further amended by adding
14 at the end thereof the following new subsection:

15 “(c) (1) For the purposes of clause (3) of subsection
16 (a), a State shall be qualified for a quarter if the State agency
17 of such State has submitted, in or prior to such quarter (but
18 in no event prior to the quarter in which this subsection is
19 enacted), a modification of the plan of such State approved
20 under this title which the Secretary is satisfied would result
21 in a significant improvement in old-age assistance in the
22 form of medical or any other type of remedial care under the
23 plan, except that in no event may a State be qualified for a
24 quarter prior to the first quarter for which such modification
25 is effective. Any determination under the preceding sen-

1 tence with respect to any modification of a State plan shall
2 be based on a comparison with old-age assistance in the form
3 of medical or any other type of remedial care, if any, under
4 the plan during the quarter prior to the quarter in which this
5 subsection was enacted, and in making such determination
6 the Secretary shall take into account the extent to which
7 there would be any reduction in amounts previously included
8 because of medical needs in old-age assistance under the
9 plan in the form of money payments. Such State shall cease
10 to be qualified for any quarter occurring (1) after the quar-
11 ter in which the Secretary determines, after notice and op-
12 portunity for hearing to the State agency administering or
13 supervising the administration of the State plan of such
14 State, that the improvement referred to in the first sentence
15 of this subsection has (through a change in the plan or in its
16 administration) ceased to be a significant improvement, and
17 (2) prior to the quarter in which such State again qualifies
18 as provided in the preceding sentences.

19 “(2) For the purposes of clause (3) (B) of subsection
20 (a), the additional expenditure per recipient of old-age
21 assistance in any State for any month means the excess of—

22 “(A) the quotient obtained by dividing the total of
23 the sums expended in such month as old-age assistance
24 under the State plan in the form of medical or any other

1 type of remedial care by the total number of recipients
2 of old-age assistance under such plan for such month,
3 over

4 “(B) the quotient obtained by dividing the total of
5 the sums expended in the last month which ended prior
6 to the enactment of this paragraph as old-age assistance
7 under the State plan in the form of medical or any other
8 type of remedial care by the total number of recipients
9 of old-age assistance under such plan for such month.”

10 (c) Section 6 of such Act is amended by striking out
11 “but does not include” and all that follows and inserting in
12 lieu thereof “but does not include—

13 “(1) any such payments to or care in behalf of any
14 individual who is an inmate of a public institution (ex-
15 cept as a patient in a medical institution) or any in-
16 dividual who is a patient in an institution for tuberculosis
17 or mental diseases, or

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

22 “(3) any such care in behalf of any individual, who
23 is a patient in a medical institution as a result of a diag-
24 nosis that he has tuberculosis or psychosis, with respect
25 to any period after the individual has been a patient

1 in such an institution, as a result of such diagnosis, for
2 forty-two days.”

3 (d) The amendments made by subsections (a) and
4 (b) shall be effective only with respect to calendar quar-
5 ters commencing on or after October 1, 1960. The
6 amendment made by subsection (c) shall be effective only
7 with respect to calendar quarters commencing on or after
8 July 1, 1961.

9 PLANNING GRANTS TO STATES

10 SEC. 603. (a) For the purpose of assisting the States
11 to make plans and initiate administrative arrangements pre-
12 paratory to participation in the Federal-State program of
13 medical services for the aged authorized by title XVI of
14 the Social Security Act, there are hereby authorized to be
15 appropriated for making grants to the States such sums
16 as the Congress may determine.

17 (b) A grant under this section to any State shall be
18 made only upon application therefor which is submitted by
19 a State agency designated by the State to carry out the
20 purpose of this section and is approved by the Secretary.
21 No such grant for any State may exceed 50 per centum
22 of the cost of carrying out such purpose in accordance with
23 such application.

24 (c) Payment of any grant under this section may be
25 made in advance or by way of reimbursement, and in such

1 installments, as the Secretary may determine. The aggre-
2 gate amount paid to any State under this section shall not
3 exceed \$50,000.

4 (d) Appropriations pursuant to this section shall re-
5 main available for grants under this section only until the
6 close of June 30, 1962; and any part of such a grant which
7 has been paid to a State prior to the close of June 30, 1962,
8 but has not been used or obligated by such State for carrying
9 out the purpose of this section prior to the close of such
10 date, shall be returned to the United States.

11 (e) As used in this section, the term "State" includes
12 the District of Columbia, the Commonwealth of Puerto Rico,
13 the Virgin Islands, and Guam.

14 TECHNICAL AMENDMENT

15 SEC. 604. Effective July 1, 1961, section 1101 (a) (1)
16 of the Social Security Act (as amended by section 541 of
17 this Act) is amended by striking out "and XIV" and in-
18 serting in lieu thereof "XIV, and XVI".

19 TITLE VII—MISCELLANEOUS

20 INVESTMENT OF TRUST FUNDS

21 SEC. 701. (a) Section 201 (c) of the Social Security
22 Act is amended by inserting after the third sentence the
23 following new sentence: "The Board of Trustees shall meet
24 not less frequently than once each six months."

1 (b) Section 201 (c) (3) of such Act is amended to
2 read as follows:

3 “(3) Report immediately to the Congress when-
4 ever the Board of Trustees is of the opinion that the
5 amount of either of the Trust Funds is unduly small;”.

6 (c) Section 201 (c) of such Act is further amended by
7 striking out the period at the end of paragraph (4) and in-
8 serting in lieu thereof “; and”, and by inserting after para-
9 graph (4) the following new paragraph:

10 “(5) Review the general policies followed in man-
11 aging the Trust Funds, and recommend changes in such
12 policies, including necessary changes in the provisions
13 of the law which govern the way in which the Trust
14 Funds are to be managed.”

15 (d) Section 201 (d) of such Act is amended to read as
16 follows:

17 “(d) It shall be the duty of the Managing Trustee to
18 invest such portion of the Trust Funds as is not, in his judg-
19 ment, required to meet current withdrawals. Such invest-
20 ments may be made only in interest-bearing obligations of
21 the United States or in obligations guaranteed as to both
22 principal and interest by the United States. For such pur-
23 pose such obligations may be acquired (1) on original issue
24 at the issue price, or (2) by purchase of outstanding obliga-

1 tions at the market price. The purposes for which obliga-
2 tions of the United States may be issued under the Second
3 Liberty Bond Act, as amended, are hereby extended to au-
4 thorize the issuance at par of public-debt obligation for pur-
5 chase by the Trust Funds. Such obligations issued for
6 purchase by the Trust Funds shall have maturities fixed with
7 due regard for the needs of the Trust Funds and shall bear
8 interest at a rate equal to the average market yield (com-
9 puted by the Managing Trustee on the basis of market quo-
10 tations as of the end of the calendar month next preceding
11 the date of such issue) on all marketable interest-bearing
12 obligations of the United States then forming a part of the
13 public debt which are not due or callable until after the
14 expiration of four years from the end of such calendar month;
15 except that where such average market yield is not a multiple
16 of one-eighth of 1 per centum, the rate of interest of such
17 obligations shall be the multiple of one-eighth of 1 per centum
18 nearest such market yield. The Managing Trustee may pur-
19 chase other interest-bearing obligations of the United States
20 or obligations guaranteed as to both principal and interest
21 by the United States, on original issue or at the market price,
22 only where he determines that the purchase of such other
23 obligations is in the public interest.”

24 (e) Section 201 (e) of such Act is amended by striking

1 out "special obligations" each place it appears and inserting
2 in lieu thereof "public-debt obligations".

3 (f) The amendments made by this section shall take
4 effect on the first day of the first month beginning after
5 the date of the enactment of this Act.

6 SURVIVAL OF ACTIONS

7 SEC. 702. (a) Section 205 (g) of the Social Security
8 Act is amended by adding at the end thereof the following
9 new sentence: "Any action instituted in accordance with this
10 subsection shall survive notwithstanding any change in the
11 person occupying the office of Secretary or any vacancy in
12 such office."

13 (b) The amendment made by subsection (a) shall ap-
14 ply to actions which are pending in court on the date of the
15 enactment of this Act or are commenced after such date.

16 PERIODS OF LIMITATION ENDING ON NONWORK DAYS

17 SEC. 703. Section 216 of the Social Security Act is
18 amended by adding at the end thereof the following new
19 subsection:

20 "Periods of Limitation Ending on Nonwork Days

21 "(j) Where this title, any provision of another
22 law of the United States (other than the Internal Revenue
23 Code of 1954) relating to or changing the effect of this
24 title, or any regulation issued by the Secretary pursuant

1 thereto provides for a period within which an act is required
2 to be done which affects eligibility for or the amount of any
3 benefit or payment under this title or is necessary to estab-
4 lish or protect any rights under this title, and such period
5 ends on a Saturday, Sunday, or legal holiday, or on any
6 other day all or part of which is declared to be a nonwork
7 day for Federal employees by statute or Executive order,
8 then such act shall be considered as done within such period
9 if it is done on the first day thereafter which is not a Satur-
10 day, Sunday, or legal holiday or any other day all or part of
11 which is declared to be a nonwork day for Federal employees
12 by statute or Executive order. For purposes of this subsec-
13 tion, the day on which a period ends shall include the day on
14 which an extension of such period, as authorized by law or
15 by the Secretary pursuant to law, ends. The provisions of
16 this subsection shall not extend the period during which bene-
17 fits under this title may (pursuant to section 202 (j) (1)
18 or 223 (b)) be paid for months prior to the day application
19 for such benefits is filed, or during which an application for
20 benefits under this title may (pursuant to section 202 (j) (2)
21 or 223 (b)) be accepted as such.”

1 ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

2 SEC. 704. (a) Section 116 (e) of the Social Security
3 Amendments of 1956 is amended to read as follows:

4 “(e) During 1963, 1966, and every fifth year there-
5 after, the Secretary shall appoint an Advisory Council on
6 Social Security Financing, with the same functions, and
7 constituted in the same manner, as prescribed in the preced-
8 ing subsections of this section. Each such Council shall
9 report its findings and recommendations, as prescribed in
10 subsection (d), not later than January 1 of the second
11 year after the year in which it is appointed, after which
12 date such Council shall cease to exist, and such report and
13 recommendations shall be included in the annual report of
14 the Board of Trustees to be submitted to the Congress not
15 later than the March 1 following such January 1.”

16 (b) Section 116 of the Social Security Amendments of
17 1956 is further amended by adding at the end thereof the
18 following new subsection:

19 “(f) The Advisory Council appointed under subsection
20 (e) during 1963 shall, in addition to the other findings and
21 recommendations it is required to make, include in its report

1 its findings and recommendations with respect to extensions
2 of the coverage of the old-age, survivors, and disability insur-
3 ance program, the adequacy of benefits under the program,
4 and all other aspects of the program.”

5 MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC
6 ASSISTANCE AND MEDICAL SERVICES FOR THE AGED

7 SEC. 705. Title XI of the Social Security Act is amended
8 by adding at the end thereof the following new section:

9 “MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC
10 ASSISTANCE AND MEDICAL SERVICES FOR THE AGED

11 “SEC. 1112. In order to assist the States to extend the
12 scope and content, and improve the quality, of medical care
13 and medical services for which payments are made to or on
14 behalf of needy and low-income individuals under this Act
15 and in order to promote better public understanding about
16 medical care and medical services for needy and low-income
17 individuals, the Secretary shall develop and revise from
18 time to time guides or recommended standards as to the level,
19 content, and quality of medical care and medical services for
20 the use of the States in evaluating and improving their public
21 assistance medical care programs and their programs of
22 medical services for the aged; shall secure periodic reports
23 from the States on items included in, and the quantity of,
24 medical care and medical services for which expenditures
25 under such programs are made; and shall from time to time

1 publish data secured from these reports and other information
2 necessary to carry out the purposes of this section.”

3 TEMPORARY EXTENSION OF CERTAIN SPECIAL PROVISIONS

4 RELATING TO STATE PLANS FOR AID TO THE BLIND

5 SEC. 706. Section 344 (b) of the Social Security Act
6 Amendments of 1950 is amended by striking out “June 30,
7 1961” and inserting in lieu thereof “June 30, 1964”.

8 MATERNAL AND CHILD WELFARE

9 SEC. 707. (a) (1) (A) Section 501 of the Social Secu-
10 rity Act is amended by striking out “for each fiscal year
11 beginning after June 30, 1958, the sum of \$21,500,000” and
12 inserting in lieu thereof “for each fiscal year beginning after
13 June 30, 1960, the sum of \$25,000,000”.

14 (B) Section 502 (a) (2) of such Act is amended by
15 striking out “for each fiscal year beginning after June 30,
16 1958, the Secretary shall allot \$10,750,000 as follows: He
17 shall allot to each State \$60,000 (even though the amount
18 appropriated for such year is less than \$21,500,000), and
19 shall allot each State such part of the remainder of the
20 \$10,750,000” and inserting in lieu thereof “for each fiscal
21 year beginning after June 30, 1960, the Secretary shall
22 allot \$12,500,000 as follows: He shall allot to each State
23 \$70,000 (even though the amount appropriated for such
24 year is less than \$25,000,000), and shall allot each State
25 such part of the remainder of the \$12,500,000”.

1 (C) The first sentence of section 502 (b) of such Act
2 is amended by striking out "for each fiscal year beginning
3 after June 30, 1958, the sum of \$10,750,000" and inserting
4 in lieu thereof "for each fiscal year beginning after June 30,
5 1960, the sum of \$12,500,000".

6 (2) (A) Section 511 of such Act is amended by striking
7 out "for each fiscal year beginning after June 30, 1958,
8 the sum of \$20,000,000" and inserting in lieu thereof "for
9 each fiscal year beginning after June 30, 1960, the sum
10 of \$25,000,000".

11 (B) Section 512 (a) (2) of such Act is amended by
12 striking out "for each fiscal year beginning after June 30,
13 1958, the Secretary shall allot \$10,000,000 as follows: He
14 shall allot to each State \$60,000 (even though the amount
15 appropriated for such year is less than \$20,000,000) and
16 shall allot the remainder of the \$10,000,000" and inserting
17 in lieu thereof "for each fiscal year beginning after June 30,
18 1960, the Secretary shall allot \$12,500,000 as follows: He
19 shall allot to each State \$70,000 (even though the amount
20 appropriated for such year is less than \$25,000,000) and
21 shall allot the remainder of the \$12,500,000".

22 (C) The first sentence of section 512 (b) of such Act is
23 amended by striking out "for each fiscal year beginning after
24 June 30, 1958, the sum of \$10,000,000" and inserting in

1 lieu thereof "for each fiscal year beginning after June 30,
2 1960, the sum of \$12,500,000".

3 (3) (A) Section 521 of such Act is amended by striking
4 out "for each fiscal year, beginning with the fiscal year
5 ending June 30, 1959, the sum of \$17,000,000" and insert-
6 ing in lieu thereof "for each fiscal year, beginning with the
7 fiscal year ending June 30, 1961, the sum of \$20,000,000".

8 (B) Section 522 (a) of such Act is amended by
9 striking out "\$60,000" and inserting in lieu thereof
10 "\$70,000".

11 (b) (1) (A) The second sentence of section 502 (b) of
12 such Act is amended by inserting "from time to time" after
13 "shall be allotted", and by inserting before the period at the
14 end thereof the following: "; except that not more than 25
15 per centum of such sums shall be available for grants to
16 State health agencies (administering or supervising the
17 administration of a State plan approved under section 503),
18 and to public or other nonprofit institutions of higher learning
19 (situated in any State), for special projects of regional or
20 national significance which may contribute to the advance-
21 ment of maternal and child health".

22 (B) Section 504 (c) of such Act is amended by adding
23 at the end thereof the following new sentence: "Payments
24 of grants for special projects under section 502 (b) may be

1 made in advance or by way of reimbursement, and in such
2 installments, as the Secretary may determine; and shall
3 be made on such conditions as the Secretary finds necessary
4 to carry out the purposes of the grants.”

5 (2) (A) The second sentence of section 512(b) of
6 such Act is amended by inserting “from time to time”
7 after “shall be allotted”, and by inserting before the period
8 at the end thereof the following: “; except that not more
9 than 25 per centum of such sums shall be available for
10 grants to State agencies (administering or supervising the
11 administration of a State plan approved under section 513),
12 and to public or other nonprofit institutions of higher learn-
13 ing (situated in any State), for special projects of regional
14 or national significance which may contribute to the advance-
15 ment of services for crippled children”.

16 (B) Section 514(c) of such Act is amended by adding
17 at the end thereof the following new sentence: “Payments
18 of grants for special projects under section 512(b) may
19 be made in advance or by way of reimbursement, and in
20 such installments, as the Secretary may determine; and
21 shall be made on such conditions as the Secretary finds
22 necessary to carry out the purposes of the grants.”

1 (3) Part 3 of title V of such Act is amended by in-
2 serting at the end thereof the following new section:

3 “RESEARCH OR DEMONSTRATION PROJECTS

4 “SEC. 526. (a) There are hereby authorized to be ap-
5 propriated for each fiscal year such sums as the Congress
6 may determine for grants by the Secretary to public or
7 other nonprofit institutions of higher learning, and to pub-
8 lic or other nonprofit agencies and organizations engaged
9 in research or child welfare activities, for special research
10 or demonstration projects in the field of child welfare which
11 are of regional or national significance and for special proj-
12 ects for the demonstration of new methods or facilities
13 which show promise of substantial contribution to the ad-
14 vancement of child welfare.

15 “(b) Payments of grants for special projects under
16 this section may be made in advance or by way of reim-
17 bursement, and in such installments, as the Secretary may
18 determine; and shall be made on such conditions as the
19 Secretary finds necessary to carry out the purposes of the
20 grants.”

1 (c) The amendments made by this section shall be
2 effective only with respect to fiscal years beginning after
3 June 30, 1960.

4 **AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAIL-**
5 **ROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DIS-**
6 **ABILITY INSURANCE**

7 **SEC. 708.** Section 1 (q) of the Railroad Retirement Act
8 of 1937 is amended by striking out "1958" and inserting in
9 lieu thereof "1960".

10 **MEANING OF TERM "SECRETARY"**

11 **SEC. 709.** As used in this Act and the provisions of the
12 Social Security Act amended by this Act the term "Secre-
13 tary", unless the context otherwise requires, means the
14 Secretary of Health, Education, and Welfare.

Union Calendar No. 801

86TH CONGRESS
2D SESSION

H. R. 12580

[Report No. 1799]

A BILL

To extend and improve coverage under the Federal Old-Age, Survivors, and Disability Insurance System and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such Act; and for other purposes.

By Mr. MILLS

JUNE 9, 1960

Referred to the Committee on Ways and Means

JUNE 13, 1960

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

**SOCIAL SECURITY AMENDMENTS
OF 1960**

The SPEAKER. The Chair recognizes the gentleman from Indiana (Mr. MADDEN).

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules I call up House Resolution 562 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution, it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12580) to extend and improve coverage under the Federal old-age, survivors, and disability insurance system and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such Act; and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill, and shall continue not to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendment shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. MADDEN. Mr. Speaker, House Resolution 562 provides for consideration of H.R. 12580, a bill to amend the Social Security Act. The resolution provides for a closed rule, waiving points of order, with 4 hours of general debate.

H.R. 12580 will, among other improvements, make it possible for the States—under a Federal-State grant-in-aid program—to provide medical care for low-income aged who are otherwise self-sufficient but whom the States determine need help on medical expenses; remove the age-50 eligibility requirement in the disability insurance program; liberalize the eligibility requirements for old-age, survivors, and disability—OASDI—

benefits; extend coverage under the program to additional groups; make certain improvements in the social security benefit protection for children; make eligible for benefits certain additional widows; effectuate certain improvements in the administrative financing and solvency provisions of the unemployment compensation system as well as to extend its coverage; increase authorizations for maternal and child welfare programs; to make it possible for the States to improve medical care under their old-age assistance program; and so forth.

A new title of the Social Security Act is established which will initiate a new Federal-State grant-in-aid program to help the States assist low-income aged individuals who need help in meeting their medical expenses. Participation in the program will be at the option of each individual State and will only be effective after June 1961 upon the submittal of a plan which would meet the general requirements specified in the bill.

Persons 65 years of age, whose income and resources—taking into account their other living requirements as determined by a State—are insufficient to meet the cost of their medical services will be eligible. Persons eligible for payments under this program are not eligible under the other Federal-State public assistance programs.

The scope of benefits provided will be determined by the States. The Federal Government, however, will participate under the matching formula in any program which provides any or all of the services up to the limits specified.

The Federal Government will provide funds for payments for benefits under an approved State plan in accordance with an equalization formula under which the Federal share will be between 50 percent and 65 percent of the costs depending upon the per capita income of the State.

Contingent upon a showing of an improvement in their medical programs, States would get somewhat more favorable Federal matching, effective October 1960, for up to an additional \$5 in medical payments. Over 2 million persons could be affected by this change. The cost in a full year of operation will be about \$10 million to the Federal Government and about \$7 million to the States.

An estimated 250,000 people—disabled insured workers under age 50 and their dependents—would qualify for benefits for the second month following the month of enactment of the bill through removal of the age-50 qualification for benefits in present law.

The bill would liberalize social security work requirements so that, to be eligible for benefits, a person would need one quarter of coverage for every four calendar quarters between January 1, 1951, and the beginning of the calendar quarter in which he reached retirement or died, whichever first occurred.

It is estimated that this provision will make about 600,000 additional persons eligible for benefits beginning January 1961.

The bill would increase the benefits payable to children in certain cases and will provide benefits for certain widows

and children who are not now eligible for benefits. Other than as noted below, these changes would be effective for benefits for the month following the month of enactment.

Survivors of workers who died before 1940, and who had at least six quarters of coverage, would qualify for benefit payments. About 25,000 people, most of them widows aged 75 or over, would be made eligible for benefits for the first time.

Approximately 150,000 self-employed physicians would be covered on the same basis as other self-employed professional people, such as lawyers and dentists are now covered. This coverage would be effective for taxable years ending on or after December 31, 1960. Coverage would at the same time be extended to services performed by medical and dental interns.

The bill would make certain changes in the investment provisions to make the bond interest earnings of the funds more nearly equivalent to the rate of return being received by people who buy Government obligations in the open market.

These changes are generally in line with the recommendations of the Advisory Council to the Secretary of Health, Education, and Welfare on Social Security Financing.

The improvements which the bill would make in the old-age, survivors, and disability insurance system will not require any social security tax increases. This is because provision is made for modest additional receipts from interest payments on trust fund investments and since the other OASDI provisions of the bill result in either relatively negligible increases or decreases in cost. Also, it should be observed that no change is made in the taxable earnings base of \$4,800.

This bill, in my opinion, is wholly inadequate to effectively legislate proper care and protection for about 16 million of our pioneer citizens who are and will be unable to get sufficient medical, surgery, and hospital care. I opposed this bill in the Rules Committee as being a feeble effort to solve a major national health problem for our older people.

Mr. Speaker, I do not oppose a rule for debate on this bill but I do hope that the legislation can be expanded and changed when it reaches the other body for consideration and enactment. The Nation needs health, medical, and hospital relief for the aged now and I hope, before final enactment, this bill will be amended so we can get an adequate program started.

Mr. Speaker, I have no further requests for time and I now yield 30 minutes to the gentleman from Illinois [Mr. ALLEN].

Mr. ALLEN. Mr. Speaker, I know of no one who is opposing the rule. I have no requests for time on this side. I reserve the balance of my time.

Mr. MADDEN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

Mr. MILLS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12580) to extend and improve coverage under the Federal old-age, survivors, and disability insurance system and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such act; and for other purposes.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 12580, with Mr. ZABLOCKY in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. MILLS. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the social security bill, H.R. 12580, which is now before the Committee, represents the careful and considered judgment of the Committee on Ways and Means as to changes and additions that should be made at this time in the opinion of the committee to the Social Security Act.

Mr. Chairman, as Members of the House will readily agree, the soundness and effectiveness of the programs that we have under the Social Security Act are extremely important to every American family. Perhaps, and I think I can say without fear of successful contradiction, no other single piece of legislation concerned with domestic policy touches more people than the Social Security Act at the moment. Decisions with respect to changes and additions to that act, therefore, must not be made by the Congress lightly. The Committee on Ways and Means considers it has a very heavy responsibility and an obligation to Members of this House and to the American people to treat these various programs which are encompassed by the Social Security Act with the utmost care and thought with the overriding consideration always being the actuarial soundness of the system.

It was in this spirit that the Committee on Ways and Means went about its work in considering all the various proposals which had been suggested by Members of this body and others. The committee had before it over 500 bills covering all titles of the Social Security Act—public assistance provisions, OASDI provisions, unemployment compensation provisions, maternal and child welfare provisions, and so on.

Mr. Chairman, in many areas there was substantial agreement among Members of the committee as to what should be done with respect to proposals which had been made and changes which had been suggested. Likewise, Mr. Chairman, with respect to other areas there

were sharp differences of opinion as to how far the committee should go and precisely what action should be recommended at this time. This was particularly true with respect to the area of health care for the aged.

In just a moment I shall describe what the committee recommends with regard not only to this important area but also with respect to other areas of the Social Security Act. However, Mr. Chairman, with respect to both medical care for the aged and other titles, let me reiterate that there were those in the committee who felt that the committee had not gone far enough; there were others in the committee who perhaps felt that the committee should not have gone quite as far as it did. This is not unusual in the committee process. The bill which is before this body represents the best thought of a majority of the committee. It represents meritorious and beneficial legislation which, if this body acts favorably upon it, should prove to be of great benefit to millions of Americans.

The bill makes a number of improvements in the existing programs under the Social Security Act, including old-age and survivors insurance, disability insurance, unemployment compensation, public assistance, and maternal and child welfare. In addition, the bill includes a new title XVI to be added to the Social Security Act, which will initiate a new Federal-State grant-in-aid program of medical services to the low-income aged.

THE NEW TITLE XVI

Mr. Chairman, let me first briefly summarize for you the proposed new title XVI on medical care for the aged.

This title of the Social Security Act will, as the gentleman from Indiana [Mr. MADDEN] said, in presenting the rule, initiate a new Federal-State grant-in-aid program to help the States assist low-income aged individuals who need help in meeting their medical expenses. Participation in the program will be completely at the option of each individual State and will only be effective after June 1961, upon the submittal of a plan which would meet the general requirements specified in the bill, and which would be approved by the Secretary of HEW.

This arrangement follows the historic Federal-State approach which is embodied in the public assistance and other titles to the Social Security Act. It is purely voluntary with the States. It does not involve a "payroll" tax. The costs would be paid from general funds. Each State will determine the extent and character of its own program.

ELIGIBILITY

Persons 65 years of age, whose income and resources, taking into account their other living requirements as determined by a State, are insufficient to meet the cost of their medical services, will be eligible, that is, people 65 years of age and over who are determined by the State to be in need of assistance with respect to medical problems and medical care. Those people who are presently

receiving medical care or who are presently in title I, the old age assistance program, will not be eligible to benefit under this new title.

SCOPE OF BENEFITS

The scope of medical benefits and services provided will be determined by the States. We say, however, in this bill, the extent to which the Federal Government will go in participating with the States in the cost of certain aspects of these medical care programs and needs. Of course, the State can exceed these limits if it wants to pay the full costs beyond them.

For example, we say that we will only participate with the State in taking care of an individual otherwise eligible under this program to the extent of 120 days of in-patient hospital service. We say that we will help the States on costs only to the extent of \$200 in taking care of prescribed drugs that might be needed by one eligible under the program. We say that we will only go to the extent of \$200 in helping to take care of the cost of laboratory and X-ray services that might be needed under the program. In addition, the Federal Government will participate under the matching formula for skilled nursing home services, physicians services, outpatient hospital services, organized home care services, private duty nursing services, therapeutic services, and major dental treatment, as further specified in the bill.

The Federal Government will match with the States the costs of these programs as determined by the States on the basis of a formula that is presently applicable in titles I, X, and XIV of the Social Security Act to that amount of money that is spent under these programs between \$30 and \$65 a month. That formula is known as a variable grant formula depending upon the per capita income of the State. We may match on a 50-percent basis in some instances—\$50 out of \$100—and we may put up \$65 out of \$100 in some other instances—65 percent in States with the lowest per capita income.

The program under the new title cannot be more liberal in providing medical care than the medical care program already in effect, under title I, Old-Age Assistance. We also provide that the title I program cannot be reduced by a State in order to establish this new program. If we are going to have the new program, if the States are to set it up, they must do this in addition to what they are already doing in taking care of medical needs of people who are under the old-age assistance programs.

COST AND NUMBER OF PERSONS AFFECTED

There is a great deal of uncertainty. I might say very frankly, Mr. Chairman, as to the cost of such a program. There is a great deal of uncertainty as to the exact number of people that might participate or would be eligible under the program. It is entirely possible that the States may include as eligibles under this program, if all of them participate, some 10 million elderly people, 65 years of age or older. Out of those 10 million people, it is generally estimated by those who are in a better position to know than

I that from half a million to 1 million each year become sick or need some medical attention the entire cost of which they otherwise cannot meet themselves. It is that group of people that this new title is aimed to assist, provided, of course, that the States themselves desire to establish such a program. That is a weakness, I might frankly admit, Mr. Chairman, as contended by those who would have us do something other than this. Here we are making possible a program which will succeed only on the basis of the individual wishes of each and every State. But I remind you, Mr. Chairman, that we did the same thing with respect to four other titles of social security years ago. It has developed that to some varying extent practically all States in the Union and most of the territories and possessions have set up not just one but all of the programs which are involved in those four titles and four categories.

OLD-AGE ASSISTANCE MEDICAL PROGRAM

Mr. Chairman, there is another integral part in this bill in the area of medical care, and I refer to the action taken by the committee in proposing language that is calculated to induce the States to do more in some instances, where more is thought to be needed or required, with respect to the medical care program under title I, or the old-age assistance program.

Under the bill we are making possible the addition of money, perhaps \$10,500,000 of Federal money, to the title I program when it is demonstrated by the State that the State is making better provision for the medical care of these people 65 years of age and older under the OAA program.

Contingent upon a showing of an improvement in their medical programs, States would get somewhat more favorable Federal matching, effective October 1960, for up to an additional \$5 in medical payments. Over 2 million persons could be affected by this change. The cost in a full year of operation will be about \$10 million to the Federal Government and about \$7 million to the States.

As I have previously noted, the medical provisions of a State plan approved under title I must be at least as broad as those of the State plan approved under title XVI. States with no medical care plan in their old-age assistance program, accordingly, will need to develop such a plan before they can have a plan approved under title XVI. The incentive provisions contained in the bill are intended to encourage this development.

In addition to these provisions, Mr. Chairman, the bill instructs the Secretary of Health, Education, and Welfare to develop guides or recommended standards as to the level, content, and quality of medical care for the use and information of the States in evaluating and improving their public assistance medical care programs and their title XVI programs, and the Secretary is also required to secure periodic reports from the States on the items included in, and the quantity of, medical care for which expenditures are made under these programs. The first report under these provisions is to be submitted to the Congress not later than March 15, 1962.

There are a number of other provisions contained in the bill. I want to allude to some of them very briefly.

CHANGES IN THE DISABILITY INSURANCE PROGRAM

Mr. Chairman, this bill would make changes in the disability benefit provisions of title II of the Social Security Act.

One of these changes recommended will provide protection to a substantial number of additional individuals—an estimated 250,000—by extending the disability benefit provisions to disabled insured workers under age 50 and their dependents.

The disability benefit program has become one of the important areas of title II of the Social Security Act. This is the section that provides a disability benefit for the individual who becomes totally disabled and unable to engage in substantial gainful employment.

It will be recalled, Mr. Chairman, that at the request and suggestion of the Committee on Ways and Means in 1956 this program was initiated by the Congress. It was not a request from the administration but a decision reached with the Committee on Ways and Means, that here were a group of people who have lost opportunities for employment income to the same extent, perhaps, as those people who were at that time covered under social security, and lost income because of retirement from the work market. Here is that individual who is totally and permanently disabled. We said at that time, however, in connection with eligibility, that person had to be not only totally and permanently disabled in order to draw a benefit but he also had to be 50 years of age or older.

In 1958 we provided that this individual 50 years of age or older not only could draw a benefit but those of his dependents otherwise eligible under the law could draw a benefit, just as though he had retired under other provisions of the Social Security Act.

This year we are suggesting to the Congress that the 50-year age requirement be eliminated entirely. We also recommend that there be provided a more liberal basis for rehabilitation than we have in existing law; namely, that we not confine this trial work period of rehabilitation to those under a formal Federal-State rehabilitation program but extend the trial work period for all disabled workers who attempt to return to work.

Moreover, Mr. Chairman, the bill provides that the disabled worker who regains his ability to work and then within 5 years again becomes disabled will not be required to wait through a second 6-month waiting period before his benefits will be resumed, as is now required.

With regard to repeal of the age 50 provision, we feel, Mr. Chairman, that there is just as great a need on the part of the individual who may be 40 years of age who becomes disabled but is otherwise eligible as there is at the age of 50. We are cognizant of the fact, Mr. Chairman, that the younger the worker may be who becomes totally and permanently disabled the greater is the possibility that he has young children who are depend-

ent upon him and who cannot enter the labor market to replace wages he is losing as a result of total and permanent disability. As I indicated, there are about 250,000 people who will be immediately eligible under this provision of the bill for benefits who are not now eligible for those benefits.

CHANGES IN THE OASI PROGRAM—INSURED STATUS REQUIREMENT

Mr. Chairman, one of the important provisions in the bill has to do with the insured status requirement. As Members of the House will recall, generally present law requires, for an individual to become eligible for benefits, that the worker must have one quarter of coverage for each two quarters elapsing after 1950 and before retirement, disability or death. Under the bill, this requirement is liberalized so that individuals need have only one quarter of coverage for each four quarters so elapsing.

Let us take the case of the person who becomes 65 years of age during this year and, therefore, eligible to retire. It is necessary for him to have some 18 or 19 quarters of coverage under existing law. Mr. Chairman, we are recommending a change in that provision so that one can be eligible for benefits with one quarter out of every four quarters of employment being covered under social security. That will mean people 65 and over can establish eligibility this year with about nine quarters of coverage. It will be a very decided advantage to those people who are not quite able to establish their eligibility at the moment. It will be a benefit to those people who are about to reach retirement age. There are approximately, Mr. Chairman, 600,000 people who will have eligibility immediately under social security under this provision who would not otherwise qualify, and by January 1, 1966, there will be 1,400,000 people who will enjoy benefits who would not enjoy benefits under the provisions of existing law. The amendment would be of particular importance to the 600,000 people whose jobs would be covered for the first time under the Committee's recommendations, since it would enable them to become insured much sooner than they could under present law. It would also be important for people for whom coverage is possible under the law but who have not yet been brought under the program. Some 2½ million employees of State and local governments, and additional employees in several smaller groups, would be able to attain fully insured status under the program in a relatively short time if they now come under the program.

EXTENSION OF COVERAGE

The bill now before the Committee contains provisions to extend the coverage of the OASDI program to some approximately 300,000 additional people. These additional groups are as follows:

First. Self-employed doctors of medicine: As Members will recall, the OASDI program now covers members of all self-employed professional groups except doctors of medicine. During the past several years, the Committee on Ways and Means has received many requests from doctors for coverage. The

Committee was aware, in addition, that many State medical societies have gone on record in behalf of extension of coverage to doctors. At the same time, we recognized that there were other State societies—and I may say that my own State society in Arkansas is included in this latter group—which still oppose coverage. While I voted against coverage of self-employed doctors, the majority of the Committee felt that coverage should be extended to this additional professional group on the same basis that it has been extended to other professional groups, such as lawyers, dentists, and so forth. Approximately 150,000 self-employed doctors would be brought into the system effective for taxable years ending after December 31, 1960.

Second. Additional domestic workers in private homes and others who perform work not in the course of the employer's business: The committee bill liberalizes the existing provision relating to coverage of domestic workers. Under present law, the earnings of domestic workers in private households—other than those on farms operated for profit—are covered only when they amount to at least \$50 in a calendar quarter from one employer. The committee bill would cover such earnings if they amount to at least \$25 from one employer. At the same time, the bill would set a lower age limit so as to exclude from coverage on earnings of domestic workers who are under age 16. It is estimated that this provision of the bill would bring into the program about 100,000 additional domestic employees, and it also would improve the situation, by including additional earnings, of others in this category who are already covered. At the same time, the lower age limit of 16 would substantially eliminate casual or intermittent workers such as lawn cutters, and so forth.

Third. Provisions relating to coverage of employees of State and local governments: The bill recommends several changes designed to facilitate the coverage of State and local government employees as follows:

(a) Retroactive coverage: In order to assist workers in improving their protection, the committee has made it possible for these groups to obtain extended retroactive coverage beginning as early as January 1, 1956. The retroactive coverage provision extending this far back expired after the end of 1959 under existing law. Whether such coverage will be utilized, of course, remains completely at the option of the States. The committee bill also contains provisions designed to add flexibility in determining the beginning date for coverage for different political subdivisions by making it possible, when a retirement system is covered, for the State to provide different beginning dates for different political subdivisions.

(b) The bill contains additional provisions designed to facilitate coverage, or to solve problems which have arisen in a variety of State and local coverage situations. For example, the State of Virginia has been added to the list of States which may, if they so choose, extend coverage to policemen and firemen

covered by retirement systems; provisions relating to delegation of certain ministerial functions by the Governors, to solve administrative problems, are included; provisions to facilitate coverage of employees of municipal and county hospitals are included; and other State and local provisions are included.

Fourth. Miscellaneous additional coverage provisions: In addition to the above, the bill includes provisions to bring in workers in Guam and American Samoa; to facilitate coverage of additional employees of nonprofit organizations and to validate certain erroneous returns already filed; provisions to give ministers an additional 3 years in which to obtain coverage; provisions to cover services of parents in the employ of their sons or daughters in a trade or business; provisions to extend coverage to American citizens employed in the United States by foreign governments and international organizations; and other miscellaneous provisions.

IMPROVEMENTS IN THE BENEFIT PROTECTION FOR WIDOWS, CHILDREN, AND SO FORTH

Mr. Chairman, the Committee on Ways and Means believes there are several respects in which the protection available to the dependents and survivors of insured workers should be improved, and the bill before you would make the following improvements:

First. Increase in benefits to certain children of deceased workers—under present law the amount payable to a child of a deceased worker is equal to one-half of the benefit amount the worker would have been paid if he had lived, plus one-fourth of that benefit amount divided by the number of children. The committee bill would make the benefit for each child of a deceased worker equal to three-fourths of the amount the worker would have been paid had he lived subject to the maximum limits. About 400,000 children would get some benefit increase as a result of this.

Second. Benefits for survivors of workers who died before 1940; the committee bill recommends that benefits be paid to the survivors of workers who acquired six quarters of coverage and died before 1940. The vast majority of these are widows. About 25,000 of these would be covered.

Third. Miscellaneous benefit provisions: In addition to the above, the bill provides for benefits in certain situations where a marriage is legally invalid, although entered into in a bona fide manner; certain additional benefits for a child based on his father's earnings record even though the child is supported by a stepfather; and a reduction in the length of time needed from 3 to 1 year to acquire the status of wife, child, or husband for benefit purposes.

ADDITIONAL MISCELLANEOUS PROVISIONS DESIGNED TO MAKE IMPROVEMENTS IN COMPUTING BENEFITS, ADMINISTRATION, AND TO SIMPLIFY THE ACT

Mr. Chairman, the bill before us contains so many provisions which are designed, in one way or another, to improve the benefit structure or to facilitate payments or to facilitate administration of the act that it is not feasible,

within the time available to us, to discuss all of these provisions in detail. I should simply like to emphasize to this House that this bill does contain a large number of very valuable and beneficial provisions along these lines.

For example, there are provisions in this bill which are designed to improve the method of computing benefits. Under the present law, a person's average monthly wage on which his benefit is based is computed over a span of time that may vary with the time when he files an application for benefits or for a benefit recomputation. A person who does not understand the complicated provisions of the law or who does not know what his earnings will be in future years may find that he has not applied for benefits at a time most advantageous to him. The committee bill would substitute for the present complicated provisions on computation a provision for computing the average monthly wage, in retirement cases, on the basis of a constant number of years, regardless of when the person started to work or when after age 65 he files application for benefits. I will not go further into this provision but simply say that it should prove beneficial in many, many thousands of cases.

We have included in this bill now before you provisions to change the present law governing payment of the lump-sum death benefit; we have included provisions to eliminate a large number of obsolete recomputations; we have included provisions which should be of assistance to claimants where they have filed cases in court; and we have included a large number of other meritorious provisions.

MATERNAL AND CHILD HEALTH PROVISIONS

Mr. Chairman, I shall return shortly to a discussion of the financial status of the OASI and DI Trust Funds, but before doing so I wish at this point to briefly summarize additional changes made in other titles of the Social Security Act.

First, I refer to changes made in title V. The bill now before you would increase the amounts authorized to be appropriated for maternal and child health services, crippled children's services, and child welfare services under title V, as follows:

	Current authorization	Recommended authorization
Maternal and child health services.....	\$21,800,000	\$25,000,000
Crippled children's services.....	20,000,000	25,000,000
Child welfare services.....	17,000,000	20,000,000

A provision is also included to facilitate research projects by providing that grants may be made to public or other nonprofit institutions of higher learning for special projects of regional or national significance and for research and demonstration projects in the field of child welfare.

UNEMPLOYMENT COMPENSATION PROVISIONS

Mr. Chairman, the bill now before us contains extensive provisions making improvements in the titles of the Social

Security Act relating to the unemployment compensation program. These provisions may be very briefly summarized as follows:

Title V(1) raises the net Federal unemployment tax—the tax that may not be offset by a credit for taxes paid under a State program—from three-tenths to four-tenths of 1 percent on the first \$3,000 of covered wages; second, provides that the proceeds of this higher Federal tax covering the administrative expenses of the employment security program will be available to build up a larger fund for advances to States whose reserves have been depleted; third, makes additional improvements in the arrangements for administrative financing; and fourth, improves the operation of the Federal unemployment account by tightening the conditions pertaining to eligibility for and repayment of advances.

Title V also extends the coverage of the unemployment compensation programs to several groups not presently covered. It is estimated that from 60,000 to 70,000 additional employees would be brought under the unemployment compensation system by this extension.

Title V, in addition, provides that Puerto Rico will be treated as a State for the purposes of the unemployment compensation program.

TRIBUTE TO AIME FORAND

Mr. Chairman, before going further with the final thought I had to express to the committee, I want to take this moment to call attention to the fact that one of those who has made a major contribution over the years in the Committee on Ways and Means looking to the improvements in the social security program, one who has always had in mind a desire to bring about such changes that would be a benefit to people, one who has always been one of the strong advocates of the actuarial soundness of this program, and of the necessity of maintaining it, some time ago announced that this would be his last session in the Congress. He is retiring—far too young, I think, to make such a decision—but he has decided that he will not be a candidate for reelection. I want my friend, the gentleman from Rhode Island, to know I will miss him far more in the future in the deliberations of the Committee on Ways and Means than he can possibly imagine. I know of no friendship that has been more beneficial to me, than that which I have enjoyed with the gentleman from Rhode Island. He now sits next to me on the Committee on Ways and Means where we have served together for a number of years. His suggestions and recommendation have always been most helpful. One of the really great disappointments that I have experienced since I have been a Member of the Congress was his decision to retire at this time from the Congress.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Louisiana.

Mr. BOGGS. I want to reiterate what my distinguished chairman has said with reference to our friend and colleague, Mr. FORAND of Rhode Island. In my judgment, his leaving the House is a

great loss not only to the State of Rhode Island but to our country.

Mr. MILLS. It is, indeed, a great loss to Rhode Island, but an even greater loss to the country.

Mr. MASON. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Illinois.

Mr. MASON. I want to add my tribute and also my regret that our colleague has decided not to remain in the Congress. He served as chairman of a subcommittee that I have served upon. Personally, we disagreed on some things, but we got along wonderfully well. I, too, am deeply—well, shall I say sorry—and I regret that AIME FORAND is not going to be with us next year in our deliberations on the committee.

Mr. CANFIELD. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I shall be glad to yield to the gentleman from New Jersey.

Mr. CANFIELD. Mr. Chairman, I want to associate myself with the remarks that have been made here on the floor today in a hearty salute to AIME FORAND. Yesteryear he was a great secretary to a great Congressman, and he has had a tremendous amount of on-the-job training. He has proven himself a great American legislator and most certainly a loyal friend. We shall miss him immeasurably.

STATUS OF OASI AND DI TRUST FUNDS

Mr. MILLS. Mr. Chairman, I alluded earlier in my expression of thoughts to the need, in my opinion, of keeping the social security program actuarially sound. Whatever we do we must ever keep firm in our minds the requirement that there must be revenue in the fund in time and over a period of years to pay for those benefits that we think our people are entitled to receive.

Mr. Chairman, I do not know whether all my colleagues realize it or not, but at the present time we are spending around \$11 billion a year to pay benefits under the social security system. I wonder, however, if Members realize that if we should stop collecting taxes and thus stop receipts of the funds as of now, and if we should discontinue making any more people eligible for benefits and pay only those benefits which we feel ourselves committed to pay to those who are presently in retirement or drawing benefits, that we would lack around \$65 billion of having enough money in the fund to take care of those needs. This will not occur but if it did this would be the result.

Mr. Chairman, we are not discussing small matters when we discuss amendment of the Social Security Act; we are discussing terrifically large matters because of their application to so many people, and because of the great number of important policies that are involved in carrying on this program. It is therefore essential, and those who are most interested in social security have always pointed out, that it is most important, absolutely essential, that we keep this system as actuarially sound as possible.

Mr. Chairman, we do not do certain things in connection with this bill that many want done because of the unwill-

ingness of the committee, as I take it, to impose upon those presently working, to impose upon those presently employed, additional taxes over and above the taxes which they are already going to have to pay by 1969. At that time, Mr. Chairman, the tax on a self-employed person under this program, as it stands today, will be 6¼ percent; the tax on an employed person will be 4½ percent, and the tax on the employer will be 4½ percent—a total of 9 percent.

Mr. Chairman, I do not know what the point is at which people will begin to have great resistance to increases in social security taxes, but I think when this scheduled tax is finally fully effective in 1969 we are going to find that there is unwillingness on the part of a great number of people to see this tax go higher. We may be wrong, but until this full tax does actually go into effect in my opinion we should not bring about, as a part of social security, very great increases in the scheduled rates of tax. It is all right for us to say we can enjoy this benefit today because we will raise the tax in 1972, but we must also take into consideration what the reaction to that tax is going to be in 1972. What I am trying to say is that we must not carry this program beyond the point of willingness of the American people to support it. That has happened with respect to some of our retirement systems that are now not sound. There are those on the floor who are quite well aware of that.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. BYRNES of Wisconsin. It is not only the rate of tax with which we should be concerned but we should also recognize that this is a gross income tax, that we do not have the deductions and exemptions that are available to relieve undue hardships that exist in the income tax.

Mr. MILLS. The gentleman is correct.

Mr. BASS of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Tennessee.

Mr. BASS of Tennessee. Mr. Chairman, I notice on page 13 of the report under paragraph 3 that there is recommended a change in the waiting period for benefits to those whose difficulties recur. I would like to ask the gentleman if anything was done about eliminating this waiting period in the initial case?

Mr. MILLS. No; we did not make that change.

Mr. BASS of Tennessee. I would like to say to the gentlemen of the Committee on Ways and Means and to Members of the Committee of the Whole that this is a provision of the social security law that I think should be given serious consideration.

Mr. MILLS. Perhaps so, but I hope my friend will admit with me, one of the ways you distinguish between a permanent disability and a temporary disability is the duration of the disability.

Mr. BASS of Tennessee. May I say to the gentleman I am not recommending

the elimination of the 6-month waiting period in order to establish disability. What I am recommending is that after the fact of disability has been established the payment then should start at the initial date of disability.

Mr. MILLS. I remind the gentleman there are more tests with respect to eligibility for disability benefits than merely the doctor saying this person is totally disabled. One of the additional tests is the inability to rehabilitate, to engage in substantially gainful activity. Another test is that he be disabled, following the other two determinations, for a period of 6 months before his benefit can begin.

Mr. BASS of Tennessee. Once that disability has been established, the first 6 months of the disability are the most costly and burdensome on the insured. I am of the opinion it should be retroactive to the date of actual disability.

Mr. MILLS. There might be some such action taken in the future; I cannot of course give assurance at this time.

Mr. FINO. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from New York.

Mr. FINO. Do I understand that the committee amendment recommends in this bill elimination of the so-called work clause?

Mr. MILLS. No. The reason we did not change that, I will say to the gentleman from New York, is that it would require an immediate increase in the payroll tax of 1 percent. The dollar cost of the elimination of the "work clause" is \$3 billion.

Mr. FINO. And the elimination of the \$1,200 work amount?

Mr. MILLS. Yes. At this point, if the gentleman will bear with me, I am constrained to make the following comments. Many of the changes which have been suggested in some of the bills before the committee and which have been pressed upon us from various other sources would have deeply and adversely affected the actuarial soundness of the trust funds unless substantial, and in some cases very substantial, increases in social security taxes were made to accompany the change. The committee has felt that changes which require increases in the social security tax rate should be approached with the utmost caution and constraint. We do not want this system to get out of hand and we do not want the system to become actuarially unsound. Let me give you a few examples of the cost of some of the changes which have been suggested.

First. There are those who urge across-the-board increases in benefits. Even a modest increase of 5 percent, with a \$2.50 minimum, would cost about one-half of 1 percent of payroll and require that much increase in taxes; a benefit increase of 10 percent would cost nearly a full percentage point of payroll and therefore would require a one-half of 1 percent increase each on employer and employee. There are others who would urge even a larger benefit increase, perhaps as much as 25 percent. Members of this House should realize that such an increase would cost nearly 2½ percent of payroll and thus would

require a drastic increase in social security taxes.

Second. There are those who have urged an increase in the exempt amount in the retirement test or an elimination of the retirement test. I doubt seriously if all Members of the House realize that to eliminate this retirement test would cost a full percentage point of payroll, as I indicated a moment ago, and therefore would require a substantial increase in taxes. Under this, the benefits would go to those who are past retirement age and who are still working and a heavy increased burden would be placed upon the younger workers to pay for this. Even to increase the \$1,200 amount substantially would require an increase in social security taxes.

Third. Proposals have been made to reduce the retirement age. Some examples of costs of this are as follows: Full benefits at age 62 for all women—0.33 percent of payroll; full benefits at 62 for men and women—0.76 percent of payroll; full benefits at 60 for all women—0.84 percent.

Mr. Chairman, we cannot have it both ways; if we are to act responsibly and are to keep this system on a sound basis so that it may effectively serve its basic purposes, we must face our responsibilities and enact tax increases when we make substantial changes in the system.

Mr. Chairman, I will include at this point more detailed figures on changes in the OASDI program:

Estimated level-premium costs as percentage of payroll, according to intermediate-cost estimate, for various changes in OASDI system

CHANGE AND COST	Percent
Uniform benefit increase:	
5 percent (\$2.50 minimum).....	0.47
10 percent (\$5 minimum).....	.93
15 percent (\$7.50 minimum).....	1.40
20 percent (\$10 minimum).....	1.86
25 percent (\$12.50 minimum).....	2.33
Increase of minimum primary benefit:	
From \$33 to \$40.....	.08
From \$33 to \$45.....	.17
From \$33 to \$50.....	.23
Increase in exempt amount in retirement test:	
From \$1,200 to \$1,500.....	.11
From \$1,200 to \$1,800.....	.24
From \$1,200 to \$2,400.....	.49
Elimination of retirement test.....	1.00
Reduction in minimum retirement ages:	
Full benefits at 62 for all women....	.33
Full benefits at 62 for men and women.....	.76
Full benefits at 60 for all women....	.84
Increase in maximum earnings base:	
From \$4,800 to \$5,400.....	.24
From \$4,800 to \$6,000.....	.38
¹ Reduction in cost.	

(Prepared by Robert J. Myers, Chief Actuary, Social Security Administration, Department of Health, Education, and Welfare, June 20, 1960.)

This was one of the most important considerations in the minds of members of the committee, I am confident, when we approached consideration of the various proposals to include a health care program under the OASI system. As I have indicated, the majority of the committee felt that we should not include such benefits under this program, with the accompanying tax increase which would have been required,

Mr. Chairman, the bill now before us is a sound proposal; it is a meritorious proposal; and it is a beneficial proposal. It makes considerable improvements in practically all phases of the Social Security Act.

I hope we dispose of it today, and send it on to the other body so that it can give further consideration to the matter.

I trust the bill may enjoy your support, and I commend it to you.

Mr. MASON. Mr. Chairman, I yield myself such time as I may use.

Mr. Chairman, I am opposed to this bill, H.R. 12580. I am particularly opposed to the medical care section which is called title 16.

In my opinion, the whole program is unsound and for that reason I opposed the bill in the committee. You have listened to a clear and sound explanation of the principal items of this bill which involve 180 pages by the Chairman of the Committee on Ways and Means. He has given you a clear, sound explanation of the principal provisions of the bill. But there are many things in this bill that I do not understand, and many things in the bill that I believe are not sound. For that reason, when the time comes I shall offer a motion to recommit the bill. I am serving that notice now.

Mr. Chairman, I am opposed to the bill, H.R. 12580, which is known as the social security amendments of 1960.

I recognize that this legislation makes meritorious improvements in our social security structure. However, these improvements are to an underlying system which in my judgment is unsound actuarially and inequitable in the discriminatory and arbitrary way it makes benefits available.

The unsoundness of the program is briefly alluded to in the separate views filed by my colleague the gentleman from California [Mr. URR] and the gentleman from Texas [Mr. ALGER] and myself, set forth on page 334 of the committee report. In these separate views we point out how, based on a maximum contribution of approximately \$2,000, a benefit claim in excess of \$30,000 results. We point out how a person who has paid as little as \$36 into the Trust Fund may have a benefit claim in excess of \$8,000.

Someone is going to have to pay taxes to make up these deficiencies between the tax contributions and benefit payments. It is no secret where this money will come from. It will inevitably come in large measure from the young people in their twenties and thirties who are relatively new additions to America's working force; it will come from the pay-roll taxes imposed on generations not yet born.

In our separate views we cite the fact that the existing unfunded obligations of the OASDI System are approximately \$300 billion. We have a trust fund of \$21 billion, and yet the present value of future benefit obligations owed to existing beneficiaries is \$85 billion; notice that this \$85 billion figure is attributable to the present beneficiaries and assumes the entrance of no new beneficiaries as they reach retirement age or achieve survivorship status. Assuming that we were to use the trust fund only

to pay off the future benefit obligations owed to current beneficiaries, it would still be necessary for the present working population to pay additional pay-roll taxes in the neighborhood of \$60 billion just to defray the benefit obligations owed to current beneficiaries and this payment of \$60 billion would not be qualifying the payors for protection under the system.

Mr. Chairman, that is the essence of the unsoundness of the system. These are the facts that make it urgently necessary that the Congress immediately address itself to the undertaking of putting the OASDI program on a sound basis that justifies the expectations of our people that the Social Security System does in fact provide a semblance of real security and not just political security.

The discrimination and arbitrary features of the program arise from the fact that some of our citizens with only token payments into the trust fund qualify for benefit claims whereas others who have paid more into the trust fund are denied benefit eligibility. Some of our present beneficiaries achieved eligibility status by paying as little as \$6 into the trust fund whereas others who have contributed considerably more are told they cannot receive benefits. I submit that the inflation of the last 30 years has struck all our citizens regardless of whether or not they worked or are working in an occupation covered by social security. This inflation has deprived the savings of all our citizens of purchasing power regardless of whether or not the savers were covered by social security. We have established in the social security program a sham and fiction which prescribe fallacious criteria to determine whether or not a person is to be privileged to receive social security benefits.

Mr. Chairman, these are the major shortcomings of the presently conceived OASDI program. It is actuarially unsound. It is discriminatory in providing benefits to our aged citizens. A program that is improperly conceived cannot be made stronger and cannot be made more adequate by more of the same. It is because I am opposed to the lack of actuarial soundness and because I reject the philosophy that some of our citizens are second class Americans who can be denied Social Security benefits while they are given to others, and I am opposed to this bill. I favor an adequately financed program that is soundly conceived and fairly available to our citizens.

My criticism of the OASDI program is not to say that there is no merit in some of the provisions of the bill that is before us today. Merit is found, for example, in the provision that would remove the age 50 eligibility requirement for disability benefits. It cannot be doubted the young man of 30 who becomes totally disabled needs the protection of the social security system at least as much as a man who has passed his 50th birthday when misfortune strikes him in the form of total disability. Therefore, the provision of the bill that removes this age 50 requirement is a desirable change. The bill also would

extend benefit eligibility to survivors of workers who died prior to 1940; the bill would increase children's benefits—both of these are desirable changes in the law.

The unemployment compensation program of the Social Security Act would be strengthened by improving the administrative and financing features of this important protection against unavoidable periods of unemployment.

Mr. Chairman, H.R. 12580 would establish a new title 16 in the Social Security Act. The purpose of this title 16 is to institute statutory authority for the Federal Government to join with the States in the creation of a new program on a Federal-State matching basis to provide medical care for our aged citizens who may need governmental assistance in meeting their medical expenses. My beloved colleague and distinguished chairman, the gentleman from Arkansas [Mr. MILLS], has ably described the features of this new program. I will not take the time of the membership of the House to reiterate the details of the program. Instead, I would comment in this way—during the 3 months that the Committee on Ways and Means has devoted to the consideration of social security legislation in executive session we considered a wide range of legislative proposals dealing with the problem of providing medical care within the framework of the Social Security Act. The program that is contained in the committee bill is superior, in my judgment, to any of the other proposals presented to the committee. The program proposed in the bill would provide a broad scope of benefits so that the physician could prescribe the most efficient and economical medical treatment for his patient without being arbitrarily restricted to prescribing hospitalization, surgery, or nursing home care. This broad scope of benefits will enable our great medical profession to concentrate its endeavors to the prevention of serious illness rather than the cure of such illness once it has set in. The medical program contained in the bill will interfere less with existing methods and means of health care within the framework of free enterprise procedures than is true of any of the other proposals before our committee.

Another superior feature of the medical care proposal in the bill is found in the fact that the program will be State and locally administered and would as a result lessen the danger of further Federal bureaucratic encroachment. Mr. Chairman, I happen to believe in States' rights in fact as well as in words. I am convinced that our local community governing bodies and our State governments can more effectively meet the needs and desires of our citizens than can the Federal Government in regard to social legislation. For these reasons, briefly stated, I assert with sincerity and conviction that the medical care program contained in H.R. 12580 is better than the other proposals offered to the committee on the subject of medical care.

In somewhat commending this medical care program to my colleagues I must

in candor state that I did not in committee advocate its inclusion in this bill. My reasons for withholding approval are set forth in the separate views beginning on page 332 of the committee report. I will not restate those views at this time except to say that more adequate and more sufficient information should have been developed to determine the character and extent of need for a Government program before we undertook to recommend to the House the adoption of such a program. It is only in this way that a proper legislative remedy can be developed. We do not have that information before us at this time. As a consequence I fear that the decision to be reached will be a political decision rather than a decision as to what is best for the American people. A social program once undertaken tends never to be reversed. This program will cost in the neighborhood of \$350 million annually of Federal and State revenues, but we must remember that when we talk about spending, we are not spending the dollars of Federal and States Governments. Instead, we are spending the dollars of our taxpayers. Government can give nothing to the people that it has not first taken from them, and we have in this legislative body a responsibility to spend only that which is well spent for a program that is urgently needed.

Mr. Chairman, in expressing these thoughts I realize that I expose myself to the charge by the demagogues that I am unmindful of the needs of our senior citizens. The truth of the matter is that I am genuinely interested in the problems of our aged, just as I am genuinely interested in the opportunities of our youth and in the needs and requirements of all our citizens. It is my view that the American people look to us for leadership in providing soundly conceived legislative programs dealing with the national issues confronting our polity. We can responsibly discharge this obligation to the American people only by courageous recognition of the facts and by a motivation that is not solely politically inspired. In this period of trial and challenge, we must disdain the expedient and cherish the principles that are basic to responsible government. I submit, Mr. Speaker, that if we ignore the need to strengthen our social security system we will not be fulfilling that obligation.

Mr. Chairman, I yield 15 minutes to the gentleman from Missouri [Mr. CURTIS].

Mr. CURTIS of Missouri. Mr. Chairman, before I begin discussing the bill I want to pay my personal respects and tribute to the gentleman from Rhode Island [Mr. FORAND]. He is a real student. He is a pleasant person to deal with. He and I have had many disagreements, but it has always been, I thought, on a high plane. I think the Congress will continue to need men like ARNOLD FORAND, and I am very sorry to learn that he will not be with us, because he has been a real contributor in the cause of good legislation.

Mr. Chairman, I was disappointed in the committee report, because I do not believe that it has presented the work that the Committee on Ways and Means has done in this area in the full context

that it should have been presented. And, one reason we have this out of balance is because so much emphasis, political emphasis, outside the Congress has been devoted to one aspect of the bill that is before us today on social security amendments of 1960.

One has to read the report quite carefully to understand that there was a subcommittee and is a subcommittee on social security of the Committee on Ways and Means, and that this subcommittee did quite extensive work last fall and presented a report to the full committee on March 9, 1960, which was a unanimous report based on the studies, and everything in this bill, with some exceptions, of course—some new things were developed, but essentially this bill, except for this very disputable item in regard to health care, were the recommendations, the unanimous recommendations, of the subcommittee on which I have the honor of being the ranking minority member. The tragedy is, in my judgment, the legislative situation is such that we are endangering a very fine piece of work on the part of the Committee on Ways and Means and its subcommittee by including in it this controversial—and an honest controversy—this controversial subject in regard to health care. But, I think the House should know that everything except the subject of health care has received the kind of study that I feel it should receive before we report a matter to the House for your consideration.

Mr. Chairman, I must take particular exception to the committee report on page 6 under III, "General Discussion of Medical Care Provisions." The statement is this:

Your committee has given careful consideration to the subject of medical care for the aged. This has included not only public hearings on certain health care proposals which have been advanced, but also study and consideration in executive session of a great deal of information which has been brought to the attention of the committee.

I do not believe that it is a fair or accurate statement to say that this committee gave careful consideration to the subject of medical care for the aged. Indeed, our subcommittee was specifically—I would not say instructed, but it was the understanding, at any rate, that our subcommittee would not go into this subject of health care for the aged.

And the reason was a very clear one. This House passed—and I want to remind the House that it did pass almost unanimously—the Fogarty resolution which created the White House Conference on the Problems of the Aged. I want to refer if I may, for the sake of the Record and anyone interested in the Fogarty bill, H.R. 9822, to the debate that was held on July 29, 1958, and which will be found in the CONGRESSIONAL RECORD, volume 104, part 12, pages 15476-15481; and particularly to the statements of the gentleman from Rhode Island [Mr. FOGARTY], as to why this subject needed study and why we had to bring before us—I should not say "us"; not necessarily the Congress, because in this instance it was the executive department—but before the Federal

Government the information that we needed. Mr. FOGARTY said:

It is my thought that these recommendations from all of the States should be brought together in a national conference on aging and molded into a total program for the guidance of the Federal Government, State governments, local communities, and the hundreds of national and local voluntary associations and agencies which are involved in this matter of aging.

Then Mr. FOGARTY went on to make this very significant point, and a point that needs to be thought about and in my judgment has not been thought about properly. Do we have a health program in our society today? And, of course, the answer is yes. We have the greatest health program that any society has ever had in history, and the results show it. Mr. FOGARTY said:

I do not wish to suggest, Mr. Speaker, that we have ignored the needs of our older citizens. We have created a system of social security and have extended its benefits to cover nearly 10 million of those who are now retired and to apply to 90 percent of those who are currently employed. We have provided steadily increasing sums for research on aging and on the chronic diseases which afflict the majority of our older citizens. We are supporting programs for the discovery and control of cancer, heart disease, tuberculosis, diabetes, and other diseases common to this age group. We are assisting the States and communities in building hospitals, health centers, and geriatric treatment and rehabilitation facilities. We have provided funds to enable the States to purchase medical care for those who are receiving public assistance. We are helping to provide special counseling for older workers in public employment offices and we have recently increased the amount of assistance to organizations and communities which are providing special housing for the elderly.

In just the last session of Congress in August, we took another big, affirmative step forward in implementing this program by extending the FHA-type of guarantee to private nursing homes, which is one of the great needs in this area. So the question is not, as so many people outside of the well of the House have been putting it, whether we are going to do nothing, or cast out the aged; indeed that is not the question. The question is, How can we improve what we are doing, how can we make it better? And indeed, Where can we move in and do things that we are not now doing?

But this approach through ignorance, this approach through lack of study, I suggest to you, and I think you will all agree, is the very thing that can damage what we have today.

I wish the debates on the Fogarty resolution that became law were read; and when we get back into the House, Mr. Chairman, I am going to ask permission to put in at this point of my remarks, a fact sheet prepared by the Department of Health, Education, and Welfare on the law, on the act of Congress that created the White House Conference on Aging, and reports the progress that has been made to date. Also, a special report of the White House Conference on Aging dated March 24, 1960, which gives further information on this subject.

FACT SHEET—WHITE HOUSE CONFERENCE ON AGING
THE LAW

By act of Congress, the first White House Conference on Aging was authorized, and President Eisenhower signed the measure into public law September 2, 1958. The act specifies that the Conference will be held in Washington, D.C., in January 1961.

DIRECTION

Under the direction of Health, Education, and Welfare Secretary Arthur S. Flemming, the HEW Special Staff on Aging is laying the foundation for the Conference in cooperation with the Federal Council on Aging, which is composed of Cabinet-level representatives of interested Federal departments and agencies, and local and State government agencies and private groups and organizations interested in the field of aging.

Secretary Flemming has announced the appointment of an Advisory Committee to the White House Conference on Aging. This Committee, which is representative of a wide variety of interested groups concerned with aging, will have overall direction of the planning, preparations and conduct of the White House Conference.

Former Congressman Robert W. Keen, of New Jersey, has accepted chairmanship of the National Advisory Committee.

The Advisory Committee has recommended that the White House Conference on Aging be held January 9 through 13 at Washington, D.C. The Committee also recommended that the number of delegates to the Conference be fixed at 2,800, with 2 out of every 3 delegates selected being nonprofessionals in the field of aging to insure that the Conference will be a true national citizen's forum.

PLANNING

Congress has authorized and appropriated funds to provide grants from \$5,000 to \$15,000 to the States to help them finance the collection of facts about aging, conduct State and local conferences and develop recommendations and reports for discussion at the 1961 Conference. States will qualify for grants on submission of a plan for participation in the 1961 Conference.

The White House Conference will be preceded by a series of forums, meetings and conferences at local, State, and territorial levels. These State and local activities are expected to stimulate interest and considerable action and program development prior to the 1961 Conference in Washington, D.C.

RECOMMENDATIONS

The White House Conference on Aging will make recommendations for a course of positive action in dealing with the problem of aging. The congressional act requires the submission of a final report containing recommended action to the President no later than 90 days following the conclusion of the Conference.

OBJECTIVES

In authorizing the White House Conference on Aging, Congress declared "that the Federal Government shall work jointly with the States and their citizens to develop recommendations and plans for action which will serve the purposes of:

- "1. Assuring middle-aged and older persons equal opportunity with others to engage in gainful employment which they are capable of performing, thereby gaining for our economy the benefits of their skills, experience and productive capacities; and
- "2. Enabling retired persons to enjoy income sufficient for health and for participation in family and community life as self-respecting citizens; and
- "3. Providing housing suited to the needs of older persons and at prices they can afford to pay; and
- "4. Assisting middle-aged and older persons to make preparation, develop skills and

interests, and find social contacts which will make the gift of added years of life a period of reward and satisfaction and avoid unnecessary social costs of premature deterioration and disability; and

"5. Stepping up research designed to relieve old age of its burden of sickness, mental breakdown and social ostracism."

NUMBERS INVOLVED

Between 1900 and 1950, the number of those aged 45 to 64 in the United States roughly tripled to 31 million and those aged 65 and over quadrupled to 12 million. Present estimates are that today there are 15 million Americans 65 years and older and that by 1975 this figure will climb to more than 20 million. Those aged 45 and older will be affected directly by the White House Conference since their employment, health, housing, and retirement problems will be given consideration. Also, the findings and recommendations of the Conference will have an impact on younger Americans since they inevitably share in the responsibility, directly or indirectly, of supporting the programs designed to add purpose and usefulness to the lives of senior citizens. They, too, eventually will grow older and benefit from programs recommended as the result of the White House Conference.

PREPARATION

A National Leadership Training Institute for the White House Conference on Aging, sponsored by the Special Staff on Aging of the Department of Health, Education, and Welfare, to help States, communities and national organizations in their planning for and in advance of the 1961 Conference, was held in June at the University of Michigan at Ann Arbor, Mich. At this institute, a guide for State surveys on aging and a preliminary handbook of national organizations were presented for use in the plans and preparations at community and State levels for the White House Conference on Aging.

(NOTE.—As plans for the White House Conference develop and progress, additional information will be made available by the White House Conference staff and the Special Staff on Aging of the Department of Health, Education, and Welfare. William C. Fitch is director of both staffs, room 4361, HEW Building, Washington, D.C.)

WHITE HOUSE CONFERENCE ON AGING, JANUARY 9-12, 1961—"AGING WITH A FUTURE—EVERY CITIZEN'S CONCERN"

STATE ACTIVITIES

Fifty-three States and territories are now actively participating in White House Conference on Aging preparations. Fifty-two have received Federal grants for Conference work.

Indiana has developed a statewide program for aging without requesting Federal funds. Guam has decided not to participate.

Governors have shown a great deal of personal interest, and all have appointed councils, committees, or commissions on aging. One official Governor's designee in each State is responsible for White House Conference on Aging action.

Many local and statewide surveys and fact-finding projects are underway. Forty-four States have already held local forums. Periodic newsletters on aging have been developed and are being published in the States.

Fifty States and territories have scheduled dates for State conferences on aging. Most will be held during the summer.

State factfinding reports on aging (for submission to the White House Conference on Aging) are due in Washington June 30; State recommendations, following State conferences, are due October 5.

NATIONAL ADVISORY COMMITTEE

One hundred and fifty men and women from all of the United States have been ap-

pointed to a bipartisan advisory group, under Chairman Robert W. Keen. They met June 9-10, 1959, in Washington; next scheduled meeting is May 12-13.

National Advisory Committee is organized into 20 planning committees responsible for 20 different conference subject matter areas (see attached list).

Planning committee chairmen met July 30 in Washington; next scheduled meeting is April 13.

Technical directors, assigned to each planning committee, provide professional staff service.

Ninety consultants, selected from outstanding experts are providing special professional assistance to planning committees.

Each planning committee has prepared a background paper on its particular subject to provide helpful information for the State conferences. (Two papers have been combined, reducing total to 19.)

Summaries and outlines of background papers have been distributed through regional representatives for aging in the nine regional offices of the Department of Health, Education, and Welfare to all Governor's designees.

Individual National Advisory Committee members are actively participating in program planning.

NATIONAL VOLUNTARY ORGANIZATIONS

A "Handbook of National Organizations" has been compiled and published listing all national organizations having identification with this area of interest.

These organizations have been queried about Conference participation and their wish for delegate representation.

Monthly newsletter Aging has been made available to participating organizations. They have been asked to contribute news material for Aging's nationwide readers.

Several have held national or regional conferences devoted exclusively to aging. Through their local affiliates many are taking active part in State and community fact-finding projects.

Representatives of major national organizations serve as members of the National Advisory Committee.

Some have held special White House Conference on Aging forums with congressional and Department of Health, Education, and Welfare speakers. Many are using house organs and other media to outline to their membership White House Conference on Aging plans and preparations.

FEDERAL COUNCIL ON AGING

President Eisenhower, in establishing this interagency group at Cabinet level on March 7, 1959, directed members to "cooperate and assist the Secretary of Health, Education, and Welfare, as may be appropriate, in planning and coordinating the White House Conference on Aging."

Members are the Secretaries of Agriculture, Commerce, Labor, Treasury, and Administrators of the Housing and Home Finance Agency and of Veterans Affairs. Secretary of Health, Education, and Welfare, Arthur S. Flemming, is chairman.

Council has prepared and published a special report to the President, "Programs—Resources for Older People," reviewing and analyzing all Federal activities in the field of aging.

Liaison officials in 12 departments and agencies have been designated to work with the Special Staff on Aging.

Regional and field representatives of council members have been helping actively in State and local planning. They are available as resource people for further program planning.

DELEGATES AND CONFERENCE PROGRAM ARRANGEMENTS

Total is 2,800 delegates, of which 1,740 have been apportioned to States and territories.

Governors will name State delegates. State quota is determined according to number of congressional districts.

National organizations with well established programs in the field of aging will be represented by 650 delegates.

Additional 400 delegates will include National Advisory Committee consultants, and others.

After February 15 meeting of National Advisory Committee's Special Subcommittee, the tentative structure for the White House Conference on Aging was developed.

Three plenary sessions to be held at Constitution Hall, one with active participation by older people.

Conference headquarters at Statler-Hilton Hotel. Two thousand hotel rooms have been reserved throughout the city.

Each subject matter planning committee will plan individual group meetings. Section meetings are to be informative and specifically to provide for decisionmaking.

Workshop and exchange meetings are also planned, to discuss topics and proposals for recommendations and to consider matters of common interest to several planning committees.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, SPECIAL STAFF ON AGING

Mr. Robert H. Grant is the Director of the Special Staff on Aging.

Dr. James Watt, Director of the National Heart Institute, is Special Assistant to Secretary Flemming for Aging.

Regional representatives have been appointed in each of Department of Health, Education, and Welfare's regional offices (see attached list).

Publications available from or through regional offices include: Flyer on the White House Conference on Aging, Selected References on Aging, an Annotated Bibliography, White House Conference of Aging Act (Public Law 85-908), Motion Pictures—Recordings on Aging, Enriching the Added Years

(16-page folder), Handbook of National Organizations, Guide for State Surveys on Aging, Aiding Older People, and Aging (monthly).

PLANNING COMMITTEES AND COMMITTEE CHAIRMEN

1. Population Trends and Social and Economic Implications—Mr. John B. Martin, Jr.
2. Income Maintenance (including medical care costs)—Dean Charles I. Schottland.
3. Impact of Inflation on Retired Citizens—Mr. G. Warfield Hobbs.
4. Employment Security and Retirement—Mr. Dwight S. Sargent.
5. Health and Medical Care (including institutional)—Dr. Leonard W. Larson.
6. Rehabilitation—Dr. Howard A. Rusk.
7. Social Services—Mr. Joseph P. Anderson.
8. Housing (including congregate living)—Mr. Walter C. Nelson.
9. Education—Dr. George E. Davis.
10. Roles and Training of Professional Personnel—Dr. Wilma Donahue.
11. Family Life, Family Relationships, and Friends—Mrs. Margaret A. Ireland.
12. Free Time Activities: Recreation, Voluntary Services, Citizen Participation—Mr. Joseph Prendergast.
13. Religion—Very Rev. Msgr. R. J. Gallagher, Rabbi Marc H. Tanenbaum, the Reverend William J. Villeneuve.
14. Research in Gerontology: Biological—Dr. Hardin B. Jones.
15. Research in Gerontology: Medical—Dr. Ewald W. Bussé.
16. Research in Gerontology: Social Science and Psychological—Dr. John E. Anderson.
17. Local Community Organization—Mr. Robert H. MacRae.
18. State Organization—Mr. Bernard Crihfield.
19. National Voluntary Services and Service Organizations—Mrs. Charles Hymes.
20. Federal Organizations and Programs—Mr. Harry G. Haskell, Jr.

- Iowa, Des Moines: Hon. Herschel C. Lovelless, Governor of Iowa.
- Kansas, Topeka: Mr. Harold Smith, Kansas Department of Labor.
- Kentucky, Frankfort: Mr. Jo M. Ferguson, Department of Economic Security.
- Louisiana, Baton Rouge: Mr. J. W. Bateman, Post Office Box 4282, Capitol Station.
- Maine, Augusta: Mr. Robert C. Russ, Treasurer, State of Maine.
- Maryland, Baltimore: Mr. Gerald Monsman, 408 State Office Building.
- Massachusetts, Boston: Mr. George P. Davis, room 27, State House.
- Michigan, Detroit: Mr. James E. Brophy, 850 National Bank Building.
- Minnesota, St. Paul, Mr. Morris Hursh, 117 University Avenue.
- Mississippi, Jackson: Mr. Travis McCharen, Box 1698.
- Missouri, St. Louis: Mr. Emil E. Brill, Box 396, Main Post Office.
- Montana, Helena: Mr. R. B. Richardson, Western Life Insurance Co.
- Nebraska, Lincoln: Mr. Frank M. Woods, Box 161 State House Station.
- Nevada, Reno: Mrs. Barbara C. Coughlin, Box 1331.
- New Hampshire, Concord: Mrs. Dexter O. Arnold, 6 Dearborn Road.
- New Jersey, Trenton: Mrs. Eone Harger, in care of Department of State.
- New Mexico, Santa Fe: Mr. Murray A. Hintz, Box 1391.
- New York, Albany: Mrs. Marcelle G. Levy, in care of State Department Social Welfare.
- North Carolina, Raleigh: Dr. Ellen Winston, in care of State Board Public Welfare.
- North Dakota, Bismarck: Mr. Carlyle D. Onsrud, North Dakota Public Welfare Board.
- Ohio, Columbus: Mrs. Mary Gorman, 85 South Washington Avenue.
- Oklahoma, Norman: Dr. George L. Cross, University of Oklahoma.
- Oregon, Eugene: The Rev. W. G. Nicholson, Box 5197.
- Pennsylvania, Harrisburg: Mrs. Ruth G. Horting, Secretary of Public Welfare.
- Puerto Rico, San Juan: Dr. Guillermo Arbona, Secretary of Health.
- Rhode Island, Providence: Mrs. Roberta B. Brown, Roger Williams Building, Room A.
- South Carolina, Columbia: Mrs. Martha T. Fitzgerald, South Carolina Legislature Committee on Aging.
- South Dakota, Pierre: Mr. Charles Feeney, State Director of OASI.
- Tennessee, Nashville: Mr. Edward J. Boling, State Capitol.
- Texas, Austin: Mr. Jesse M. Irwin, Sr., Governor's Office.
- Utah, Salt Lake City: Mr. Delbert L. Stapley, Office of the Governor.
- Vermont, Montpelier: Mr. John J. Wackerman, Commissioner of Social Welfare.
- Virginia, Richmond: Mr. John E. Raine, 511 Virginia Building.
- Virgin Islands, Charlotte Amalie: Mr. Macon Berryman, Department of Social Welfare.
- Washington, Olympia: Mr. George C. Starlund, State Department of Public Assistance.
- West Virginia, Charleston: Mr. F. Duane Hill, Department of Employment Security.
- Wisconsin, Madison: Miss S. Janice Kee, 217 North, State Capitol.
- Wyoming, Cheyenne: Dr. John W. Sampson, State Office Building.

Regional representatives for aging, Department of Health, Education, and Welfare

Name	Region	States	Regional office
James C. Hunt.....	I	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.	120 Roylston St., Boston, Mass.; Hubbard 2-6550.
Stanley Flores.....	II	Delaware, New Jersey, New York, and Pennsylvania.	42 Broadway, New York, N.Y.; Whitehall 3-2424.
H. Burton Aycock.....	III	District of Columbia, Kentucky, Maryland, North Carolina, Virginia, West Virginia, Puerto Rico, and Virgin Islands.	700 East Jefferson St., Charlottesville, Va.; 3-5181.
Miss Virginia Smyth.....	IV	Alabama, Florida, Georgia, Mississippi, South Carolina, and Tennessee.	50 Seventh Street N.E., Atlanta, Ga.; Trinity 6-3311.
Miss Verna Dus.....	V	Illinois, Indiana, Michigan, Ohio, and Wisconsin.	433 West Van Buren St., Chicago, Ill.; Wabash 2-8550.
Miss Amelia Wahl.....	VI	Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.	911 Walnut St., Kansas City, Mo.; Baltimore 1-7000.
Clarence M. Lambright...	VII	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas.	1114 Commerce St., Dallas, Tex.; Riverside 8-5611.
Dr. William T. Van Orman.....	VIII	Colorado, Idaho, Montana, Utah, and Wyoming.	621 17th St., Denver, Colo.; Keystone 4-4151.
Donald T. Sutcliffe.....	IX	Arizona, California, Nevada, Oregon, Washington, Alaska, Hawaii, and Guam.	417 Federal Office Bldg., Civic Center, San Francisco, Calif.; Klondike 2-2350.

GOVERNORS' DESIGNEES

- Alabama, Montgomery: Mr. Alvin T. Prestwood, 64 North Union Street.
- Alaska, Juneau: Mr. Paul L. Winsor, Commissioner of Health and Welfare.
- Arizona, Tucson: Mrs. Donald E. Schell, Route 6, Box 317-W.
- Arkansas, Little Rock: Mr. Gus Blass II, Office of the Governor.
- California, Sacramento: Mr. Louis Kuplan, 722 Capitol Avenue.
- Colorado, Denver: Hon. Robert L. Knous, Lieutenant Governor of Colorado.
- Connecticut, Storrs: Dr. Donald P. Kent, University of Connecticut.
- Delaware, Smyrna: Dr. C. J. Prickett, Care of State Welfare Home.

- District of Columbia: Dr. Jack Klich, Briggs Montgomery Building.
- Florida, Tallahassee: Mr. B. R. Fuller, Jr., Florida Development Commission.
- Georgia, Atlanta: Dr. John T. Mauldin, Georgia Baptist Professional Building.
- Hawaii, Honolulu: Dr. Richard K. C. Lee, Box 3378.
- Idaho, Boise: Mr. Bill Child, Department of Public Assistance.
- Illinois, Chicago: Mr. Peter W. Cahill, 160 North La Salle Street.
- Indiana, Lafayette: Dr. George E. Davis, 109 Memorial Center, Purdue.

¹ Background Papers No. 14 and No. 15 have been combined.

Mr. CURTIS of Missouri. That Conference is going to meet in January. But already a great deal of work has been done. Our subcommittee did nothing in this area. We made no studies. The extent to what the full committee did was to hold rather limited, in fact, quite limited, hearings on one particular bill which was the bill the gentleman from Rhode Island [Mr. FORAND] introduced, popularly known as the Forand bill.

There were some limited public hearings held on that subject, but all the work that was done in the committee in the past 3 months when the rest of the House was reading the press reports and probably talking to some of us on the committee about "What are you doing in this area of health care?" there was no new information being brought in. Constantly I asked the committee time after time when we would reach a point where it was obvious that we did not have information on this subject, "For heaven's sake, let us get the people in here who know something about this." We did not call one State administrator before us in all these 3 months of talking to each other, and that is about what we were doing. Let me quote from the supplemental views of MASON, CURTIS, URT, ALGER, and LAFORE appearing on page 332 of the report:

We respectfully submit that in our judgment the House membership cannot act in an informed manner on the legislation because the Committee on Ways and Means has not developed sufficient information pertaining to the nature of the need for Government health care, the effectiveness of present day programs in meeting that need, and the ability of the proposed program to fulfill its intended purpose. This information cannot be available in the absence of comprehensive public hearings in which testimony from informed individuals would be received. The emphasis in such hearings should be directed to the development of information from State and local health and welfare administrators, religious and social welfare leaders, and authorities from the professions dealing with the sociomedical problems of the aged. We regret that such hearings have not been held and the legislation recommended by the majority cannot be evaluated as a result.

We were "examining" a minutiae of information you could say with some accuracy. As the committee report states on page 6, we were doing a lot of examining or considering in this sense, if that is consideration in executive session, but we were limited to the very limited information we had. We did not even gather together much of the information that was readily available, which I tried when I saw the way the course of events was going in the Committee on Ways and Means to bring to the attention of the House.

I made a series of speeches on the floor of the House to point out some of the problems in this area and some of the information that we did have but were not considering and where we needed further information. On March 22, 1960, I placed a speech that I made before the American Academy of General Practice Physicians in the *Record* on page 6320. On March 24, 1960, I took an hour to discuss the problem of medical and health care for the aged. That is on pages 6537-6541. On March 26, 1960, medical and health care for the aged, an insertion on this subject April 20, 1960, page 8454, medical and hospital care for the aged. Then on May 2, 1960, I took the floor again for an hour's speech on lobbying and reporting, because I felt that the reporting by the media of this country on this subject was really so bad that I just wondered

that someone within the reporting profession itself has not done something to correct this situation. That is on pages 9144-9146. And on May 11, 1960, "Medical Care for the Aged," pages 10095-10096. On May 12, 1960, "Present Federal Old Age Medical Program," page 10219. On May 26, 1960, "The Voluntary Approach to Health Insurance," pages 11313-11322.

There are two particular documents that were available to our committee if we had wanted to get facts instead of just getting ourselves into a political position. I say that applying to people on both sides of the aisle, people who felt this was going to be a campaign issue this fall, and it probably will. These 3 months were almost a matter of jockeying back and forth, it seemed to me, as to which side, the Republicans or Democrats, might get some advantage from the voters on how they handled this problem.

The point I tried to make then and am trying to make now is that this is not a matter to be thrown into partisan politics at this point. It is entirely possible that the two political parties should take sides on an important issue like this if there is a fundamental disagreement, but let us get the information before us, at least before our committee, the committee of the House which is responsible to this membership, so that the debate will be on firm ground.

One of the documents, "Voluntary Health Insurance in the United States," prepared under the direction of the American Enterprise Association by Rita R. Campbell and W. Glenn Campbell, who had been, and I think it is Mrs. Campbell, a staff member of one of our first social security subcommittees back in 1953, is an excellent document and is a matter that, in my judgment, we will might have held hearings on simply to find out how accurate was the information in it. I think it is quite accurate, but no student no matter how sincere or objective can have all the answers. So this, in my judgment, was a subject for committee examination and discussion. This was not even before us. Incidentally, I placed this in the *CONGRESSIONAL RECORD* because I thought it was that important, for the benefit not only of Members of the House but of the other body and to people throughout the country who might be interested in this important subject.

Then a very fundamental document which was not even referred to in the 3 months that we were discussing or so-called considering this matter—"Source Book of Health Insurance Data of 1959." This gives the data of what is being done in this area.

The most significant document we have available to us just came out in the past 3 or 4 weeks but was still available to us while we were in executive session process is this background paper on health and medical care prepared by the White House Conference on Aging. The date is April 1960, but, as I say, it was not available until about 3 or 4 weeks ago. But this is a very fundamental document discussing the very problem that we are supposed to be discussing, on this subject of health care for the aged.

My position on this, I wish to advise the House, is that I do not think there should be anything in this bill—there should be no title 16 on this subject of health care for the aged because we are not in a position in the Committee on Ways and Means—the Committee on Ways and Means is not in a position to advise the House with any intelligence as to what would be really good in this area. I happen to think the proposal in this bill that is before us is ill-considered in the true sense of the phrase mainly because we do not have the information. It may be the right answer—I do not know. I do know this, though, that at least it does not do violence to the fundamental system we presently have. I, frankly, think it is inconsequential. I doubt very much that many States will avail themselves of it, and if there were any way of eliminating this from the bill, I would seek to do so. But, on balance, and this is what all of us are faced with from time to time—on balance it is my recommendation that this bill be voted up, and I am going to vote for it because I believe that. Although this one aspect of health care for the aged should not be in here, it essentially follows the format of our present OAA program, that is, the old-age assistance program and is beefing it up in that area. Actually, the real studies of this subject will show that that is the area we probably need the least help in. What we need the most help in is this problem of the aged is facilities, and then, secondly, we need techniques for those who are not indigent but who might become indigent if faced with catastrophic illness. And by techniques I am referring to forms of insurance. In that sense, the Forand bill is hitting the area where we need to do something. But, the Forand bill is unfortunately a backward step, if you follow this reasoning—and this is an argument, I think, the gentleman from Rhode Island has not perceived. When we switched to the OASI, the insurance program, from old age assistance, it was done largely on this philosophy and, in my judgment, a good philosophy that we do not want to have to budget the old people. We do not want to go in and tell them how much for rent and how much for recreation and how much for clothing and how many times a week they can go to the movies. We went on the theory of giving them cash and not getting into their budget problems. We wanted them to have the dignity of making up their own budgets. The Forand bill is a backward step. It reverses that process. It says, "We are going to give you cash for everything except to meet your health problems, and there we are going to budget you and we are going to see to it that this is what is spent here."

To do this, the Forand bill provides that the Federal Government will enter into contracts with doctors, hospitals, and other purveyors of health services to set fees and schedules. Herein lies the denial to the individual to select his own doctor and hospital, in spite of the language in the Forand bill which states the individual's choice shall be preserved, because if one's doctor or hospital does not reach an agreement with the Federal Government on fees and sched-

ules their services may not be retained. Furthermore, if the pressures upon the doctors and hospitals to reach agreements with the Federal Government are so strong that the individual's choice is preserved, then we have federally regimented health service professions.

The many other detailed objections to the Forand bill have been set out in my previous speeches on the floor of the House. Let me point up two major objections. The Forand bill leaves out all the older people not on OASDI, many of whom are those facing the greatest problems in the health care field. These are people who were born too soon to be employed in covered employment as the social security coverage developed, teachers, farmers, selfemployed and their widows, and so forth. Nor can a distinction be made between them and the people who would immediately receive benefits under the Forand bill on the grounds that those left out paid nothing for the benefits. Those receiving the new benefits would pay nothing for them. Indeed, if a distinction were to be pointed out it would be this, the present OASDI beneficiaries scheduled for more benefits have been receiving almost \$100 for every \$1 they as a group and their employers paid in social security taxes.

Second, many of the higher income bracket older people, and there are many in this category who are not faced with problems in this area, are OASDI beneficiaries and would be recipients of a pure windfall.

Furthermore, I would point out that the need expressed by a sizable percentage of the older people in the way of social security liberalization lies in the work clause limitation of \$1,200 a year. These people say, we are able to work longer, yet we are forced out of the labor market because of this limitation. If we could earn more, they reason, they could make a go of things. Liberalizing the work limitation clause certainly is in accord with increased health care for the aged for many basic reasons. Yet, strangely, it is the Forand proponents, the COPE of the AFL-CIO, which for years has fought this socially progressive liberalization.

If the older people need the additional money in this area of health care, let us figure out what that cash increase should be and give it to them; not use their problems as an entering wedge to federally regulate the dynamic health professions or, worse still, remove the socially desirable privilege of personal choice of one's own physician or hospital. But I suggest it is not essentially that; that is not the problem of income as much as it is the lack of facilities, nursing homes, home care facilities, and such things which enable the health dollar to buy more health. The recent reports to which I referred and the techniques we are now developing may reveal something further that the Federal Government might be doing in this area. I am not sure just what it might be, but my mind is certainly receptive to any constructive suggestion.

The only thing that disturbs me is that apparently we are preparing to just pass this bill and send it over to the Senate

which will not study it at all; there will be no hearings. Time in the session precludes this. They may add some amendments and then it will go to conference. That is the situation that concerns me.

Mr. Chairman, that is not in the interest of the aged people. This cannot help in the problem of the aged, and I am very much disturbed at the suggestion of some that the House be a party to such a deplorable process.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Chairman, I ask unanimous consent that all Members desiring to do so, may extend their remarks on the pending legislation at that point in the consideration of the bill just before the Committee rises.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Chairman, I yield to the gentleman from Rhode Island [Mr. FORAND] 30 minutes.

Mr. FORAND. Mr. Chairman, first of all, let me express my sincere thanks to the chairman and other Members who have been so kind and have said so many nice things about me today. When I leave this Congress it will be with mixed emotions, but I do plan on having a little statement to make to you before the end of the session; so for the moment just simply accept my thanks.

Mr. Chairman, we are taking up today a bill that is a disappointment to many, many of our colleagues. It is a disappointment to many of them, in fact to the point where many have approached me and suggested that we should vote down the rule or should vote against the bill.

My answer then was and now is that we should support this bill because it contains some improvements in the existing social security law. In fact, while they are minor improvements they mean much to perhaps a good-sized number of people.

I agree with my colleague from Missouri that the medical section of the bill should not be in it. However, it will not do any harm, but it will not do any good. For that reason I say let us vote for the bill. Personally, I think it is a sham, I think it is a mirage that we are holding up to the old folks to look at and think they are going to get something. I say that because they have to depend upon 50 State governments to enact legislation to authorize them to handle the program that is listed there. I am sure all of you know enough about legislative bodies to realize that the list of items the States could provide under the plan just would never be realized.

If any of you have ever done any welfare work you will agree with me that this is a sham.

Mr. Chairman, for many years now the question of health care for the aged has been given a lot of study and a great many words have been spoken on the subject. I might say to the gentleman from Missouri who made a statement a few moments ago that no State administrator had come before the committee, that the State administrators have been

on record for a long time in favor of placing health care under the social security law. The chairman read a telegram received during the course of our deliberations from administrators supporting the proposal I advanced in my bill.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield?

Mr. FORAND. I yield to the gentleman from Missouri.

Mr. CURTIS of Missouri. The point I was making is that a telegram means nothing in studying a very difficult subject of this nature. We needed to have those gentlemen before us so that we could interrogate them as to why they reached their conclusion, if some of them did not agree. There was considerable disagreement in this area.

Mr. FORAND. There is no question about that, but a majority of them have gone on record, and their organization is in support of the proposal I advanced.

Mr. CURTIS of Missouri. I believe that is true.

Mr. FORAND. In fact, I believe that the introduction of my bill in the 85th Congress really was the spark that lit the flames that have been burning now for quite some time. It seems to have awakened America to the great need that exists in reference to the real problem that is faced by the aged of this country. Up to the time the bill was introduced, as I said before, there was a lot of talk but very little action. Today, it seems all of us are agreed that the need exists, that some action must be taken, something must be done to relieve these aged people; yet, when we considered this subject in the committee a majority decided that either it was going too far or for some other reason they did not agree with it. In fact, the committee took practically the same position that some groups seem to be taking today. They realize the need is there, but they want to approach it by different methods to obtain the same goal. I venture to say, Mr. Chairman, that if the provisions of my bill are not enacted into law now, that next year or the year after you are bound to get it, because it is the only sound approach to this important problem.

Mr. Chairman, do not think for a moment that when I introduced that bill it was something I grabbed out of the air. Far from that. I had a group of experts working for at least 2 years trying to develop an approach to taking care of this need of the aged, and when I introduced the bill in August of 1957, from the well of this House, I made the statement that this was a base from which to work. It was introduced in the closing days of the session and, therefore, the bill was printed and made available at that time so that all interested Members, individuals, or groups would have an opportunity to study this proposal. I invited them to come in at the beginning of the next session either with alternatives or with constructive criticisms so that we could work out a decent bill and have it pass the House and become effective. Instead of that, the administration—and I say this deliberately—stalled and stalled and stalled when we asked them for assistance. It

was in 1958, about June or July, when we asked the Department of Health, Education, and Welfare to prepare a report for our committee, and we were told that it could be ready about the first of the following year when Congress was to reconvene. I kept prodding them every week or every other week, and finally in April of 1959 we got that report, and that report contains a wealth of information. If you have not read it, I beg you to read it, because you, too, will be convinced that we have got to take some action in this area.

Since that time it was possible to give some consideration to my proposal during the hearings on social security during 1958, and in July 1959 the committee granted me 5 days during which he had hearings on my health insurance bill, the Forand bill. The hearings were printed and they are available and contain, again, a wealth of information on my proposal known as the Forand bill.

Mr. Chairman, one thing I do not seem to be able to understand is how come so many Members of this Congress, and the administration from the President down, seem to prefer to take the suggestions or subject themselves to the pressure of the American Medical Association. The AMA seems to be in the saddle. The administration proposal that finally came to us after a lot of pressure was of no value; it afforded no benefits. Yet, what we have in this bill today as a medical care section is a watered-down version of a no-good bill that came from the White House. You will remember, I am sure, that the administration proposal was that people over 65 years of age could get into this new program by paying a \$24 enrollment fee. Then, what benefits they would get would come only after they had paid the first \$250 of their medical bills, and anything over \$250 they still would have to pay 20 percent of. Then they suggested an insurance program where the Government would pay part of the premium. And, what did that amount to? The benefits were very meager. It meant practically a goose egg to the people that joined that system, but it was a bonanza for the insurance companies. The committee frowned on that. We disposed of it in very short order, although I regret to say what they have in this bill now is a watered-down version of that administration proposal.

Now, how come that some 150,000 or 200,000 members of the AMA could thwart the will of a population of 180 million or so? I just do not know. I cannot understand it, and I hope somebody can tell me how they do it. In the first place, the AMA is not representative of the medical profession as such, and I have some proof right here in this envelope. The AMA does not speak for the average doctor. I have a file of correspondence perhaps a foot high from individual doctors telling me that my bill is the proper approach; and although they are members of the AMA, the AMA is not speaking for them.

Let me cite one example of just what I mean when I say that the AMA is not representative of these doctors. The

Suffolk District Medical Society of Massachusetts put out a letter to its 3,000 or so members urging them to come out to a meeting on the 9th of December last, a very important meeting, where they were to discuss the Forand bill and that a resolution was to be adopted at that time. I have that letter right here to show you how important they thought it was.

The notice was titled, "Subject: Discussion of Forand Bill—Date, December 9, 1959—Time, 4:30 p.m.—Place, 32 The Fenway, Massachusetts Medical Society Headquarters." It read:

There will be a panel discussion of this very important legislation. The Massachusetts Medical Society has urged each district society to take action regarding this bill. It is essential that as many members as possible be present to discuss this question. At the conclusion of the meeting a resolution will be offered representing the views of the Suffolk District Medical Society. The meeting will start promptly at 4:30 p.m. (Signed.)

It was signed by the president and the secretary. Mr. Chairman, at that very important meeting there were exactly 28 persons present out of a membership of 3,000. There were three speakers, only one of whom had read the bill. There were two or three others in the audience who had read my bill. After their discussion the resolution was offered, to the effect that the Suffolk District Medical Society was going on record in opposition to the Forand bill. The vote was taken. It was 27 in favor and 1 against. The record shows that the AMA was notified that the Suffolk District Medical Society overwhelmingly was on record in opposition to the Forand bill. Twenty-eight members out of a membership of 3,000.

There are so many things that I would like to talk about here, but time is running so fast, I will have to skip along.

There was a great argument regarding whether or not any program for the aged should be on a voluntary or compulsory basis. Mr. Chairman, I admit that under my proposal it would be compulsory. Any tax is compulsory. But I deny that the administration plan was voluntary. The only voluntary part of it was that the individual involved was free either to take it or to leave it. But I question the constitutionality of any such proposal where I could say, "I am going to take advantage of this plan but you are going to pay the tax." That is just what it amounted to. That is how voluntary the administration proposal was.

Also, in trying to discredit my bill it was said that this would be a Government-paid bill. The newspapers, television and radio, referred to it as a Government-paid bill. I have tried to straighten them out on that a number of times. It would be administered by the Federal Government but it would be paid for by the workers and by the employers. And when I say by the employers you know that the payment is deductible as a business expense. Therefore, it would be the consumer who would be paying the bill and not the Federal Government; because not one penny under my plan would come out of the general funds of the Treasury. It would

come out of the social security trust funds into which these social security taxes would go.

They talk about the cost of the plan. It was supposed to cost about \$1.2 billion. I was told by the Department of HEW at the outset that that would be sufficient to meet the cost. But in later days I was told that the quarter of 1 percent tax on the employer and the employee would not be quite sufficient. I agreed that I would increase that tax to three-eighths instead of one-quarter percent because the people who will pay this tax are anxious and willing to do so, for two reasons: In the first place, they would be prepaying their own insurance so that when they reached retirement age they could get the benefit. They are willing to do that. They are willing to give up the price of a pack of cigarettes each week in order to provide for themselves at a later age. In the second place, many of those same people who would be paying this tax today have to take care of the expenses of their aged parents, who would be beneficiaries under this bill anyway.

They talked about some 4 million not being covered by my proposal. That is true. Out of 16 million my proposal would cover about 12,600,000. Of the other 4 million, I would say half of them at least are on public assistance. You could not charge them to the social security trust fund without disrupting the fund completely. You have all the military retirees and the veterans who are all getting medical attention in one form or another. Therefore, the number that would be left out is not 4 million but a few thousands.

Under this medical care plan in the bill we are considering today we are leaving it up to the States to enact legislation to take care of implementing the proposal, but I say to you that at one time in our committee when we were trying to find out how the States were handling the money we had authorized a couple of years ago as an increase in the public assistance funds for medical attention they told us there were 15 States that have not yet developed a program of medical assistance under the public assistance program. What will they do with this kind of bill?

The American Medical Association has led the fight against my bill. I want to pay tribute to the AMA for the great assistance they have given me in publicizing this bill of mine. They have done more than I ever could have done. They have spent thousands and thousands of dollars. In fact, you go to the Clerk's office today and you will find that for the first quarter of this year their lobbying expenses are higher than that of any other organization. So if they can afford to spend so much money lobbying trying to work against the welfare of the aged people in this fashion, I say to them, "Come on, loosen up, help us take care of this proposition." It was medical science that has made possible the addition of years of life for many of our aged. I say to the AMA, "Now, you have helped to give these people additional years, help us find a way to make these

years pleasant and agreeable to these old people. You have a responsibility to them."

They say my bill is socialized medicine. I wonder if they have considered just what socialized medicine is. I asked Dr. Larson, representing the AMA when they were before the committee, "Does the AMA have a definition of the term 'socialized medicine?'" After consulting with some of his colleagues he admitted they did not.

I asked him if the veterans' medical program was socialized medicine. He said it was. Was the workmen's compensation program? Yes; that is socialized also. Maybe I should have asked also, as I did one doctor that came down from New York, if he accepted fees from the Public Welfare Department. Is that socialized medicine? Is not that Federal and State funds? They accept fees not only from the welfare groups, but they also get fees from the Blue Cross and Blue Shield. The program I propose would be handled practically on the same basis. Was it socialized medicine when they accepted their schooling in the free public schools and free high schools? Is it socialized medicine when they use hospitals and the facilities of hospitals without having to pay for them? I say it is absurd.

Mr. Chairman, another thing that might be of interest is the cost of administration. When we were considering the administration proposal, we finally got down to the point of asking what would be the cost of administration of this program. Ladies and gentlemen, we were told that the administration program would cost \$17 per capita per year to administer. After pressing and pressing for a comparative figure as to the cost of administering the Forand bill, I was told that the administrative costs would not be \$17 per capita but \$6 per capita.

One thing that is of great importance is the way that doctors have been raising money for the Republican Party. I have a letter here and on this one again I go to the State of Massachusetts, but I have several similar letters from other States, letters in the same vein. The letter is as follows:

(Curtis C. Tripp, M.D., New Bedford, Mass.; Charles C. Lund, M.D., Boston, Mass.; Archibald J. Douglas, M.D., Westfield, Mass.; David W. Wallwork, M.D., North Andover, Mass.; Lawrence R. Dame, M.D., Greenfield, Mass.; Spencer C. Flo, M.D., Greenfield, Mass.; Bancroft C. Wheeler, M.D., Worcester, Mass.)

NOVEMBER 6, 1959.

DEAR DOCTOR: The threat of socialization of medicine is more imminent today than in 1948 when Congress was considering the Wagner-Murray-Dingell bill. Congressional hearings on the Forand bill have been adjourned with no action taken; however, strong support for this legislation was indicated by many Democratic Congressmen. Labor's influence was so strong that there is every indication that medical and hospital benefits for all social security recipients will be a major issue in the 2d session of the 86th Congress and in the 1960 elections.

The Republican administration testified against this bill and all Republican members of the House Ways and Means Committee stood firm against it.

The 1960 congressional and presidential elections are crucial to medicine. We must do all in our power to see that the Democrats and the AFL-CIO do not dominate the 87th Congress. The political action arm of the AFL-CIO is well financed and is contributing millions of dollars in support of the Democratic candidate.

Doctors can and should help stem the tide toward socialism by supporting the Republican Party with dollars as well as their votes. An editorial in the July 27, 1959, AMA News stated: "One way the physician can and should support his party is through contributing to its financial support. Costs of political campaigning are far greater than even a few years ago, and the costs can no longer be met by a relatively few individuals * * * Support of the party of your choice is as much an obligation as support of the Community Fund, Red Cross or any other civic organization to which you regularly contribute."

The Massachusetts Republican Finance Committee is the official fund-raising arm of the party in this State. The income of the committee is derived solely from contributions. We urge you to support this fund.

Please fill in the contribution form enclosed, and return it immediately with your check to the Massachusetts Republican Finance Committee. An official receipt will be forwarded to you.

Sincerely,

BANCROFT C. WHEELER, M.D.

Another word regarding the cost of hospitalization. I have here an article that I cut out of the Boston Traveler where three doctors predict that by the year 1970 the cost of hospitalization will run between \$65 and \$70 a day. Now how can these people whom we are trying to help take care of these heavy medical expenses when it has been shown that the incomes of three-fifths of them amounts to less than \$1,000 a year and it has been shown that the incomes of another one-fifth of them runs to about \$2,000 a year.

Now they say that we should take care of only those who have catastrophic diseases and the question of the length of stay in hospitals has been a very prominent question. Here are the figures taken from the report of the Department of Health, Education, and Welfare. These figures show that 81.9 percent of people over 65 who are hospitalized stay in the hospital anywhere from 1 to 30 days—and no more than 30 days.

The figures show that 12.4 percent stay in hospitals from 30 to 60 days.

Three and two-tenths percent in the hospitals from 61 days to 90 days.

And only 2.5 percent remain in hospitals more than 90 days.

Those are the figures as to the number of days spent in hospitals by patients over age 65.

Another point I would like to make here is the fact that out of the 12 or 13 million aged people now receiving OASI benefits there are 1 million who receive the minimum payments of \$33 a month.

Do you realize there are 700,000 OASI beneficiaries whose benefit is so low that it does not even meet their budgetary needs as figured out by the Welfare Department, and are given supplemental aid from the welfare departments of their respective communities? How can those people take care of medical expenses today?

Another thing I want to remind you of is this: It has been broadcast that the American Hospital Association is lined up with the AMA and that they are opposed to the Forand bill. I say to you that perhaps they are, because of the pressure being brought on them, but I have had any number of hospital administrators tell me: "Do not mention my name, but we want the Forand bill; we want something along that line to help us out of our dilemma."

The insurance companies have been fighting the bill. They fought the original social security law, too. And what do they sell you? Read the policies. The first part of it in large print gives you the world, but when you get down to the fine print you find there are so many exceptions that you get nothing. That is just what they are doing with the oldsters here. I have copies of policies issued by most of these companies, supposed to be decent policies to take care of these aged people. I wish I had the time to go into all the details, but I have already taken too long.

Mr. ROOSEVELT. Mr. Chairman, will the gentleman yield?

Mr. FORAND. I yield.

Mr. ROOSEVELT. I want to commend the gentleman from the bottom of my heart for the very courageous fight which he has made on behalf of the aged. I just wish he might be here next year to see final victory, for I am convinced final victory is coming.

Mr. FORAND. I thank the gentleman.

Mr. ROOSEVELT. Mr. Chairman, the House has been presented with a measure that would never be before us had it not been for the clamor of public opinion. There can be no question that Congress is moving in the area of health care for the aged because 16 million senior citizens of our Nation have become politically active and have demanded our help.

I do not say this in criticism. By acting, we are again proving that we are responsive to the needs of the people. This is all to the good.

Unfortunately, we are not moving in the right direction. The best that can be said is that at long last we are at least recognizing the problem. Unfortunately this is not the Forand bill.

Not once, in all the debate over the Forand bill and similar proposals, have I heard a truly valid argument against incorporating such a program into the social security system.

The opponents have cried "socialized medicine," they have insisted that health care for the aged is only a political demand of organized labor, they have argued that expenditures for health care would be inflationary. These are the same arguments that were raised against the Social Security Act in the 1930's; they were baseless then, and they are baseless today.

Providing health care for the elderly under our social-security system can—by no stretch of the imagination—be termed "socialized medicine." Nothing in this proposal would deprive any patient of the right to select the doctor of his choice. Nothing would limit or restrict the present rights of the medical

and associated professions. All that is involved is an equitable way to provide our senior citizens with the means by which they can afford the high cost of medical attention.

Nor can this issue be characterized as something sponsored only by organized labor. Leading newspapers, religious leaders, and other prominent public spokesmen have called for meaningful action in this field. The New York Times, the Washington Post and Times Herald, and numerous other nationally read newspapers have called for a health care plan based upon social security. Both the Times and the Post and Times Herald, in editorials, ridiculed charges that the Forand bill would bring compulsion and socialism. As the Post pointed out, financing the health care needs of the aged through social security "is no more likely to socialize the medical profession than Federal provision of polio vaccine for children."

The Group Health Association of America, an organization that understands health care problems, also has spoken out in favor of a program financed through the social security system. Referring to State—rather than National—programs, this association asserted that most States are in such financial difficulty that they could not make needed contributions and "most aged people would never receive any benefits."

Even an insurance company—Nationwide—has announced its support of a Federal program based upon the social security system. Some of the data released by Nationwide in support of its position merits close attention.

According to this prominent and well-respected company, at the beginning of 1960 more than half of all Americans who are 65 or older had no health insurance protection. In addition, Nationwide stated, even those with some form of coverage are inadequately protected. The company claimed that while slightly under half of the aged can pay premiums of \$100 per year, that this amount "cannot cover more than a fraction of the aged medical care needs."

Other statistics revealed by the company showed: 9 percent of aged couples receiving social security benefits had medical expenses exceeding \$800 annually in 1957 and 16 percent had medical expenses of more than \$500; 86 percent of couples receiving social security in 1957 had none of their medical care costs met by insurance; and nearly half of the family spending units with the head of the household over 65 had total financial assets of less than \$500.

These statistics indicate the immense problem faced by our senior citizens—those Americans who are supposedly enjoying their golden years.

The bill reported out by the Ways and Means Committee contains no answer to these awesome statistics. It merely shifts responsibility to the States, when Congress knows that the States are unable to provide a remedy.

The committee proposal offers no hope to America's older citizens. These citizens must now rely upon the other body if they are to get the meaningful assist-

ance to which they are entitled. I can only hope, along with the Nation's elderly, that the other body will come forth with the necessary amendments that will provide a firm foundation for the solution of this national problem. If not, may the people this November demand that candidates for Congress make clear their intentions to support such legislation next year.

Mr. HOLTZMAN. Mr. Chairman, will the gentleman yield?

Mr. FORAND. I yield.

Mr. HOLTZMAN. The gentleman has propounded the question: How can such a small group in AMA control so many millions of people? I want to tell you that the fight against this plan was begun in the 82d Congress when HEW was created under a reorganization plan and a sep was offered at that time to the AMA by placing a doctor of wide nongovernmental experience between Mrs. Hobby and the Executive, in direct contravention to the Hoover Commission recommendation. We are reaping the results of that action today in connection with the gentleman's bill which I support and for which I commend the distinguished gentleman from Rhode Island.

Mr. FORAND. I thank the gentleman.

Mr. SANTANGELO. Mr. Chairman, will the gentleman yield?

Mr. FORAND. I yield.

Mr. SANTANGELO. I want to commend the gentleman from Rhode Island for his courageous stand on this bill. I was one of the cosponsors with him of more liberal legislation. I share his disappointment in regard to the provisions on medical care and likewise his disappointment over certain other omissions in the bill, but I want to associate myself with the gentleman's remarks and shall support the bill.

Mr. FORAND. I thank the gentleman.

Mr. HALPERN. Mr. Chairman, will the gentleman yield?

Mr. FORAND. I yield.

Mr. HALPERN. I wish to compliment the gentleman from Rhode Island on his perceptive, well-thought opinion and observations in regard to this legislation. I am pleased to associate myself with his views on the bill before us and with the health care legislation with which he is so laudably identified, and in which I joined as a sponsor.

I intend to vote for H.R. 12580, but I do deplore its shortcomings. It is at most a step forward, but unfortunately woefully inadequate in terms of the needs to be met.

I particularly regret its failure to realistically meet or provide means for alleviating serious problems facing our senior citizens. Its omissions are glaring.

Outside earnings ceilings have not been raised to allow older people to continue gainful employment without suffering loss of social security benefits which they have earned during a lifetime of labor.

Primary benefits have not been increased to a level proportionate to today's high cost of living.

Its extended coverage fails to include many categories and services that should

reasonably be contained within the scope of the act.

Numerous other aspects of the program have been left unchanged despite their incongruity with the realities of today's living.

Of special significance is the absence of provisions in the bill establishing a broad program for health care for the aged under the social security system. A golden opportunity has been let slip by. The provisions of the bill establish a medical care program which, in my opinion, does not afford assistance compatible with the needs of the aged and does not reflect the human factors involved, the maintenance by our older people of their dignity and self-esteem.

The meagerness of the program suggested, its limited application to some 1 million of our aged at the outset, the "pauper's test," and the necessity for the establishment of State plans before the provisions of the bill can become operative, are factors which, in my opinion, seriously militate against its effectiveness.

As a cosponsor with the gentleman from Rhode Island of legislation to provide for the payment, through the social security system, of the costs of certain medical expenses for those eligible for social security benefits, I cannot emphasize enough how dismayed I am at the inadequacies of the suggested plan.

Mr. Chairman, only a program based on the social security system can provide broad coverage to 70 percent of our aged now, 90 percent later on, contain adequate standards commensurate with the need and with human dignity, and be financed by the working people of the country during their productive lives.

This is not to say that there are not many commendable features in the bill. The removal of the age 50 eligibility requirement for disability insurance, the liberalizing of the provisions for insured status, the extension of coverage to additional persons, and improved benefit protection for dependents and survivors of insured workers, that is, widows, wives, and children particularly, are concrete advances.

Unfortunately, the bill does not go far enough. And since we will not be able to amend H.R. 12580, I intend to accept its provisions only as a start. I shall continue to work for an adequate program that will provide realistic assistance to the greater proportion of our older citizens.

Mr. COHELAN. Mr. Chairman, will the gentleman yield?

Mr. FORAND. I yield.

Mr. COHELAN. Mr. Chairman, I congratulate the gentleman from Rhode Island [Mr. FORAND] for his comprehensive statement on the problem of medical care for the aged, and for his long-enduring efforts to bring this issue to the floor of the Congress.

I rise in support of the omnibus bill before us today, not because it is satisfactory in its present form, but because it offers the only opportunity for starting legislative action which I hope can result in enactment of an adequate medical care measure this year, specifically by means of amendment in the other body. Were amendments possible under

the rule, I would support a program whereby health benefits would be provided for the aged through the old-age, survivors, and disability insurance system. Should the other body amend this measure to provide such a program, I will support the conference report.

As it now stands, this omnibus bill, H.R. 12580, does improve medical care available to recipients of old-age assistance, but does not assist the great majority of the aged to meet their medical bills. Furthermore, it establishes virtual poverty as a requirement for eligibility, which means it cannot allay the older citizen's haunting fear that an expensive illness will come along to consume a lifetime's savings. Indeed, this plan only offers an alternative anxiety: the humiliation of declared poverty.

Still again, workers under the social security program are not given the opportunity to participate in a self-help, contributory insurance program to give them paid-up medical-care protection in retirement years. Instead, what assistance that would be provided would be paid for by the general taxpayer.

The many, many constituents who have written to me to express their support for a program of medical care for the aged have made it quite clear that they have in mind a contributory social insurance program. They are fully aware that only that kind of program will be genuinely adequate to the needs of the country's older people.

I am in full agreement with the recent editorial in the Washington Post entitled "Adequate Health Care," which urges a medical-care program that is "a facet of social security and can best be financed, in our judgment, through an enlargement of the social security tax, and goes on to say:

It ought to be available, like the retirement benefits of social security, to all persons of retirement age as a matter of earned right and not on the humiliating basis of a proof of indigency. If such a measure is adopted by the Senate and if the House is given a chance to vote on it, there can be little doubt that it will be passed in preference to the piddling bill fashioned by the Ways and Means Committee.

There is another section of the omnibus measure before us today with which I am equally concerned; namely, title V having to do with unemployment insurance.

Here is another area that needs strengthening and it is my hope that the other body will act favorably on an additional amendment to establish new unemployment compensation standards. I have specific reference to the kind of program proposed in H.R. 3547 and H.R. 3548 by the gentleman from Missouri [Mr. KARSTEN] and the gentleman from Michigan [Mr. MACHROWICZ], and in my own companion bill, H.R. 4064.

Title V of this omnibus measure opens up the problem of unemployment compensation, but does not then proceed to take up the matter of standards nor the matter of extension of benefits, except in certain very limited areas.

Enactment of an adequate medical care program based on contributory social insurance would make the final bill a major accomplishment. Enactment of

this amendment and an additional amendment to provide much-needed unemployment compensation standards would make it a landmark twice over.

Mr. MASON. Mr. Chairman, I yield 20 minutes to the gentleman from Texas [Mr. ALGER].

Mr. ALGER. Mr. Chairman, I should like to depart from the remarks I intend to make and shall come back to them. While I shall not endeavor to make a rebuttal, I would like to dwell very briefly on the remarks just presented to us by the gentleman from Rhode Island.

However, I, too, want to pay my respects to the gentleman from Rhode Island [Mr. FORAND]. As one of the newer members of this committee I wish I knew as much about this field as does the chairman. I try to do my homework but I am bewildered by the complexity of it. I trust I can stay away from those areas where ignorance could be the reason for my viewpoint.

I wish to bring up some things that to my knowledge cannot be rebutted. Before I do so I would like to point out with regard to the statement that was just made that I am among those on the committee who voted against the Forand bill. It failed by a substantial amount, 17 to 8. I am among those who do not believe that the administration has stalled. Far from it. This is a complicated field, and the very fact that the Fogarty resolution was passed to get the facts with which we can grapple with this big problem is an indication of the complexity of it. I point out that this is not stalling. This is searching for the truth, getting the facts and trying to determine which is the best. Nor shall I consider whose lobbying technique is the best, whether it be the AFL-CIO or the AMA. I think the AMA and businessmen have too long failed to lobby the Government. At best, the AMA is far behind the AFL-CIO in lobbying on legislation.

As far as socialized medicine and its definition is concerned, if no one has one, I will give mine: The Forand bill is something that would result in the registration of all medical services and people, the regulation of everybody, the control of everybody, setting fees, auditing books and providing criminal penalties for failure to live up to the law. The law once passed has to be followed. That is socialized medicine.

I recall, by the way, the head of the UAW, Mr. Reuther, and I had a go-around on this. It is in the record for anybody's perusal.

I have not begun to cover the Forand subject, of course, because I shall leave that to others. I would like to be the one to offer rebuttal to that particular solution or alleged solution to the so-called tremendous problem, if there is a problem. Rather, it seems we are going to make it a problem. We have not yet even analyzed the area of need, nor how our medical services are being provided and meeting the need. Many of you, I am sure, recognize that your own State, perhaps, does not take Federal money in some of the public assistance fields. In my own State we have fine medical aid for the needy, if you please, or free medical facilities, that are not reflected in

any Federal figure at all. The HEW cannot give those figures. Why? Because they do not have them.

Yet, we, of the Ways and Means have come before you and say we want to give you a choice of voting on various solutions to the problem, while we cannot tell you what are the medical services that are provided in this country as a basis for the proper solution. As a matter of fact, the statement was made before our committee many times that no person in the United States is denied medical service on account of lack of money, and that has never been contradicted before our committee.

To get on with my subject: This is troublesome. I must divulge what I have learned. I am going to tell you what I think because my responsibility as a member of the Ways and Means Committee permits no less. I cannot pretend I do not know what I do know about the present social security program. These are not just my views. I am relaying to you what I learned from studies made by the advisory council, the trustees, and others, and I will try to present it to you on that basis.

I am opposed to the social security system as it is now constituted because it is actuarially unsound. Frankly, I am confounded by the clash of facts with our legislative action. If anyone will set me straight I will be glad to pause at the end of my statement for that purpose.

We have a moral obligation not only to today's citizens, of course, but to the folks who are going to foot the bill, the following generations. Who will foot the bill? What are the factors which make social security actuarially unsound? I hope you understand what I mean when I say that social security is unsound. The matter before us today should be as elemental as this, Can we secure the future of our people through social security? I cannot get to that one, but I can grapple with the actuarial unsoundness part of it.

What are the factors? I direct your attention to page 334 of the minority views. It is a three-page statement if you want to refer to it. Furthermore, I direct the attention of my colleagues, whether you agree or disagree, to some studies I put in the RECORD on this question, the field of actuarial soundness and what this means to the social security program.

I have the page numbers here to offer anybody that wants them. The statements were inserted in the RECORD on pages 11629-11630, 13502-13503, 13504, 13505-13506, and 13507.

Mr. Chairman, this program has been called actuarial anesthesia by some. We have set up a fiction, a fictitious actuarial basis, and then we have done our actuarial work within that framework, so we say it is actuarially sound. But, now, what are the facts? First of all, the entire program is computed on our highest earnings, into the infinite future; not on a bad or a moderate year but on the best year. The high cost, the low cost, and the intermediate cost estimates made by the actuary of HEW are computed only using high earnings, at a level of 1959. You do not allow for

any income cutback at all. We are all for high income. Fine. We want income always to be high.

But when we build a program where you have to have high income, and actuarial figures all thus figured what happens to its economic soundness if you do not have it? Further, this becomes an invitation to inflation, increased spending, and so on. Secondly, and this is the most damaging, more than just a matter of high income. Social security now is based on increasing population or new entrants into the program, because, as our chairman pointed out, we are not paying as we go. Let me quote him as best I can. Those people who are now beneficiaries will draw down without having paid in to the total of \$65 billion. You and I and our children will have to dig this up. That is what the folks who are beneficiaries are owed by us until the time they die. But, how about the rest of us not yet beneficiaries, just contributors? It is estimated that this program is between \$300 billion and \$600 billion behind in not taking in enough money against the payout to present contributors when they become beneficiaries. But, I am ahead of myself. The point is, we make up this gap within this fictitious actuarial framework by saying we will have more tax contributions from future salaries. But, that is not the whole story. Our population is constantly getting older. We are growing older together. The average age is getting older, so more of us progressively will fall into the beneficiary class. Further, it seems that every 2 years we add new measures and more and more people are covered as beneficiaries. But, we have nothing to offset this by taxation. For the last 2 years we have run a deficit, and we are falling behind all the time rather than correcting it.

I want to read from the 20th annual report of the board of trustees. They say:

The cost of benefits to aged persons, which constitute almost 90 percent of the total cost, will rise for several reasons. The U.S. population cannot continue to increase indefinitely; births cannot indefinitely exceed deaths. When a balance is reached or a reversal in the present trend occurs, the population as a whole will have become relatively much older.

That is what I have been trying to say:

Another reason for the increasing cost is that the proportion of the aged population will increase.

That is the other point I was trying to make.

Then the Advisory Council in 1958 said, as any Member of this body could say, and I say now, because I am concerned, and I know you are concerned. The Council said this:

The Council believes that the trusteeship is so large and the number of people involved so great that the defeat of beneficiaries' expectations through inflation would gravely imperil the stability of our social, political, and economic institutions.

Mr. Chairman, as our chairman has earlier said, this touches more of our citizens than any other program. It is not just the beneficiaries that will lose.

It could rock the entire financial system in this country.

How about the tax burden and actuarial soundness? Mr. Chairman, I am trying to be as fair as I can. Let me cite a couple of examples—and you can criticize if you chose—actuarial examples showing the payin against the payout.

Case No. 1 is that of an employed individual who received maximum taxable earnings since the inception of the program in 1937 and he paid through 1959. He will have had a cumulative employer-employee maximum total tax contribution to the OASDI funds of \$2,292. That is how much he would have paid in. Now, assuming this individual and his wife reached the age of 65, on January 1, 1960, the total amount of benefits that would be paid out, with respect to this benefit claim of \$2,292, would be \$31,200.

Case No. 2: Another individual who qualified for a minimum benefit entitlement on January 1, 1960, could have paid, with his employer, as little as a total of \$36 into the trust funds. And, assuming that he and his wife reached the age of 65 on January 1 of the current year, the total amount of benefits that would be paid out with respect to his benefit claim is \$8,600; there it is from \$36 paid in to \$8,600 paid out. Sure, these may be somewhat extreme cases; I do not know whether these are the most extreme. I cannot even tell you how many cases there are like these. But these are the kind of examples that ought to make all of us pause to think about this matter. We have paid in about \$85 billion. We have on hand \$21.8 billion. That makes a deficit of about \$63 billion, which I mentioned earlier. And I mentioned the \$300 billion cost that we are also behind. It is possibly even more than that. And all this deficit is in the interest of securing our future socially, if it can be done. This is the problem that needs to be faced. We are now going into a political campaign and this is a political legislative effort, every 2 years. What I am saying here probably is going to be forgotten. Probably I am not going to influence even one man here. But this is the way I see it. I am a member of the Committee on Ways and Means. I have to tell you what I think and I urge you to join me in exploring this matter.

What I am saying is that this is a little bit like Parkinson's laws, but working perhaps, in a little different direction. Bureaucracy increases and expenditures rise to meet income. It is a very interesting thing to think about. Politics is the motivating force.

Now, as to the cost of making the program sound, I cannot give you the answer. But if we are \$63 billion behind in present beneficiaries and \$300 billion to \$600 billion behind in unfunded future benefits to be paid, our kids are going to have to pick up this cost. Of course they could vote to kill the program. If we agree that we should actually make the program pay-as-we-go, then I urge you to think about these costs. Could we pay the necessary taxes? I do not know, but we should face up to the problem.

Now, whether it is unconstitutional is something that has not been tested. I have put statements in the Record with regard to a number of questions, that I do not have the time to bring up today.

I am not talking about specific provisions of this bill—this would be skirting the issue. I had to oppose, in the committee, amendments that were offered which tended to increase the benefits and the coverage: not because I was against any one particular item, but rather because we were imposing these added costs on future generations, on our kids, and future taxpayers, who are not here to speak for themselves. Fortunately, they can vote to kill social security and if they do, where will our older citizens be?

It has also been said that this system is incompatible with free enterprise. It is something to think about.

It has also been pointed out that if an individual for 40 years put in \$210 a year into a savings account, and left the interest in, he would have on hand \$35,000 and the interest. Income from interest would be \$2,000 on which to live. That is the way this country grew. That is the way this country can continue to grow. And if we do not do that, everybody is going to come to Uncle Sam with hands outstretched for support. There is not sufficient money to go around to do it that way. There's the plain truth, lack of morality of the whole thing notwithstanding.

Of course, I feel very strongly about this. I went back through all of the views that have been submitted on social security. Of course, I could not detail them all here, nor can I remember them all offhand. But I did my best to study them. Let me give you several quotations from earlier Congresses, from some of the men present on both sides and some of the men who have gone beyond.

This is from the 74th Congress:

This bill is not to be considered a cure-all, nor a complete measure for economic security. . . . While humanely providing for those in distress, it does not proceed upon the destructive theory that the citizens should look to the Government for everything. On the contrary, it seeks to reduce dependency and to encourage thrift and self-support.

This was in the 74th Congress. I wonder if these views are true today. I think they are.

Further, the minority report went on to say they were opposed to title II providing for compulsory old-age annuities, and title VIII, providing the method by which the money was to be raised. The minority declared:

Neither of these titles is constitutional. The Federal Government has no power to impose this system upon private industry.

By the way, I do not believe it has ever been tested.

The minority in the 81st Congress said this:

We believe that such a form of compulsory social insurance, which unnecessarily takes from the individual funds which he would invest or otherwise use for building his own security, is incompatible with our free enterprise system. Accordingly, we do

not conceive it to be a proper function or responsibility of the Federal Government either to compensate individuals for all types of losses in earning capacity or to provide a scale of benefits which pay substantially higher amounts to those with higher income.

That reminds us we are getting into a graduated income tax on the present social security basis. I think you know about that. That brings me to the minority views in 1954 in which the gentleman from California [Mr. Urr] said:

It is my fearful belief that the social security tax is fast shaping up to become a secondary graduated income tax upon wages and salaries, a tax which, when its full impact is felt, will shake our social security system to its very foundation.

What do you think your constituents are going to say when they pay a higher social security tax, and know it, than they pay in income tax? And the amount on which the tax is payable is raised from \$4800 to \$6,000 or higher? The social security tax is based on first dollar earned. There are no deductions. It catches the fellow with the least income of all with the heaviest tax.

In 1955, which brings us up to the present, these were the minority views:

The tax on wages is a tax on gross wages without any allowance for personal exemptions, dependents, or other deductions. The tax on self-employment income only permits certain business deductions, such as depreciation. It is, in effect, a tax on adjusted gross income. The tax, as a percentage of net income, is substantially higher than the actual rates would indicate. In fact, the eventual 8½-percent rate on the self-employment would be the equivalent of a net income tax in the neighborhood of 20 percent and higher in many cases.

Then they give this example, and those of you from the farm areas ought to be particularly interested, because I know your farmers will be.

Let us take the example of a farmer with a net income from self-employment of \$4,200 in 1975. Assuming that he has a wife and two children and uses the standard deduction, his Federal income tax, under present rates, will be \$276.

By the way, the figure in 1975 is used because we will then have the maximum social security rate.

His social security tax, on the other hand, will be \$283.50. The social security tax would be in excess of 20 percent on net taxable income. If the same individual had three children his income tax would be cut to \$156 but his social security tax would still be \$283.50, the equivalent of a net income tax of 36 percent.

That is the law, and that is the direction in which we are going.

In 1975, our payments out of the Social Security Fund, if we have the money to pay it, will be \$20 billion, whereas, as the chairman pointed out, this year it is running at the rate of \$11 billion. Where is the money coming from?

Mr. MILLS. Mr. Chairman, I yield 15 minutes to the gentleman from Virginia [Mr. HARRISON].

Mr. HARRISON. Mr. Chairman, on yesterday when I asked the distinguished chairman of the Committee on Ways and Means how much time he could give me to discuss this measure he said he would give me enough time within which I

could hang myself. I have been thinking that over. I realize that anyone who undertakes to cross swords with him is in serious danger of hanging himself.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. HARRISON. I yield to the gentleman from Arkansas.

Mr. MILLS. I think for the sake of posterity the Record should reflect that the gentleman is being facetious in that last remark.

Mr. HARRISON. No, I am being very serious. At the risk of hanging myself I have to go ahead and say that I do not like the medical provisions of this bill. In my judgment, they are completely unworkable.

If I may be allowed to comment on that a little, the distinguished gentleman from Rhode Island has said that this bill holds out a mirage to the older people of this country under which they will believe that they are going to get something, which they will not get. I certainly do agree with that statement. It seems to me, the bill undertakes in a number of ways to blow the horn through the wrong end. It starts out and gives—or, apparently, gives hospital services not exceeding 120 days, and skilled nursing home services without any limitation. We would gather from reading this bill that these hospital beds and these nursing home beds are right there ready with nice clean white sheets and that the old people do not have to do anything but to crawl into them. But, Mr. Chairman, according to the Department of Health, Education, and Welfare in the year 1959, there were 653,000 hospital beds available, of which only 587,000 were acceptable. The number of beds needed to meet the existing demands is 761,600 hospital beds. I ask the question, Should we say to people that we are going to give them hospital beds without making any provision as to where those beds may be found?

With reference to the nursing home beds, the same statistics show the existence of 245,000 beds, of which 133,000 or about half are acceptable while the need exists for 385,000 beds.

This year the distinguished gentleman from Rhode Island [Mr. FOGARTY], in connection with the report on the Hill-Burton appropriations from his committee on the appropriation bill for the Department of Health, Education, and Welfare, says:

The bill includes \$150 million, an increase of \$23,800,000 above the request, and a decrease of \$36,200,000 below the amount appropriated for 1960. Any doubts concerning the complete inadequacy of the budget can easily be resolved by a simple review of the statistics regarding this program.

As of January 1, 1960, plans submitted by the State agencies show need for 845,402 additional hospital beds and 257,030 additional nursing home beds or a total of 1,102,432. The funds requested in the budget, when combined with funds used for hospital and nursing home bed construction outside the program will produce an estimated 43,628 beds, or less than 4 percent of the additional beds which States indicate are needed.

State agencies report that if there were no limitation on Federal funds they would have, during 1961, sufficient State and local matching funds to start work on 1,020

projects costing a total of \$1.2 billion which would require Federal matching funds in the amount of \$489 million.

While the amount recommended by the committee is not aimed at filling all the existing needs it will certainly do a better job than the woefully inadequate budget presented to Congress.

There is a promise in this bill of physicians services without limitation. Everybody knows there are not enough physicians. Also, we promise nurses without limitation. But, according to the American Nursing Association, there is a shortage of 56,000 nurses to meet the existing needs.

There is a promise in this bill for dental treatment which any dentist says "has seriously affected, or may seriously affect" general health. If this promise is kept, no one will get in a dentist's office within 6 months, toothache or no toothache.

There is a very interesting table in connection with this measure on page 11 of the report, in which it is estimated that the total cost of this bill will be \$325 million of which \$165,500,000 will be from Federal contributions. I submit that no one knows what this bill is going to cost. I submit no one knows how many States will go under this bill. The report says 10 million people could be taken care of under this bill. These figures are not based on that figure and no one seems to know what the figures are based on. But, if we assume that the table in the report is right, we come up with some remarkable results.

Four States will get over half of the money. Six States will get 68.36 percent of the money. The State of New York gets more than 30 percent and 9 times as much as 28 other States and the District of Columbia combined. But you need not worry about that because the Governor of the State of New York says the \$50 million required in State contribution by New York is not available and that the State of New York will not be under this program.

The needs test in this bill is that if the income and resources taking into account other living requirements, is determined by the State to be insufficient to meet the cost of medical service, the person is eligible. Under this provision, even if a man's income were \$25,000 a year and the State said he met the above requirements he would be qualified and I assume would have to be provided for. If you want to get under this program you place yourself under a doctor's care whom you select. If he certifies you are to be kept at home with three nurses a day and he comes to see you every day there can be no question by any governmental agency, State, Federal, or local.

Finally, this program has seeds in it of very dangerous expansion. All that any succeeding Congress would have to do to expand it would be to lower the State contribution, lower the age, and it would be completely financed out of the Federal Treasury without any contribution by any beneficiary.

Mr. Chairman, I submit that any plan for Federal participation in medical programs must meet the problem and meet it foursquare. Any such plan must provide for adequate beds and adequate

personnel to administer it. That is not done in this bill; it is not done in the Forand bill. It should provide for catastrophic illness only. The Forand bill does not do this at all; and this bill includes items that the person can and should pay for himself.

In addition it should have sufficient standards and machinery to protect the system from fraud and imposition. This is not done.

Also if gone into, it should be financed by contributions from the beneficiaries and those able to make contributions.

Frankly, I think we need not worry that this program will ever be in operation. The bill provides it shall not go into operation until July of next year. By that time the Congress will have opportunity to give proper consideration to a workable plan. Before we went into the social security program initiated by the late great President, Franklin D. Roosevelt, there were 2 years of study by a committee of experts from every avenue of life. It was considered by the executive departments for over another year, and it was studied by the Congress for over a year before the legislation was put into operation. Here, however, we are going into a program much more technical in nature and in an equally revolutionary field with a study by a committee of only 3 months, and the only specialist we have heard on the subject is that great specialist and expert on cranberries, Dr. Arthur Flemming.

Mr. Chairman, there is a great deal in this bill besides title XVI, the medical aid provision, which I have been discussing. There are many liberalizing provisions of the Social Security Act which can be financed without any tax increase and which will keep the system actually sound.

Let me discuss some of these changes.

The Subcommittee on Social Security, of which I have the honor to be chairman, has conducted a very thorough study of the operation of the disability insurance program. Over a period of months, our staff prepared and published a very excellent fact book. This was done under the direction of the subcommittee counsel, Mr. Fred Arner, and his work has met the approval of experts in government, medicine, labor, and industry. The subcommittee conducted 2 weeks of public hearings and took the testimony of experts from all walks of life. We received answers to an elaborate questionnaire from the administrators of all the States. We were greatly aided in our studies by the assistance of the General Accounting Office and we submitted a preliminary report in which the administration of the disability program was thoroughly analyzed.

As a result of these studies, I introduced a number of bills which have been included as a part of the measure now before the House.

I do not think the people of the country, or the Congress either, realize what a vast program the disability program is. Its beneficiaries as of today number some 750,000 people and the Social Security Administration is deciding 30,000 new applications per month.

We found when a person under the age of 50 became totally and permanently disabled, he was just as totally and permanently disabled as he would be if he were 50 years old. But very often in the case of a younger man the disability struck at a time when he had young children to support and the denial of the benefit to him because of age impressed us as a very arbitrary and indefensible standard. Therefore, finding that there is surplus in the disability fund, we have been enabled to wipe out that age distinction.

In addition, the bill before us includes a bill introduced by me to extend the 12-month trial work period to all beneficiaries who seek to rehabilitate themselves. Under present law, a disabled person is permitted to engage in substantial gainful activity for a 12-month period without termination of his benefits by reason of such work, provided his work is under a State-approved rehabilitation plan. In operation, this provision has worked a hardship upon many, particularly in rural areas, who are endeavoring to rehabilitate themselves. This proposal has the endorsement of the Comptroller General, the Commissioner of Social Security, the Director of the Office of Vocational Rehabilitation, and many others.

The measure before us also provides for the elimination of the 6-month waiting period for disability insurance beneficiaries who had a prior period of disability. We have found that the present provision requiring a second 6-month period is discouraging to a disabled person who has made a sincere effort to rehabilitate himself but finds that he has not sufficiently recovered to do so.

There are a number of other very significant provisions in this measure. One of them introduced by me extends for an additional 2 years the period in which ministers may elect to be covered. This will enable 60,000 ministers who, because of misunderstandings of provisions of the law, have failed to avail themselves of it.

Another bill introduced by me and included in this measure will extend coverage to widows whose husbands died prior to 1940. Under the 1939 amendments, survivors' benefits were payable only to the survivors of workers who died after 1939. This provision of the bill before us will enable about 25,000 widows, mostly over the age of 75, to become eligible for benefits.

There are many other salutary changes in the social security law covered in this measure. One of these is to increase the benefits to a child of a deceased worker to three-fourths of the worker's benefits. Another is to provide benefits for the widow and children of a marriage entered into in good faith though invalid in law. Another important change is to correct the existing injustice to parents employed in the business of their sons or daughters who henceforth will be permitted to contribute to the social security system and draw benefits therefrom, when eligible.

Not the least of the salutary changes made under the existing bill is the one that provides an improvement in the rate

of return on trust fund investments so that the social security trust fund should receive interest more nearly equivalent to that paid by the Treasury and long-term money it borrows from other investors.

Mr. LENNON. Mr. Chairman, will the gentleman yield?

Mr. HARRISON. I yield to the gentleman from North Carolina.

Mr. LENNON. The State of North Carolina has a Medical Care Commission. I assume that most of the other States of the Union have organizations comparable to the Medical Care Commission in North Carolina. The question I would like to ask the gentleman, who is a distinguished member of the Committee on Ways and Means, is this: How many States having Medical Care Commissions or comparable organizations such as that put statements in the hearing record favoring this medical care to the aged?

Mr. HARRISON. I do not know. Can the chairman of the Committee on Ways and Means answer the question?

Mr. MILLS. The only thing that we can refer to as representing the position of State administrators or any commission that may be working with them is the fact that in the course of a hearing we had on Mr. FORAND's bill it was stated that these people favored Mr. FORAND's approach to taking care of the medical problems of the aged. The organization as such had been on record for some time in support of his views.

Mr. LENNON. Then the chairman of the committee cannot say that at least a majority of the States through their representatives came to Washington and appeared before the Committee on Ways and Means asking to participate in such a program as this?

Mr. HARRISON. The committee had no public hearings on this.

Mr. LENNON. The committee held no public hearings.

I note on page 154 of the bill that the States must submit plans to the Secretary of HEW in order to have such a plan approved in the respective States. There are, I believe, 17 different categories or plans that the State must submit to have it approved by the Secretary of HEW.

Mr. HARRISON. Seventeen different categories?

Mr. LENNON. Seventeen different categories that the State must list or set out in its application to the HEW for approval of the plan.

Mr. HARRISON. Is the gentleman talking about title 1 or title 16?

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. LENNON. Does the gentleman have a copy of the bill?

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. HARRISON. I yield to the gentleman from Arkansas.

Mr. MILLS. There are 17 different paragraphs referring to things that would be contained in the plan submitted by the States, but I would call the gentleman's attention to the fact

that practically every one of them, not all of them, is already in the law with respect to plans submitted under title 1, under title 10, under title 14, and under title 15.

Mr. LENNON. Mr. Chairman, if the gentleman will yield further, on page 158, section 15, the State shall submit a plan "include methods for determining," and then in subsection (B), "schedules of fees or rates of payment for other medical services."

Now, does that mean that the States must make the determination as to what the maximum fees are that may be charged for medical services?

Mr. HARRISON. Yes.

Mr. MILLS. It does not mean that.

Mr. HARRISON. That is what it says.

Mr. MILLS. Well, it does not mean that.

Mr. HARRISON. It says that whether it means it or not. I think there is a lot in here that does not mean what it says.

Mr. LENNON. Would the chairman of the committee then be kind enough to tell me what that does mean?

Mr. MILLS. It means simply this, that the States have to show, in accordance with the plan, how they arrive at the payment of these things; not that they are going to fix any unreasonable limits. I call the gentleman's attention to the fact that this provision is very similar to the provision that applies at the moment with respect to the medical care programs under title I. If the gentleman will turn to page 158 of the bill, line 9, it reads "include methods for determining." That is all we are talking about. It is the method. We want some degree of understanding as to how these things are determined.

Mr. HARRISON. I understand the chairman contends that the State plans will not fix the rate of fees to be charged by doctors. Do they have to pay whatever the doctor says?

Mr. MILLS. Oh, no.

Mr. HARRISON. Then, what is the situation?

Mr. MILLS. I think the gentleman knows that the State would not be required to fix the rate of pay under this at all. What they have to do is to show the method that they arrive at in making these payments.

Mr. HARRISON. Well, but they have to file a schedule.

Mr. MILLS. I think the gentleman fails to understand this provision.

Mr. HARRISON. Either they fix a schedule or the doctor can charge whatever he wants.

Mr. MILLS. I suggest the gentleman read page 130 of the report, the technical analysis of this thing.

Mr. HARRISON. Page 130 of the report says that the State plan must "include methods for determining rates of payment for institutional services, and schedules of fees or rates of payment for other medical services, for which expenditures are made under the plan."

Mr. MASON. Mr. Chairman, I yield 5 minutes to the gentleman from Tennessee [Mr. BAKER].

Mr. BAKER. Mr. Chairman, I sincerely believe in the social security sys-

tem. In my second term as a Member of this body I became a member of the Committee on Ways and Means. I was fortunate enough to become a member of the Subcommittee on Social Security. We held extensive hearings. Many revisions were suggested, but none were put into effect in that particular time. Since that time I have carefully studied the social security system and, I repeat, I believe in it.

Now, down to the bill. There are 184 pages of it. It is the result of weeks and weeks and weeks of study on the part of this committee of which I am proud to be a member. It is a great improvement over existing law. It will be of benefit to millions of people.

Mr. Chairman, I do not claim it is perfect. No law is perfect. As time goes on, we will study and continue to study what is best for those people in the twilight zone of their lives that each and every one of us will soon approach.

Now, the controversial feature is title XVI. It is said that it is socialism to grant from public funds medical care for the aged. I say it is not. We have granted money for food, clothing, and lodging, a pittance, yes, for these old citizens. Is it any more socialism to grant medical care, something for the body and the brain and peace of mind for these elderly citizens than it is to grant the substance from which to obtain food and clothing from the public Treasury or from the taxpaying section—and I say that advisedly—for the medical care of these aged people?

Mr. Chairman, I support the bill in its entirety. There are many different ways to approach medical care for the aged. I do not have a closed mind. We must further study this complex problem. The committee will do so. The Forand bill is not socialism, and I care not who hears me say that, even though I voted against it in the committee.

The gentleman from Rhode Island is a fine loyal American who believes in the free enterprise system. We all regret his retirement.

This entire problem needs to be further looked into. We are making a step in the right direction. Replying to my beloved friend from Virginia, when he referred to Secretary Flemming as the "Cranberry King," I know that Mr. Flemming has worked sincerely and wholeheartedly and efficiently to solve this important problem. We have made a great, big step in the right direction, in my judgment. I support the bill in its present form in its entirety.

Mr. MILLS. Mr. Chairman, I yield 2 minutes to the gentleman from Texas [Mr. IKARD].

Mr. IKARD. Mr. Chairman, I should like to clarify one particular section of the bill.

Section 531 of the bill—pages 143-146 of H.R. 12580—extends coverage under the unemployment compensation program to employees of certain Federal instrumentalities. The extension will make subject to the Federal unemployment tax any Federal instrumentality which is neither wholly nor partially owned by the United States unless it is exempt from the tax by a specific provision of law. The same section au-

thorizes the legislature of any State to subject employment by such Federal instrumentalities to the State's approved unemployment compensation tax laws. Examples of the Federal instrumentalities thus to be covered are given on page 55 of the committee report on the bill—House Report No. 1799.

My purpose is to make it clear that there is no intention to extend coverage to an organization which is now exempt as a charitable corporation but which also is a Federal instrumentality neither wholly nor partially owned by the United States. The American National Red Cross has for many purposes been regarded as an instrumentality of the Federal Government. However, its exemption from Federal unemployment taxes is presently based on that provision of the statute which specifically exempts service performed in the employ of certain charitable corporations from such taxes. H.R. 12580 continues the exemption from unemployment taxes for such charitable corporations; hence the bill is not intended to remove the Red Cross' current exemption. Similarly, it is not the intention of the bill to remove the present exemption of Red Cross employment from State unemployment taxation.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. IKARD. I yield to the gentleman.

Mr. MILLS. The gentleman has very clearly stated, may I say, the understanding that I have of the bill in this respect. Certainly his statement is a very clear reflection of what was intended as far as I am concerned.

Mr. IKARD. I thank the Chairman very much.

Mr. MILLS. Mr. Chairman, I yield 6 minutes to the gentleman from Missouri [Mr. KARSTEN].

Mr. KARSTEN. Mr. Chairman, at the outset I should like to pay tribute to the distinguished gentleman from Rhode Island [Mr. FORAND], who has devoted many years to a diligent study of the social security system. This is not a new subject with him. He has worked at it all his life. The fact that we are not voting on his bill today is perhaps a disappointment, but I think he has rendered the country and the Congress a great service in introducing the Forand bill, H.R. 4700, and bringing to public attention, the important matter of health care.

All of us regret he has decided to return to private life. Whatever may be his future plans I would not want to let this opportunity pass without wishing him success in his new endeavors.

I am going to support the pending social security bill, which contains within its framework, a very limited beginning in the field of health legislation. Admittedly, this is a difficult area in which to legislate. In the 5 years I have been a member of the Committee on Ways and Means I know of no problem that has been more difficult than this one.

The first decision, of course, is whether we shall enter the area of health legislation at all. The Committee on Ways and Means, in reporting this bill, has made the decision that legislation is not only desirable but necessary. After

reaching that conclusion, the next decision is how shall we proceed. It was at this point the committee encountered wide differences of opinion amongst ourselves, the administration, the medical and allied professions, and other quarters.

During the public hearings last year and the executive sessions this year, which extended over a period of 3 months, we considered a variety of plans and proposals which included the Forand bill, the administration program and many variations of both. These various proposals differing in details, benefits, costs, and financing, divided themselves into two general approaches to the problem of health legislation.

The medicare plan, proposed by the Department of Health, Education, and Welfare, represented one approach. The distinguishing feature of this proposal was the payment of outright grants to the States from the General Revenue of the Federal Government. States desiring to participate would be required to match the Federal grants and limit the benefits to those whose incomes did not exceed \$2,500 for a single person and \$3,800 for a married couple. In addition, it provided for the payment of a nominal fee by the individual upon enrolling in the program. Before the schedule of benefits would become available to the individual, however, he would be obliged, in the case of a single person, to pay the first \$250 of his annual medical expenses. In the case of a married couple the deductible amount would have amounted to \$400.

While the medicare approach may have some desirable provisions, it has two principal objections: First, it calls for the taking of money from the Treasury without providing taxes to finance its cost; second, it embodies a needs test—highly refined—but nevertheless a needs test in every sense of the word. Rather than getting the Federal Government out of the relief business, the medicare plan would set up firmly in the Federal Government a large medical relief program.

There are many other features of the medicare plan about which serious questions could be raised but because of these two fundamental objections I opposed the plan in the committee. The medicare proposal was defeated by a vote of 15 to 10.

The other broad approach might be described simply as the Forand bill. This provides a system of health benefits, financed in a manner similar to the social security program. Under this approach, the employee and employer would pay about one-half of 1 percent additional social security tax and the program would be financed as it went along. It calls for no grants from the Treasury, or State matching funds, and would include all of those under the Social Security system. A prepaid insurance program of this type, of course, eliminates the undesirable needs test, or the "income" test if you prefer that term, and enables the individual to receive benefits on the basis of his contributions. The committee's efforts to include a social security health program in the pending bill were not successful

and this approach was defeated by a vote of 17 to 8.

Thus, there was not a majority of the members of the committee in favor of either approach, the social security health program or the medicare proposal. The committee, therefore, was obliged to depart from both theories in order to bring the pending legislation to the House.

About all that can be said in favor of the medical provisions of this bill is that they are needed now for those in the extremely low-income brackets who would not benefit under either a social security health bill or the medicare proposal.

For myself, I confess, I am disappointed in the committee bill and I know many Members of the House share this disappointment. Under our legislative and parliamentary system, however, this bill is not in final form. Rather, it is in the nature of an incomplete document which is going to another body when it leaves the House of Representatives.

While, of course, no one can predict what will be done in the other body, one thing is certain. It would be impossible to further weaken the medical provisions of the bill without destroying them entirely. In my opinion, the course for the House to take is to pass this measure in the hope that when it reaches the other body, amendments will be added to provide a social security health program adequate to meet the needs of the people and the times.

Mr. MILLS. Mr. Chairman, I yield such time as he may require to the distinguished majority leader, the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, I want to announce for the information of the Members that the next order of business today will be the continuation of the consideration of the farm bill. If we are going to adjourn sine die, and it is a remote possibility still, we can do so if we do the things we are capable of doing and have to do. We will have to meet earlier, and we will have to run later in the evenings. When we are in the House, I am going to ask that the House meet at 10 o'clock tomorrow morning. I wanted to make this announcement so the Members would know what the next order of business is. I know the membership will cooperate most effectively so that we may dispose of our business so that we may adjourn sine die. I still say it is a remote possibility, but it is a goal worth striving for.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Indiana.

Mr. HALLECK. As far as I am concerned, it is perfectly all right to come in at 10 o'clock tomorrow morning.

Mr. McCORMACK. I am going to ask for that when we are in the House.

Mr. HALLECK. I understand. But as to the legislative program for tomorrow, if the supplemental appropriation bill is ready; is it expected that that will come ahead of the continuation of the farm bill, if we do not complete the consideration of the farm bill tonight?

Mr. McCORMACK. I think we ought to continue with the consideration of the farm bill until it is disposed of. Then the supplemental appropriation bill will be the next order of business.

Mr. HALLECK. I thank the gentleman.

Mr. MASON. Mr. Chairman, I yield myself such time as I may require, and I do this because I want to ask the chairman of the committee some questions.

The first question is: Is this a medical care plan for the needy aged within the framework of our free and competitive system of private enterprise, and will it interfere with our free enterprise system?

Mr. MILLS. I would have to answer the gentleman's first question in the affirmative. I would have to answer the gentleman's second question in the negative.

Mr. MASON. Then the second question I want to ask is this: Does the "plan" preserve the beneficiary's freedom in choosing a physician or hospital and in the purchase of prescription drugs and medicine?

Mr. MILLS. It certainly does.

Mr. MASON. Under the proposed legislation, would the individual States be empowered to limit "plan" beneficiaries to the purchase of their prescriptions from certain relatively few retail drug stores, and, thus, exclude all other drug retailers from participating in the business?

Mr. MILLS. That is certainly not intended and I do not believe it is included within the purpose of this program. There would be wide discretion in the selection of dispensaries of drugs.

Mr. MASON. Would it be fair to say that the author and sponsors of the bill do not intend to sanction in any way the establishment of either Federal or State Government drug dispensaries to be operated in competition with the Nation's independent retail pharmacists?

Mr. MILLS. There is nothing in the world in this program that is intended to lead to such a development. In fact, just the contrary is intended.

Mr. MASON. My last question is as follows: On the matter of prescription drug prices, physicians' fees, and hospital charges, the Federal law will permit each State to work out its own drug pricing schedule just as it will do for physicians' fees and hospital charges. Is that correct?

Mr. MILLS. That is entirely up to the States—yes.

Mr. MASON. I thank the gentleman.

Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. Knox].

Mr. KNOX. Mr. Chairman, I rise in support of H.R. 12580. It does not, however, in my opinion, have the broad coverage that should have been given consideration by the Congress. It is my belief, nevertheless, that it is a step in the right direction to help those who are financially unable to help themselves.

In the deliberations of the Committee on Ways and Means we had three distinct proposals offered to assist our elder citizens in the field of medical care. One was the bill introduced by my distinguished colleague Mr. FORAND, which

would have provided hospitalization and surgical care to all those eligible to receive social security benefits. The program was to be financed by a 1 percent increase in the social security tax. However, this legislation discriminated against approximately 4 million aged citizens who have been denied the right to participate under the Social Security Act because of the fact that Congress never provided for their coverage. I believe the large majority of these 4 million citizens are in greater need of assistance in the field of hospitalization and medical and surgical care because they are not eligible to receive social security benefits, and it is doubtful as to any other income they may have outside of what little work they do in their particular field of endeavor in the remaining days of their sunset life. This proposal was defeated by the committee.

The second proposal was the plan recommended by the Secretary of Health, Education, and Welfare. This proposal offered a potential solution to the health need problems of our senior citizens within the framework of a voluntary approach. It offered comprehensive health and medical services protection while at the same time encouraging individual self-initiative to guard against the heavy economic burden of long-term illness. It would have limited Federal administrative intervention and vest principal administrative responsibility to the States with the costs being shared by the individual and the Federal and State governments. Every aged person who needed Government help to secure himself against medical costs would have been eligible for this protection and it was designed to concentrate the use of Government funds on those elderly persons who have the greatest need for protection. This proposal was also defeated by the committee.

The final proposal is the one that is before us today, which I believe is a step in the right direction, and I support its passage.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. MACHROWICZ].

Mr. MACHROWICZ. Mr. Chairman, I would like to join with the other members of my committee who paid tribute to the gentleman from Rhode Island, who has decided not to be with us this next session of Congress, and I want to say honestly this: That if this Nation today is aware and cognizant of the tremendous importance of the problem of adequate medical care for the aged, if the administration has finally shown some interest in this program, and if we are considering it today, it is due in great measure to the very, very hard work the gentleman from Rhode Island and his subcommittee have done. There will be a Forand-type bill passed by Congress, if not at this, then at some other session; and when it is passed I think the credit for the bill should go to him, because he was the originator, the sparkplug, responsible for the initiation of the program.

I want to pay tribute also to our chairman, who has been most fair and considerate throughout the hearings.

Mr. Chairman, this bill that is before us today must be judged, in my opinion, by its omissions as well as by its contents. I voted to report the bill out, and I intend to vote for the bill and support it today, but I also signed the concurrent views deploring the bill's inadequacy insofar as medical care for the aged is concerned.

Mr. Chairman, 1960 is the 25th anniversary of the enactment of the Social Security Act. It was in 1935 that the Congress under the leadership of the House Ways and Means Committee wrote into law the recommendations of Franklin Delano Roosevelt, a great Democratic President who declared:

It is my hope that soon the United States will have a national system under which no man or woman within our borders will lack a minimum old-age pension that will provide adequate food, adequate clothing, and adequate lodging, to the end of the road, and without having to go to the poorhouse to get it.

The Ways and Means Committee and the Congress were not impressed then by the charges of bureaucracy, regimentation, compulsion, and socialism that were used to oppose the provisions for a contributory social insurance system that would entitle Americans to benefits as a matter of right instead of charity. The purpose of these provisions was summed up by Justice Cardozo in the decision he wrote upholding the act's constitutionality.

The hope behind this statute—

He said—

is to save men and women from the rigors of the poorhouse as well as from the haunting fear that such a lot awaits them when journey's end is near.

It is unfortunate, in my opinion, that the majority of the Ways and Means Committee has rejected any program that would build upon the existing social security system and would make available to people health benefits on the basis of an earned entitlement rather than as public charity based on a needs test. It is particularly unfortunate that this body does not, today, have the opportunity to stand up and be counted on this basic issue. Nevertheless, I urge passage of this bill, because I hope that the passage of the H.R. 12580, inadequate as it is to do the job, will furnish to the other body the vehicle for the enactment of a program which will use the social insurance mechanism to provide medical care for our aged. I hope that such action will be taken and that this House will then have the opportunity to demonstrate its belief in our social security system.

On this crucial issue the American people are waiting for a decision. I know they will not be disappointed.

There are at least three major respects in which this bill falls far short of an adequate package to be offered the people of the United States on the 25th anniversary of the enactment of the Social Security Act.

It falls utterly to meet the problems of the great majority of the aged in paying for health care. It does nothing to improve benefit provisions of unemployment insurance through either

minimum Federal standards or reinsurance grants to States. And, while leaving a heavy burden to public assistance, it does pathetically little to assure decent levels of living and health care.

The most grievous omission is that of health benefits for the aged through social insurance. The tremendous growth of public demand for such benefits reveals the crying need for their enactment. Letter after letter tells the tragic details of older people who had maintained their independence and managed to save for their retirement, but whose hopes as well as health have now been shattered by expensive illnesses.

I regret that only nine members of the committee have placed themselves on record as supporting the use of the social insurance system for helping the aged pay for health care. But I am proud that all nine are members of the Democratic Party.

In contrast, the Republican members of the committee voted to postpone any action on any kind of health care this year, 5 of the 10 advocated postponement in a minority report, and 3 of these have indicated their opposition to enactment of even this feeble bill because, according to them, it "compounds the weakness and actuarial unsoundness of the existing program."

It is shocking that after a quarter century of successful operation of our old-age insurance system there are those who still question its basic soundness and would still have us rely on relief and assistance, with a means test, as the only governmental approach to meeting the major economic hazards of heavy medical costs which threatens our 16 million aged citizens.

Eight members of the Ways and Means Committee, including myself, joined in "Supplemental Views on Health Benefits for the Aged" which explain the basic advantages of adding payments for health care to the OASDI system.

To quote the report:

We believe that the 70 million workers covered under social security should be given the opportunity to contribute now, while working, toward paid-up medical-care protection in old age for themselves, their wives, and widows, so that the greatest threat to the economic security of the retired aged would be met on a planned and orderly basis—without cost to the general revenues of Federal, State, and local governments and in a way that supports the rights and dignity of the individual citizen . . .

The problem of insecurity arising from the high cost of medical care during the years of retirement is not primarily the problem of the very poor. The objective should be to remove for all the aged the haunting fear that an expensive illness will wipe out a lifetime accumulation of savings, threaten the ownership of a home, force dependence on children, or make one, after a lifetime of independence, submit to the humiliation of a test of need.

Our goal is, so far as possible, to prevent dependency rather than to deal with it at the expense of the general taxpayer after it has occurred. By contributing additional small amounts from their earnings to the nearly universal social security system, workers could gain insurance protection

against medical care costs in retirement and their possible future dependency could be prevented.

Since eventually about 95 percent of the American labor force, including farmers and self-employed, will get retirement benefits under the self-financed contributory social security program, and since the wives and widows of workers are also covered, the addition of this type of protection to social security would mean that in the future almost all elderly people would be protected.

Persons already retired would receive the new health benefits, following the past pattern that when the Congress has added to cash benefits, it has made increases available to current beneficiaries.

Contributory social insurance has been applied with great success to the need for income maintenance in retirement, for survivors after the death of the chief breadwinner in the family, and for the family after the disability of the worker. The general taxpayer has been saved billions of dollars a year, and the self-respect and independence of American workers have been greatly strengthened by this approach to the problem of security planning.

There is every reason to take the same approach with regard to the expenses of medical care after retirement. The cash benefit alone is not enough to provide security. The monthly amounts paid under social security are quite modest—the average worker's benefit is now \$73 a month—and most retired people have barely enough to meet everyday living expenses. The cash benefit, which in many cases scarcely serves its purpose of meeting everyday living expenses, needs to be coupled with protection against the unforeseeable costs of illness. The retirement plan cannot give security if retired persons have no protection against the cost of medical care and have to face the costs currently at a time when their incomes are greatly reduced and the incidence and cost of illness greatly increased.

The Forand bill, H.R. 4700, would give protection to young widows with surviving children as well as to the aged. It would meet substantial hospital, skilled nursing home and surgical costs, as a matter of right, and on a practical basis, with optional use by the Secretary of voluntary nonprofit plans, such as Blue Cross, in its administration.

The committee also considered other proposals for adding health benefits through the old-age, survivors, and disability insurance program. Alternatives explored included: a broad range of benefits with a large deductible; hospital benefits accompanied by skilled nursing home care and home nursing care provided through community agencies, such as visiting nurse services; the option of a supplemental cash benefit that could be chosen instead of the proposed health benefits; and limitation of eligibility to persons 65 years of age and older.

Cost estimates submitted by the agency indicated that H.R. 4700 would cost about one-half of 1 percent of payrolls in early years, with a level premium cost of about eight-tenths of 1 percent of pay-

rolls. More modest proposals would have provided substantial protection at a level premium cost of about one-half of 1 percent of payrolls. A broad spectrum of benefits—with a large cash deductible—identical to those in the administration proposal, was estimated to cost 1.09 percent of payrolls if provided through social insurance.

It is clear, therefore, that a modest increase in the contribution rate, ranging from a few tenths of 1 percent each up to one-half of 1 percent each by employers and employees, would finance a significant amount of protection for the present aged beneficiaries as well as for almost all the aged in the years ahead.

Whatever the scope of benefits, the social insurance approach would assure that they would definitely be available, that the individual could count on eligibility for them, and that they would be supported by adequate, advance financing.

Insofar as individuals have the resources to purchase private insurance, they would then be able to build such individual protection around the basic social insurance program. Contrary to fears that have been expressed, the development of social insurance has not interfered with the growth of commercial insurance. On the contrary, a tremendous growth of private protection has accompanied the development of the old-age, survivors, and disability insurance system.

The social insurance approach can thus permit substantial flexibility in the protection obtained. It can be voluntary as to benefits if the choice of a cash equivalent is included. The tax would be compulsory, but no more than other taxes, such as those that will be required to finance title XVI or any other program paid for from general revenues. Individuals would continue to exercise whatever choice they now have in regard to the persons or institutions from whom they obtain care.

Physicians would have freedom to practice as they choose. They would still have responsibility for recommending and certifying that a given type of care is necessary, whether in a hospital, a skilled nursing home, or the patient's own home. On both physicians and hospitals would continue to rest responsibility for developing improved methods of caring for aged persons, utilizing less expensive forms of care when they would prove constructive, and speeding rehabilitation so as to avoid permanent invalidism. The alleged danger that patients would be "herded into institutions" is not valid under social insurance any more than it is under private insurance policies.

We have again heard the bogey cry of "socialized medicine." This echoes the charge of socialism which Republicans made against the original social security system, against the TVA, and other essential programs for the welfare of the people. It is the same charge which the American Medical Association has made in the past against workmen's compensation, against the voluntary health insurance plans when they were first inaugurated, against veterans' hospitals,

and against other programs which are accepted as essential by the great majority of Americans.

These bogeys have been exposed recently by statements from conservative sources which support addition of health benefits for the aged through social insurance. These sources include the Washington Post, Business Week magazine, Life, the New York Times, and, most recently, Walter Lippmann, the well-known columnist. It is worth quoting three paragraphs from Mr. Lippmann:

Among the opponents of medical insurance there seems to be a vague and uncomfortable feeling that it is a new-fangled theory, alien to the American way of life and imported, presumably, from Soviet Russia.

The Founding Fathers were not subject to such theoretical hobgoblins. In 1798 Congress set up the first medical insurance scheme under the U.S. Marine Hospital Service. The scheme was financed by deducting from seamen's wages contributions to pay for their hospital expenses.

If that was socialized medicine, the generation of the Founding Fathers was blandly unaware of it.

The Eisenhower administration still opposes the addition of health benefits for the aged through the old-age, survivors and disability insurance program. This opposition has been expressed by President Eisenhower, by Vice President Nixon, by Secretary Flemming, and by congressional leaders of the Republican Party.

This opposition was translated into long-continued delays in presenting an alternative plan to the Ways and Means Committee.

In 1958 the committee requested the Secretary of Health, Education, and Welfare to report on methods of providing insurance against the cost of hospital and nursing home care for old-age, survivors, and disability insurance beneficiaries. A substantial report on the matter was submitted to the committee on April 3, 1959. Testimony from a wide variety of witnesses was heard in 1958 and in July 1959. On July 13, the Secretary of Health, Education, and Welfare assured us that he would continue studying possible approaches and would report the results of his studies as soon as possible. No recommendations were received from him, however, until May 4, 1960. The committee had by then been considering health problems of the aged and other social security amendments for more than a month.

The proposals of the administration were discussed by the committee at some length but did not win its support, nor were they ever embodied in legislative language. Indeed, after the administration proposals of May 4 were given to the committee, it became clear that important aspects of their administration had not been solved. Much time was spent, for example, in considering the practicality of the income test, but it was never clear that the Bureau of Internal Revenue could effectively supply essential information on gross income that would make the approach of an income test either equitable or enforceable.

even if one were willing to accept it as a substitute for benefits as a matter of right.

Major defects in Secretary Flemming's plan of May 4 are set forth in our supplemental views. I shall not attempt to repeat them here.

What has emerged from the committee in regard to health care of the aged is not the proposal of the Eisenhower administration but a form of public assistance, called title XVI. No fine words can change this product from its essential character of welfare based on a means test with all its drastic limitations and its potential for undermining the dignity, self-respect, and self-reliance of the American people.

Public assistance is a form of social security but the least desirable form. It should be the last resort, available to those who cannot be reached by social insurance or private aid, but held to a minimum in terms of the number of people who must seek it when all else has failed.

As commonly used by Americans today, the term social security does not mean public assistance but old-age, survivors and disability insurance, the basic program on which the great majority of Americans have come to rely.

The new program added by title VI of the bill to be called title XVI of the Social Security Act, has the following in common with the older form of public assistance for the aged embodied in title I of the act:

First. It is based on Federal matching grants to the States, which will decide for themselves whether to enact the program at all, how much money to appropriate, and how strict and onerous the eligibility requirements should be. The general requirements for State plans are much like those under public assistance except that (a) no lien may be imposed against the property of any individual before his death and that of his surviving spouse, and (b) no resident of the State may be excluded. These exceptions, included as Federal standards for the State plans, are desirable but they certainly do not alter the basic welfare nature of the program.

Second. A means test must be applied and its strictness is determined by the State. The bill says that an eligible individual is one who is 65 years of age or over and "whose income and resources, taking into account his other living requirements as determined by the State, are insufficient to meet the cost of his medical services." Such a clause cannot be applied except through a series of questions and continuing investigation, presumably by the staff of the same welfare offices that administer the title I program.

Americans want the kind of security that is based on contributions during working years and avoids the necessity of applying to a welfare agency. From the point of view of the community, it is far better to have health benefits protect the savings and health of the aged so that they are not reduced to the low levels of income which mean dependency and resort to aid from general revenues.

Third. The services paid for need not include all forms or even basic forms of

health care. They can be as few and meager as the State decides, with the single exception that some noninstitutional care must be included.

A broad potential scope of services is listed, with Federal matching available for them, but this is nothing new. Indeed one of the provisions specifies that a program under title XVI cannot be more liberal than the medical program under old-age assistance matched under title I, and that there can be no reduction in any of the public assistance programs to finance title XVI. These safeguarding provisions are only fair to the low-income people now dependent on assistance, but they will greatly limit the number of States, the number of people, and the kind of services which will be covered under title XVI.

It is desirable for the Congress to improve and expand public assistance, and title XVI will probably do some good in some places. But let us not deceive ourselves into thinking that it will result in generous State programs, except perhaps in a few instances.

Inherent disadvantages of the public assistance approach will be aggravated by the present fiscal problems of the States. If a progressive State is considering establishing an adequate program under title XVI, the usual arguments will be made that higher taxes will drive business elsewhere and that high payments will attract dependent people. Many States, like my own, have encountered these arguments, which have proved influential with State legislatures regardless of their conformity with the facts. The same barriers to adequacy under a State-by-State approach will be encountered as in other social welfare programs.

Many States have had to expand their services substantially and are having great difficulty raising sufficient revenues. The same is true of many local governments. State and local debts for schools and other functions have increased tremendously and so have State and local outlays and taxes.

According to estimates in the committee report, States and localities would have to provide almost \$160 million a year in order to receive \$165 million of Federal funds under title XVI. If they do not find such funds, then even fewer persons would be helped than the one-half million to 1 million aged estimated by the Department of Health, Education, and Welfare.

The Department's estimates as to how many persons will be aided and what Federal funds States will receive naturally involve many judgments on political, fiscal, and social factors. But it may well be true, as the Department's table on page 11 of the committee report shows, that 3 States would get 51 percent of the total Federal funds and that 16 States—including the 3—would get 95 percent. The remaining 5 percent would be split among 34 States, many of which in practice would receive little if anything.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. MACHROWICZ. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. I congratulate the gentleman on the effective speech he is making. I have listened with particular interest to his reference to the original Social Security Act. It happens that I was one of those who drafted the original Social Security Act, because I was a member of the Committee on Ways and Means at the time. I served on that committee for 10 years, at least. I remember well the cry of "socialism" that was made, and the gentleman is stating history correctly. I also remember that the insurance companies were saying that the passage of the bill would destroy the insurance business in this country. We all know now that it has been an impetus in strengthening the insurance companies by making the people of our country insurance minded. That argument "socialism" against the Forand bill is just as fallacious as it can be. There is nothing socialistic about that bill. It simply uses its provisions as an avenue for the employer and the employee to pay the expenses. They can select their own doctors; they can select their own hospitals. There is absolutely nothing socialistic about it. When the gentleman recalls the cry of "socialism" against the original Social Security Act, which included unemployment compensation and other important provisions, the gentleman is absolutely correct. It is one of the soundest bills that ever passed any Congress, and legislation now along the line of the Forand bill should be enacted into law. And, I hope that the constructive vision of the House conferees, under the chairmanship of our friend, the gentleman from Arkansas (Mr. MILLS), will prevail and that when the bill comes out of conference, the Senate improving it considerably, we will have a real, effective bill.

Mr. MACHROWICZ. I thank the distinguished majority leader. I want to say that his contribution to the establishment of the social security system and its development are well known to this Congress and the entire Nation.

Mr. Chairman, the proposed improvements in title I, the present old-age assistance program, are desirable but all too limited. They make additional Federal funds available if States expand their own appropriations. The 27 States that now pay an average of at least \$65 a month to old-age assistance recipients will be able to get 25 cents more per person per month for medical care; other States may get up to \$350 a month more Federal matching funds looking to a total extra expenditure of \$5 a month. Since many recipients are very old and ill, these sums will not remedy the grave inadequacy of medical care under many State programs today.

Congress has already made substantial Federal matching grants available to the States for public assistance, and much money is spent each year from general revenues to help dependent people. But 24 States do not now take advantage of all the Federal matching funds available to them.

The Advisory Council on Public Assistance, created by the social security amendments of 1958, reported to us at

length on "the serious gaps and inadequacies that still remain in coverage, inadequacy of public financial assistance, and in availability of high-quality services." I recommend that report to those who think that a new public assistance title, such as is proposed, plus other changes in public assistance will meet the great health needs of the aged in a satisfactory manner. The report points out, for example, that "not many States provide assistance for comprehensive medical care. Some pay only for a single item."

If the great majority of the aged, including the 12 million who have old-age, survivors, and disability insurance protection, can receive health benefits through the social insurance system, then the load on public assistance will be smaller and States and localities will be able to do a better job for persons dependent on this program of last resort.

A two-pronged approach is necessary, and this bill deals with only one: public assistance, based on a means test.

Surely our Nation with a gross national product of more than \$500 billion can do better by our aged citizens.

I hope this bill will pass, because otherwise the other body will have no vehicle through which to exercise its will on this issue, but I hope also that there will be in that body a sufficiently adequate improvement of the bill to meet the urgent needs of the people of our country.

Mr. MILLS. Mr. Chairman, I yield 2 minutes to the gentleman from Colorado [Mr. ROGERS].

Mr. ROGERS of Colorado. Mr. Chairman, I should like to propound a question to the chairman of the Committee on Ways and Means.

The State of Colorado has an old-age assistance program which also provides for medical care to those who are eligible to receive old-age assistance. My question is, will this bill, when enacted into law, permit the State of Colorado to set up a separate plan to provide for the aged and those whose income may be such that they are not eligible under the old-age assistance program? Could the State of Colorado set up such a plan?

Mr. MILLS. The gentleman has described the purpose of title XVI, to enable his State and all other States desiring to do so to set up such a plan.

Mr. ROGERS of Colorado. What could be the extent of the plan by the State? For example, as to anyone who is past the age of 65 and whose income is less than \$200 a month, could the State say that he would be entitled to participate in the State program and then the Federal Government would match it?

Mr. MILLS. Yes, sir; it is entirely up to the State. The State is given the greatest latitude here in determining who is eligible when it comes to medical needs just as it is under the other public assistance titles. The program is designed to meet these needs of low income aged who are otherwise self-sufficient.

Mr. ROGERS of Colorado. Am I to understand, also, that the State could not give more under the plan provided in this legislation than is provided in the old-age assistance medical plan that is now in operation?

Mr. MILLS. The gentleman is correct.

Mr. ROGERS of Colorado. And if the State of Colorado, for example, wants to increase the benefits for medical care to those on old-age assistance, it may do so?

Mr. MILLS. It may do so.

Mr. ROGERS of Colorado. But this plan would not permit the State to pay more than they give to those who now receive old-age assistance or will receive old-age assistance in the future?

Mr. MILLS. The gentleman is correct.

Mr. ROGERS of Colorado. I thank the gentleman.

Mr. MILLS. Mr. Chairman, I yield 2 minutes to the gentleman from Kentucky [Mr. PERKINS].

Mr. PERKINS. Mr. Chairman, the social security amendments of 1960, as reported by the Ways and Means Committee, in addition to other changes, make two very important forward steps by, first, removing the requirement that applicants for disability benefits must be age 50 or over; and, second, recognizing that the States will require more Federal help if they are to meet more adequately the heavy and unpredictable costs of providing health care for those of our older men and women, otherwise self-sufficient, who are in need when they become ill.

All of us are agreed, I am sure, that the vast improvements in medical care which have occurred even within the last decade, must be made more widely available to all of our people. The resulting change in life expectancy—which has made the astonishing increase from only 47 years in 1900 to nearly 70 years today—is but one of the reasons why we must make better provision for the health needs of our older men and women.

Complicating the problem is the fact that the cost of this improved medical care has greatly increased. In a very graphic way this is illustrated by a recent article in the U.S. News & World Report which shows that, while the cost of living across the board in the United States has increased 24.8 percent in the last 10 years, by comparison medical costs have skyrocketed. For example, medical costs in general have increased by almost twice this amount to 47.5 percent, a semiprivate hospital room is up 88.3 percent, and the cost of hospital insurance premiums has spiraled to 108.1 percent. Now are there any indications that these costs will not continue to rise.

Another change in our pattern of medical care which we have not fully recognized as a nation is the paradox that our successes in modern medicine tend to bring about a demand for more medical services since, obviously, there is more reason for buying services if they can do some good. Doctors' visits now average about five a year per person whereas, as recently as the 1920's, they averaged a little over two per person. Hospital admissions have also climbed. In the 1920's, 1 out of 17 persons in the population went to a hospital during a year whereas today 1 out of 8 enters a hospital during a year.

The appalling tragedy which faces us is that older persons in our country still generally have incomes so low that they cannot afford to meet the staggering costs which can arise from a prolonged illness. In spite of the fact that aged persons drawing benefits from social security and related public programs has increased from 20.2 percent in 1948 to around 70 percent today and despite the vast increase in the amount of benefits now being paid there were still 8.8 million aged persons in 1957 with cash incomes of less than \$1,000. This, we can be sure, is one reason why the 1957 survey of social security beneficiaries showed that only 14.4 percent of married couples and 9.2 percent of unmarried beneficiaries had some of their medical costs met by insurance. The simple truth, which we must recognize, is that too many of our senior citizens simply do not have the money to buy the kind of comprehensive insurance coverage which they need. The minimum payments under social security should be raised from the present \$33 so that they will be no less than \$50 per month. This can be done without increasing the social security tax and it certainly cannot be considered inflationary.

A very important point appearing in the "Summary of Findings and Recommendations of the Kentucky Commission on Medical Care for Indigent Persons in Kentucky" is that, while free services are provided for many of these people, by certain hospitals and physicians, this does not always meet the need. In the words of the report:

Physicians and other persons frequently are willing to give of their time and professional skills to the indigent without compensation. However, this burden falls heavily on some and lightly on others.

In order to avoid deficits which free services to the indigent would create, hospitals must pass the costs of such services on to hospital patients who are able to pay. It is not fair for the patients who are able to pay their hospital bills to carry the burden of financing the care of indigent persons. It adds to the paying patient's burden at a time when he is already facing heavy medical care costs.

Although physicians and other professional people and general hospitals provide a considerable amount of free service for the indigent, other groups of suppliers, including operators of proprietary nursing homes, registered nurses, druggists, and some physicians and dentists are unable to provide free service.

Thus it is clear that the present arrangements are not equitable; they place an unjust burden on some suppliers of medical care and on the nonindigent sick in the hospitals.

Furthermore, under this system many thousands go without needed medical care because through pride or ignorance they fail to ask for free services.

I am proud to say that Kentucky will inaugurate a new and better medical care program beginning with the calendar year 1961. The Kentucky Medical Assistance Act, which was passed this year, provides for vendor payments for medical care not only for people on public assistance but also to include care for those people who are not receiving payments for subsistence but who need help in meeting their medical care costs. The

new legislation is, indeed, roughly comparable to the new title XVI which is established by the bill before the House today in that it specifies that the kind of medical care to be provided shall include but not necessarily be limited to, first, hospital care, including drugs and medical supplies and services during any period of actual hospitalization; second, nursing home care, including medical supplies and services during any period of confinement therein on prescription of a physician or dentist; and third, drugs, nursing care, and medical supplies and services during the time when a recipient is not in a hospital but is under treatment and on the prescription of a physician or dentist.

The scope of medical benefits, as determined by the States, in the committee bill would permit the Federal Government to participate, through an equalization formula favorable to low-income States, in any or all of the following services—where limits are applicable they are specified—provided both institutional and noninstitutional services are available: (a) inpatient hospital services up to 120 days per year, (b) skilled nursing-home services, (c) physicians' services, (d) outpatient hospital services, (e) organized home care services, (f) private duty nursing services, (g) therapeutic services, (h) major dental treatment, (i) laboratory and X-ray services up to \$200 per year, and (j) prescribed drugs up to \$200 per year.

It is important to note, too, that the bill gives incentives, particularly to the low-income States, to improve their medical programs for people on old-age assistance.

Kentucky cannot easily pay for the cost of its new program already scheduled to go into effect next year. We have hard times in our State as I have frequently pointed out. But I believe our experience shows that, when the true dimensions of the medical problems facing older people are studied thoroughly and understood—as has happened in Kentucky—most States will be willing to follow the same course. The legislation before us today will encourage such a development and I can assure you that the increased assistance in Federal money provided by the bill will be a source of further encouragement to my State.

I want also to congratulate the Committee on Ways and Means for expanding the scope of what I have always believed to be one of the most important segments of our social security plan—our disability insurance system. Although I would make other changes in the plan in the direction of liberalizing the very strict definition of disability in existing law, I want the record to show that I am in complete agreement with the provision in the committee bill which removes the present requirement that people must be at least 50 years of age before they are entitled to these benefits.

You will recall that the original disability benefits program established in the 1956 amendments was described as a "conservative" program because of the limited experience under the disability freeze, or waiver of premium, provision adopted in 1954 and also because of the

lack of definitive information on the costs of paying disability benefits. All evidence now seems to indicate that we have now had ample experience with the program to make it possible for us to extend it to the younger workers. This was amply demonstrated during the course of hearings conducted last fall by the Harrison Subcommittee on the Administration of the Social Security Laws with respect to the disability insurance plan. According to the report issued by this subcommittee, the evidence before it is:

First. There is no administrative or other justification for continuation of this purely arbitrary distinction.

Second. The distinction can be eliminated without an increase of the tax or impairment of the soundness of the trust fund, according to the Department of Health, Education, and Welfare.

It is good to know that an estimated 125,000 disabled workers and an equal number of their dependents would qualify for benefits immediately upon the removal of the age 50 restriction, effective for the second month after the enactment of the law. For, as the Committee on Ways and Means report points out:

The need of younger disabled workers and their families for disability protection is, in some respects, greater than that of older workers. They are more likely to have families dependent upon them than is the case with respect to workers aged 50 and over. Many who would be eligible for disability benefits except for the age limitation are now receiving payments under the public assistance programs. With insurance benefits available to them and their dependents, some of these individuals would no longer need assistance payments. As a result, the first-year saving in public assistance funds is estimated at \$28 million and it is expected that more would be saved in later years.

I also applaud the change in the disability plan, which stresses the rehabilitation aspects of the program by continuing benefits for 12 months to all disabled workers who seek to rehabilitate themselves or be rehabilitated through private or other governmental agencies. This provision should not be limited, as under existing law, only to those who are seeking rehabilitation through a State-approved vocational rehabilitation plan.

I am aware that there are a number of problems in the disability program. Some very distinguished members of the Kentucky bar have written to me as to the necessity of providing proper representation for the average applicant who is sick and often destitute. They also emphasize the problem facing lawyers and claimants in understanding the standards which govern the determination of disability under the act. I am aware of the fine work which the Subcommittee on the Administration of the Social Security Laws has done in this area. Their recommendation that the Department expand their regulations so as to spell out in some detail the criteria—hitherto unavailable to claimants or their representatives—which govern determinations of disability and give increased attention to protecting claimant's rights at all stages of

the disability determination and appeal process, is an important forward step. Failure of the Department to act in this regard will leave the Congress no alternative but to lay down more explicit legislative guidelines.

In conclusion let me say that I am glad to see that the concern which all of us have for providing adequate protection under the social security plan for our widows and children is also reflected by two changes contained in the bill. The first would increase benefits for about 400,000 orphaned children of workers who have died, or for the dependent children of retired workers, to 75 percent of the primary benefit, subject to the family maximum of \$254 a month. The second would give new protection to some 25,000 people, most of them widows aged 75 or over, who are the survivors of workers who died before 1940 but had at least 6 quarters of coverage. The bill would make them eligible for benefits for the first time.

I am convinced that the bill before us represents a good base of operations upon which we can build the program of the future. Moreover I believe it will enable us to obtain more and better information with regard to the amount and kind of medical care now available in this country for our older men and women. I am sure that when we have these facts, as we found them in Kentucky, ways will be found to provide our senior citizens with their proper share of medical care. Even though it does not accomplish all of the improvements I had hoped for, therefore, I am happy to support the committee bill and urge its immediate passage.

I would like to ask a question concerning the minimum benefits that are paid to social security retirees in this country today where the vast majority have no income other than their social security benefits. I wonder if the committee took into consideration raising the minimum benefits from \$33 up to some realistic figure, such as approximately \$50, which could have been done, in my judgment, without jeopardizing the fund in any way; and certainly it would not have been inflationary.

Mr. MILLS. The committee did give consideration to the gentleman's suggestion and discussed it for several hours at different times. The fact is all of us would have liked to have done this but it would require an increase in the payroll tax of .23 percent.

Mr. PERKINS. For increasing the minimum benefits only?

Mr. MILLS. Yes, sir; to \$50.

Mr. PERKINS. I should like to ask the gentleman another question in connection with the administration of the disability provision that was enacted in 1956. At that time it was estimated by the Social Security authorities that there were more than 400,000 disabled people who would become eligible when that law was enacted and would be eligible by July 1, 1957. As the gentleman well knows much evidence has been brought before his committee to the effect that many disabled people have not been able to get benefits, and then maybe on the second and third try on reconsideration, some have been granted

benefits. I am asking whether or not the committee considered any guidelines for the Administration to follow in considering these applications such as redefining or attempting to liberalize the definition of disability?

Mr. MILLS. Let me point out to the gentleman that we did not make changes with respect to eligibility except the elimination of the 50-year age limitation. We did include a slight amendment, but it had a very limited application. However, I want the gentleman to recognize that in spite of what we said in 1956 there are 750,000 now drawing disability benefits.

The CHAIRMAN. The time of the gentleman from Kentucky has expired. Mr. MILLS. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, I rise in support of the legislation. I think it is unfortunate in that the legislation is grossly inadequate to meet the desperate need that it seeks and purports to meet.

Mr. Chairman, I rise to address myself to one phase of this legislation, one which in my opinion has high priority among the people of this country, and which is not adequately treated in the bill before us.

I refer to the health needs of our senior citizens—those who are 65 or older.

I hope there is no one in this House who denies the existence of this problem. For that matter, I do not know of anyone who denies it. Even the American Medical Association does not deny it.

But the AMA says to us. "Don't do anything about it. If you just let us alone, we will work it out."

I am sorry to see the attitude of the AMA reflected in the legislation adopted by the Ways and Means Committee.

If the Congress had taken the advice of the AMA over the last 25 years, we would not have much to show in the way of social welfare legislation.

Frankly, Mr. Chairman, I sometimes get impatient on this question. We know that our old folks, the men and women who have earned the right to honorable retirement, cannot afford to be sick—cannot afford to be hospitalized—in view of today's medical costs.

In my own district and my own State, there are pensioners who not only receive social security benefits, but are also protected by supplementary pension programs negotiated by their unions. They might be called the aristocrats among the retired workers. Their income does not approach that of the retired executives, but it is far higher than they would get from social security alone.

I know these people. I go to their meetings. I talk with them about their problems. And I can assure you, one serious, prolonged illness would wipe them out. They would lose everything they own—everything they have worked for—their homes, their cars, their TV sets, all the hard-won possessions they have slowly accumulated through years of toil and years of thrift.

Is this what we mean by "social security"? I do not think so.

I submit, Mr. Chairman, that this issue is a very simple one in basic concept. We as a nation are committed to the principle of social security; if, as in this case, a problem is standing in the way of achieving this principle, we need to find a solution. It is obvious to me that the solution must arise through the social security system itself.

That is why I gladly introduced in the House a bill identical to that of my distinguished colleague the gentleman from Rhode Island [Mr. FORAND] and supplemented this with other proposals of my own.

There are those who have said, on this floor and elsewhere, that the Forand bill goes too far. I do not claim the Forand bill is perfect, but I have a different kind of complaint—it does not go far enough.

Very frankly, Mr. Chairman, I am not terrified by those who raise the cry of "socialized medicine." I am interested in preserving and improving the health of the American people, old and young alike. If, in order to do this, we must resort to measures that AMA calls "socialized medicine"—or, to use the latest slogan, "political medicine"—then I say, so be it. And I predict that these measures would not only be good medicine for the country, but good political medicine for those of us who support them.

Let me turn to the so-called health program for the old folks that is contained in the bill before us.

What does it amount to?

First of all, it rejects the social security approach. It rejects the proposal that this should be truly a national and universal program. It rejects the conception of health care for the aged as an insurance program, paid for over the working life of the beneficiaries.

Instead, it proposes to set up an enlargement of the public assistance program. It proposes to spend \$325 million a year out of the Public Treasury; out of the budget, if you will.

And for what purpose? What is the great good that will be accomplished?

The whole achievement of this program will be to give a certain amount of help to perhaps a million old folks—or perhaps only half that many—concentrated in a few States, provided they are willing to meet a means test. And even this much will only come about where the States are willing to match or almost match the Federal funds.

So all together, counting State and Federal funds, we will spend some \$600 million a year to help a million people. And we will do it by enforcing conditions that in some States may require that those who are helped must first be paupers.

What a bargain. If this is an economy measure, I do not know a nickel from a dollar.

Let me remind the House that the Forand bill, the plan that was supposed to be so extreme and so radical, would have made help available to more than 11 million people, at a cost of only a little over \$1 billion. And all the money would have been raised through a small increase in the social security tax. There would have been no cost to the Treasury whatever.

I am well aware, Mr. Chairman, like all of us, that this bill cannot be amended from the floor. I am not quarreling with the wisdom of a closed rule on legislation of this kind. Too often, on some matters, the passions of the moment have prevailed over the considered wisdom of committees when bills have been offered under an open rule.

Nevertheless it is unfortunate that a weak and unworkable program on health care for the old folks should have been written into the general social security bill. I have no doubt, Mr. Chairman, that a majority of this House would stand up and be counted in support of applying the social security principle to this area. I regret to say that in some respects the absence of that principle from this legislation is an indictment of our committee system, worthy though it may be in other respects.

However, I am not without hope. It is my hope that the other body, in its wisdom, will correct the error in the bill before us, and return it to this House for further consideration. I would have much preferred that the credit should be given to us, for we in this House conceived and refined this great social advance. But I am less concerned with credit than with results. I am sure I express a majority opinion of this honored House when I look forward to the help of the other body in making health care for the aged within the social security system a reality this year.

Mr. MILLS. Mr. Chairman, I yield such time as he may desire to the distinguished gentleman from Rhode Island [Mr. FOGARTY].

Mr. FOGARTY. Mr. Chairman, the decision of our distinguished colleague and my good friend, ARNE FORAND, to retire from public life upon the conclusion of this session of the Congress has left me with a feeling of personal loss. For almost 20 years we have worked side by side here in the House attempting to effectively represent the good people of our great State of Rhode Island. In all these years, I have looked upon ARNE FORAND as a source of experienced knowledge and a fountain of good commonsense. We have shared many moments of triumph and some of defeat. Though it all, he has kept his good disposition and humor, and has never lost sight of our common objective—good government for all the people of this Nation. He has forged ahead with a patience and diligence that has truly been an inspiration to me as, I am sure, it has been to all of you.

I think we can all profit from his good example. I know that I and all the citizens of Rhode Island take great pride in his outstanding record of achievement in public office. I note, of course, that ARNE was born in the Bay State—right in JOE MARTIN'S district, at Fall River, Mass. But upon attaining the age of reason, he followed the path of Roger Williams, and came to our great State, which he was destined to represent so nobly here for many years.

Following overseas service in World War I and subsequent business pursuits, he acquired valuable House experience as the secretary to several of his prede-

cessors, Congressmen Jeremiah O'Connell and Francis Condon, both of whom became outstanding jurists on the Rhode Island supreme court. The lessons he learned then he learned well. It was not long before AIME had a chance to demonstrate their practical application because on November 3, 1936, he was elected to the 75th Congress. Were it not for the countrywide landslide in 1938 which cost him his seat in the 76th Congress by a handful of votes, he would now have a record of 24 consecutive years in the House instead of the still impressive record of 22 years broken by that one gap.

I will not attempt to detail the record of his service on the Ways and Means Committee. Many of you who have served on that committee with him can recount it much more intimately than I can. But the hours, days, and months which he has devoted, with painstaking care, to the complicated and important measures in that committee are beyond computation. In this task he has brought to bear a sound, wise, and sympathetic outlook on legislation as it affects the average man and woman in this country. He has always been ready to champion a just cause—and to lead it well.

One facet of his character that has always impressed me is his true humility. He has never sought acclaim for his many achievements and he has performed his duties in a quiet, effective manner—like the valuable ballplayer on the team who makes the hard plays look real easy. In recognition of his services as an outstanding legislator, in 1951 Providence College bestowed on him the honorary degree of doctor of laws, noting in that citation his integrity as a gentleman and his virtues as an elected official.

Over the years, our fellow citizens in Rhode Island have returned him to the House again and again, with ever-increasing pluralities. There is no doubt that he could reasonably expect to go on for many years to come. He has merited such confidence and given so much of his time and labor to the affairs of Government that his services could be deemed by most of his constituents as indispensable.

His knowledge of the intricate procedures of this House and his coherent sense of impartiality has made him an outstanding presiding officer of this body on the frequent occasions when our distinguished Speaker has called upon him to serve in such capacity. I need not mention the courtesy and kindness that he has always extended to his colleagues, young and old, who have been privileged to serve with him. So it remains for future history to write his name high on the scroll of those who have served in the Congress of the United States. As for me, I write it now in the top echelon.

AIME FORAND has long had a particular interest in the welfare of the aged. Perhaps the greatest push toward national prominence for our esteemed colleague was his sponsorship of a proposal to do something about the medical needs of our older citizens. The Forand bill, which he fought for so ably and with such devoted effort will alone assure him

a very special place in the minds and hearts of all the elderly throughout the country. He will rightfully take his place among the great protagonists of social legislation such as President Roosevelt and Senator Wagner. Truly he has deserved the reference which is often made to him as "the champion of social security."

However, he has now made a free and uninfluenced choice to return to private life. With deep regret we respect the reasons which dictated that decision. Yes, we will all miss AIME FORAND tremendously—and I, in particular, will feel his absence keenly. May he enjoy the rich rewards that flow from a sense of having discharged a public trust to the full measure of his great ability—discharged it well and honestly. And may he and his gracious and charming wife, Gertrude, have years of health, happiness, and success in the pleasant road of private civic life that lies ahead.

So, I say to my dear friend, AIME FORAND—Dr. AIME FORAND—hail and farewell, the people of this great Nation will never forget you.

Mr. ALBERT. Mr. Chairman, I desire to join the distinguished gentleman from Rhode Island [Mr. FOGARTY] in his tribute to our beloved colleague, AIME J. FORAND. Congressman FORAND has been a tower of strength in this House ever since I have been a Member. There is no finer representative in this or any other legislative body. His service here has been characterized by devotion to the best interests of the people. He is a great, progressive Democrat and a loyal American.

AIME FORAND is also a gentleman. His courteous consideration of others at all times, his helpful attitude, his friendly smile, have brought joy to every person who has ever had any association with him.

We wish him well as he leaves us. We hope he will have a long and useful life in the years ahead. We hope also that he will be a frequent visitor to this chamber during the years of his retirement.

Mr. McCORMACK. Mr. Chairman, Representative AIME FORAND's retirement will leave a gaping hole in our ranks. Ever since his election to the 75th Congress in 1936, AIME FORAND has epitomized devotion to duty. His foremost concern, at all times, was people—not rich and influential people, but average people, people who needed help. It is a fitting tribute to Congressman FORAND that his name has become and always will be inextricably intertwined with the hopes and prayers of our Nation's elder citizens. Those whose voices are no longer strong, those who can no longer scream and shout at the top of their lungs, know that in AIME FORAND they had the most steadfast champion in Congress that they have ever had.

The gentleman from Rhode Island already had a distinguished record of service to his fellowmen when he came to Washington. He had been a newspaperman, a veteran of World War I who had seen action in France, and Chief of the Rhode Island Division of Soldier's Relief as well as commandant of the State soldiers' home.

As a Member of this House, he contributed immeasurably to the achievements of every Congress since 1937. His service on the Democratic Steering Committee and on the all-important Ways and Means Committee was outstanding.

The people of the First Congressional District of Rhode Island have given us a colleague who will serve as an inspiration for every Member of Congress for generations to come. He, in turn, has given them incomparable representation in Washington. I am immensely grateful to the voters of Rhode Island's First District for having sent AIME FORAND to Congress in 1937 and for having kept him here for an uninterrupted period of 23 years. I am even more grateful to AIME FORAND himself for his invaluable contribution to the achievements of the U.S. Congress. I am certain that I express a unanimous sentiment when I say that all our best wishes go with him as he prepares for retirement.

Mr. MASON. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. BENNETT].

Mr. BENNETT of Michigan. Mr. Chairman, one of the most pressing problems in our Nation today is the plight of approximately 16 million Americans, or 9 percent of our total population, who have reached the normal retirement age of 65 and over. They are faced with problems of major proportions with respect to health, finances, housing, and employment.

These persons have the usual diseases associated with age, diseases which are long in duration and frequently require expensive medical care in hospitals and nursing homes. By and large, they do not have the income to pay for such care. Taking all aged individuals including those fully employed, almost 60 percent had less than \$1,000 in money income in 1958. Another 20 percent had income between \$1,000 and \$2,000 in that year. The average income for a retired family is about half of that of all families.

Equally pressing are the problems faced by several million American citizens who are about to retire on pensions which are completely inadequate to maintain a decent standard of living.

There are many retired people today in every State of this Union whose social security pensions are so small they must seek assistance from various welfare and charitable organizations to maintain the barest type of existence. No sound reason has been advanced for permitting this lamentable situation to continue any longer.

There are those who argue that we cannot afford to increase social security pensions and liberalize other benefits because of the great cost. But I feel certain most working men and women throughout the country would be willing to absorb a part of this cost if they were assured they would receive a pension at the time of retirement which would enable them to live decently and comfortably without other assistance.

We have been very generous in our aid to foreign countries to enable them to improve their economies and provide better living conditions for their people. We can ill afford to neglect those at

home to whom we owe our first and primary duty.

Basically our social security system is one of the soundest in the world. It is consistent with our free enterprise system where the worker, the employer, and the Government all join together in contributing to a plan which will assure a high standard of living for those who are no longer able to pursue gainful employment. Congress has made many improvements in this basic law since it was first adopted about 25 years ago. But the program cannot stand still. It must be geared to changes in our economic growth and progress in order to meet constantly changing conditions and particularly to keep pace with increased costs of living. The last pension increase in January of 1959 averaged only about \$4.20 per month and was completely inadequate. That is the reason it is so desperately important for Congress to take action now to make further increases and adjustments before the adjournment of this session.

It is all very well to discuss the matter and present theories for a solution—but this is a slow and tedious process. The time has come when we must do something practical about the problem. Let us look to those affected by this law.

As of the beginning of this year, 13,704,000 individuals were receiving social security benefits; 7,526,000 were old-age beneficiaries; 2,160,000 were wives or dependent husbands of retired workers; 1,394,000 were widows or dependent widowers; 35,000 were parents of workers who have died; 1,753,000 were fatherless children; 376,000 were the widowed mothers of these children; 334,000 were disabled workers aged 50 to 64 years; and 126,000 were the wives and children of disabled workers.

The amount of benefits paid to all of the above classes of beneficiaries in December 1959 amounted to \$845,100,000, and this amount is increasing monthly by an average of \$7,100,000. For the calendar year 1959, the benefits paid amounted to approximately \$9,700,000,000.

Expenditures under this program will continue to grow in future years because of the growth of the labor force, the higher benefit rates at which people come on the benefit rolls, and because of the disability benefits provided under the 1956 amendments. Furthermore, the proportion of older people in our population is increasing, and when the insurance program has been in operation longer, more individuals who reach retirement age each year will be able to qualify for benefits.

Our social security system is based on the sound principle that workers and their employers should contribute a share of earnings each year during their working life toward a source of income when they can no longer work. It recognizes that, for most American families the paycheck represents a place to live, adequate food and clothing, and necessary medical care. When that paycheck stops—because of death, retirement, or disability—the social security benefit indeed becomes the difference between a life of dignity and self-respect and one of humiliating destitution.

Because I am concerned with maintaining a sound and fair social security system I introduced H.R. 8442 on July 29, 1959, providing principally for hospital, nursing home and surgical services to all those eligible for old-age and survivors insurance benefits, facilitating retirement at an earlier age, and increasing benefits. My bill has seven principal points which I now wish to explain.

First. Add a program which will provide for the costs of hospitalization, surgery, and nursing home care for the retired worker and his wife, whose total family income is inadequate within the income limitations specified in the bill.

Second. Reduce the retirement age to 62—now 65—for men and to 60—now 62—for women, paying full benefits at these ages, thus eliminating the present reduced benefits for wives and women workers who elect to apply at age 62. An additional one-half million women and three-fourths of a million men could immediately become eligible to draw benefits as a result.

Third. Widows who have remained at home to care for their minor children and who presently become ineligible for a mother's benefit after the children have reached the age of 18 years, would become eligible at age 50—now 62—so that they can qualify for benefits at an earlier age.

Fourth. Raise the minimum benefit from \$33 to \$50 to help reduce the need for supplementation of social security benefits through the "needs test" public assistance program. Over 2 million people would be affected by this change.

Fifth. Increase present benefits generally, by 5 percent. The increase for those getting the minimum would be from \$33 to \$50, or approximately 50 percent. The new maximum benefit would be \$155.40, but this would not become effective for several years to come because a person would have to have an average monthly wage of approximately \$500 to receive the maximum benefit.

Sixth. Raise the wage base for tax and benefit purposes from \$4,200 to \$6,000 per year.

Seventh. Liberalize the definition of total and permanent disability and the qualifying period in present law so more people can qualify for benefits under this program.

1. MEDICAL, NURSING, AND HOSPITAL CARE

One of the most important features of my bill is a provision for medical, nursing, and hospital care for those people who are on the social security retirement rolls.

The rising cost of medical care, and particularly hospital care, over the past decade has been felt by everyone, but especially by older people. They have larger than average medical needs. As a group, they use approximately 2½ times as much hospital care as the average for persons under 65 years of age, and many have special needs for long-term institutional care. Their incomes are generally much lower than those of the working population, and in many cases are either fixed or declining in amount. They have less opportunity than employed persons to spread the cost of medical and hospital care

through health insurance. A large number of our older citizens must, therefore, turn to public assistance for payment of their medical and hospital bills. It is imperative that a satisfactory solution to this pressing problem be found.

My bill recognizes the inability of numerous retired people to pay for the cost of medical care associated with hospitalization on meager pensions which are now available to them. My plan would pay the cost of hospital care and surgical services provided in the hospital up to 60 days for people eligible for social security benefits. If further care in a nursing home is indicated by the physician, additional costs up to 120 days of combined hospital and nursing home care would be provided.

The method of confining payments to those hospital services where cost schedules have already been tested by Blue Cross plans, also preserves the professional independence of doctors. It is designed simply to provide a form of insurance protection for those people on social security whose income is so limited that they cannot afford to pay the premiums for this kind of prepaid care.

We must make this forward step because I am convinced our older people are not getting their share of the modern but increasingly costly miracles of medical care. The high cost of medical care is felt more acutely by older people, moreover, because their illnesses are usually of longer duration.

According to the most recent nationwide survey of medical needs and costs, conducted for the Health Information Foundation in 1957 to 1958, the average annual cost for private care for people 65 and over was \$177 as compared with \$94 a year for the general population. Of the total of over \$16.2 billion spent for private personal health services, 17 percent, or \$2.7 billion was required for these older people. In other words, men and women 65 years of age and over were faced with charges 88 percent greater than was the general population.

The wider application of preventive measures which we are setting today will lead to less infirmity in older years in the future. This is one of the reasons why I am not persuaded by the argument sometimes presented that my proposal would lead eventually to excessive medical costs. Another is that I am confident the doctors of this country are competent enough, and honest enough, to insure against any abuse of this provision.

While progress is underway toward the goal of providing better voluntary prepayment coverage for older people, the fact still remains that although 71 percent of our people under 65 have some form of prepayment insurance, only 40 percent of people 65 and over are now insured. Moreover, among these older people, the proportion with insurance declines with advancing age so that fewer than 30 percent are insured among those aged 75 and over.

Many older people are without adequate medical care protection not because of negligence. It is simply because it is not available to them at a price they can pay. Thus, my plan is

designed specifically to meet the medical care needs of people with a low retirement income who would otherwise be self-sufficient. We will not only be preserving individual self-respect, but we will also be helping hospitals to meet the mounting costs of providing the best kind of medical care for people who cannot now afford it.

Mr. Chairman, at this point in my remarks I would like to digress for a moment to comment on the provisions for a medical care program proposed in the bill reported by the Committee on Ways and Means, H.R. 12580. The majority of that committee urge a new Federal-State grants-in-aid program to help the States assist low-income, aged individuals who need help in meeting their medical expenses. Participation in this program would be optional with the States, with each State determining the extent and character of its own program, including standards of eligibility and scope of benefits.

While I agree that such a program would be helpful to the medically indigent in those States which eventually adopt such a program, I am strongly of the opinion that the better approach to the problem of hospitalization and medical care for our senior citizens is through the social security program as provided for by my bill. My approach would make unnecessary the humiliation of a need test contemplated by the bill reported by the Committee on Ways and Means and the cost of health benefits under my bill would be financed by small contributions of employees during their working lives rather than by taxes levied upon the public generally, which is contemplated by the committee bill.

2. REDUCTION OF RETIREMENT AGE

My second change—reduction of the retirement age from 65 to 62 for men and from 62 to 60 for women—is also one of the most important features of my bill. It will reach down to provide social security benefits for millions of men and women today who have been arbitrarily retired from their jobs and must now wait months and often years, a period during which savings are depleted, assets are liquidated, and often charity must be solicited from friends, relatives, or public funds, until they can qualify for their social security benefits. For the truth of the matter is that, even under the present law, less than 10 percent retire voluntarily to qualify for social security benefits. Most people retire because of company retirement provisions or because of ill health.

Too often the eligibility age for social security is confused with a compulsory retirement age. Yet almost 25 years of experience with the system has shown us that the man or woman who is able to work beyond retirement age—and is allowed to work beyond that age—will almost invariably continue on the job. The fact that the average social security benefit for the retired worker today is \$73 a month is one understandable incentive.

Another compelling reason for lowering the retirement age is the tragic fact that older workers, who are the special victims of plant relocations and retooling

operations, find it almost impossible to secure new jobs or the opportunity to develop new and marketable skills. It is an anomaly of our times that the new machines which add so greatly to our productivity as a nation are viewed with fear and apprehension by older men and women who, after a long working life, find their jobs threatened by the age of electronics. One necessary way of adjusting to this fact is by lowering the floor for eligibility so that the displaced workers of our modern productive plant can begin to receive benefits at an earlier age if they have been forcibly retired before they are 65.

3. ELIGIBILITY OF WIDOWED MOTHERS

My third proposal—to make widowed mothers eligible at age 50, instead of requiring them to wait until they are 62 as in present law—will round out the purpose of the 1939 amendments which took special account of the fact that the widows and orphans of workers who die prematurely are entitled to protection against wage-loss caused by the death of the family breadwinner. Under this provision each child was made eligible for a benefit during his minority and the widowed mother received her own benefit until her youngest child reached the age of 18. The purpose of the amendment was to make it possible for the widowed mother to remain in the home and care for her children—in the same way she would have done had her husband not died—by providing social security benefits in lieu of his wages. This is, indeed, a laudable purpose and one which I heartily endorse. But it does not go far enough. Too often, I am afraid, the cancellation of the benefit check because the children are grown works a cruel hardship on the mother who, having raised her family, finds herself, in middle age, thrown off the social security rolls. According to the most recent figures available—for the end of the year 1958—approximately 40 percent of the women receiving mother's benefits were between the ages of 40 and 50. After age 50, as could be expected, the number of eligible mothers tapered off abruptly.

My proposal would accomplish two purposes:

First. For those mothers who are 50 or over when the youngest child reaches 18, the benefit would be continued for the rest of their lives.

Second. For those mothers who are younger than 50 when the youngest child reaches 18, the waiting period for benefits would be cut by 12 years because they would be eligible for benefits at age 50 instead of age 62.

Mr. Chairman, I submit that all evidence shows it is extremely difficult for women without work experience to find a job after 50. Over 46 percent of the women age 45 to 54 are in the labor force today and of those who have jobs, the great majority are in the low-pay service jobs in private households, business establishments, and industry. Therefore, this change is of the most urgent importance.

4. INCREASE MINIMUM BENEFIT

The fourth improvement I propose would increase the amount of the present

minimum benefit from \$33 to \$50 per month—a change which would be of particular importance to those people who can qualify for social security only on the basis of low wages—especially domestic workers and those agricultural workers who do day work. Obviously the present minimum benefits of \$33 a month cannot even be described as a subsistence income in our high-cost economy of today, yet about 10 percent of the people now receiving social security benefits receive this minimum amount. Because this benefit is so low, it is necessary for the public assistance agencies to supplement these social security benefits to bring them up to the barest minimum required for existence. As of March 1959, 27 percent of people on old-age assistance were receiving social security benefits so small they required such supplementation, and this figure has been rising over the years.

5. CHANGING BENEFIT FORMULA

The fifth provision would make a related increase in benefits for all people now receiving benefits and those who will apply for them in the future.

As I have previously stated, the minimum under my proposal would be \$50, or a 50 percent increase over the present minimum of \$33. This percentage would gradually decrease until those who are now receiving \$48 and over would receive a 5-percent increase. Moreover, since my bill would credit earnings up to \$500 a month—instead of \$400 under present law—the maximum old-age benefit which eventually could be paid when the new \$6,000 annual wage base goes into full effect would be \$155.40 per month instead of the present maximum of \$127.

This revision in the benefit formula recognizes the fact that social security benefits must reflect the increases that have taken place in the cost of living since January 1, 1959, when the last increase in benefits was made. I am sure I do not need to emphasize the fact that a cost-of-living adjustment is urgently needed by our older people. For they are the special victims of the sharp rise in the price of meat, and milk, and medical care. They are trying to exist on a fixed income which buys less and less with each passing day.

6. INCREASE IN SOCIAL SECURITY WAGE BASE

The sixth change proposed in the system is to bring the social security wage base, for benefit and tax purposes, more closely in line with modern price and wage levels. The original wage base of \$3,000 covered the full earnings of 97 percent of all workers in covered employment in 1939. For the wage base of \$4,200 the figure was only 72 percent, and for the present wage base of \$4,800, the figure is 75 percent. Of men with earnings during the whole year, only 47 percent have all their earnings covered under the present ceiling of \$4,800. Thus, for a majority of men who are regularly employed, the present ceiling puts a dead stop to further benefit increases no matter how much their earnings rise. Under my proposed \$6,000 wage base, 90 percent will have their entire wages covered.

7. LIBERALIZATION OF PERMANENT AND TOTAL DISABILITY

My seventh proposal would establish a more liberal definition of permanent and total disability for the benefits which were authorized by the 1956 amendments and modify the stringent length of service requirements. These more realistic provisions would not only apply to the benefits payable to people aged 50 and over, but also to the disability freeze which applies to workers at any age.

I presume that every Member of Congress has received mail from people who have considered themselves qualified for these payments but have been rejected by the Social Security Administration. The definition of disability in the law is strict and it is even more strictly administered.

This conclusion seems to be borne out by the facts. In September 1956, right after the Act was passed, it was estimated that about 400,000 people would qualify the first year. The President's budget message in January 1957 dropped the figure to 380,000 and later in the year the Bureau of Old-Age and Survivors Insurance issued a revised estimate of 275,000. Actually as of December 1959, some 460,000 disability beneficiaries were on the rolls.

The change I propose would modify the requirement in present law that the disabled person must be unable to "engage in any substantial gainful activity" by stating that he must be unable to "engage in a substantial gainful activity which is the same as or similar to the occupation or employment last performed by him on a regular basis before the onset of such impairment." This latter terminology is closer to what Congress really intended in passing the 1956 amendments and will insure administration of the Act in a way that will give the American worker real protection against crippling injury or disease.

My bill will also reduce the quite stringent requirements that an individual to qualify, must have 20 out of the last 40 quarters of coverage before he is disabled. I propose that this period be reduced to 15 out of the last 30 quarters. Such a revision, I believe, will take care of some of the tragic cases of middle-age workers who are incapacitated in the early years of their coverage under this system.

Another bill which I introduced, H.R. 10955, would further improve the administration of the social security disability program and eliminate certain discriminatory provisions in the present law.

First, the bill provides that a disabled individual could qualify for disability benefits at any age—not at the arbitrary age of 50 as required under present law—if he meets all other requirements of the law. There is no logical reason for granting disability benefits to a disabled employee who is 50 years of age or older and denying such benefits to an employee similarly disabled who is under age 50. Both individuals may be equally in need of benefits. In fact, the younger man often has the greater need for disability benefits because he usually is the sole support of a growing family whereas the older man is likely to have fewer dependents.

Second, the bill would eliminate the requirement of a second 6-month waiting period before disability benefits may be paid again in cases where the disabled person, who has unsuccessfully tried to return to work, is coming back on the disability rolls. Hearings before the Committee on Ways and Means have disclosed that the present requirements in this respect are discouraging people who are on the disability rolls from taking the step toward rehabilitation. This provision should, therefore, be repealed.

Third, the bill provides for an extension of the 12-month trial work period for individuals drawing disability benefits to workers under all types of rehabilitation programs. Under present law, the 12-month trial work period is only available to workers under the State-Federal Vocational Rehabilitation Act programs. Thus, a strong incentive for achieving rehabilitation is denied a disabled worker who attempts such a rehabilitation program on his own or with the assistance of his family and friends.

In conclusion, let me say that we must keep our social security system up to date because we believe in the inherent dignity and worth of each individual.

If the welfare and security of our social security beneficiaries is to be properly protected, the Congress must no longer postpone action on these vital matters. My bills embody the much-needed changes presently required in our social security program. I sincerely hope the Members of this Congress will enact this program into law.

Mr. MASON. Mr. Chairman, I yield such time as he may desire to the gentleman from Minnesota [Mr. Judd].

Mr. JUDD. Mr. Chairman, I rise in support of this bill, and wish to comment particularly on the new title establishing a Federal-State program, based on the historic principle of Federal-State cooperation, to assist elderly persons who do not have sufficient means to pay their medical bills when illness occurs or continues.

The costs of good medical care continue to rise. Despite widespread opinion to the contrary, the fees of doctors have not risen as rapidly in the last two decades as have the charges of most other groups providing personal services for people. During the same period when the general level of prices, including the costs of food and clothing, has more than doubled, the fees of general practitioners have risen only 73 percent. The fees of some specialists, such as obstetricians, have risen more; while those of others, such as general surgeons, have risen less.

Other medical costs have risen more steeply. Hospital costs are up sharply. Wages paid to hospital employees were long substandard. More than 70 percent of the charge per hospital day now goes to labor. Obviously hospital rates cannot be substantially reduced.

Other reasons for the increased costs are the more extensive use of costly drugs and of expensive laboratory, X-ray, and other specialized examinations. Also, under the various private insurance plans there has been a marked increase in use of hospitals for diagnosis and for

prolonged convalescence as well as for treatment.

PEOPLE LIVING 20 YEARS LONGER

The success of doctors and researchers in inventing new cures and perfecting old ones has also increased the number of years during which people need medical care. People on the average have 20 years more to live than was the case half a century ago. Unfortunately the additional years have to be added at the end of life, most of them after retirement. Even if the elderly are able to work, where can they get jobs? How are they to make a living? What are they to do to keep their minds and bodies active and healthy? How can they avoid increasing anxiety as they see the value of their savings, their insurance, their pensions, their social security benefits, gradually shrinking because their own Government has not succeeded in keeping stable the value of the dollars on which they were counting to live in deserved security and serenity during their declining years?

Again, they often have more illnesses, and longer ones, in these additional decades.

How are the steadily increasing total costs of medical care to be met?

There are many who do it by saving systematically for illnesses just as they save for purchase of a home or an automobile. Almost half of those over 65 years today have private health insurance. They recognize that they must pay higher rates for health insurance and prepare for it—just as they recognize they must pay higher rates for their automobile insurance.

The medical profession has been promoting an overall program to improve the situation:

First. More extensive and noncancelable insurance policies by private companies.

Second. Reduction by doctors of their fees to elderly patients—urging reduction by one-third to one-half.

Third. Reduction of medical costs by improving nursing homes and expanding home care programs as alternatives to the more expensive hospital care.

Fourth. Better education in health maintenance—by doctors, nurses, and employers—of those approaching or already in retirement.

But there still is a large number of retired persons whose total resources simply are not sufficient to enable them to get good medical care when expensive sickness occurs. It is estimated that somewhere between 500,000 and 1 million each year will have illnesses whose costs they will have to have outside help to meet. It is for these that this bill will make provision through Federal-State financing.

WHAT THIS BILL WILL DO

The main services authorized include, when determined by a physician to be necessary: Hospitalization up to 120 days a year; physicians' services; major dental services; nursing-home services; organized home care services; outpatient hospital services; private duty nursing services; laboratory and X-ray services up to \$200 a year; and prescribed drugs up to \$200 a year. It will assure some 10 million retired persons that they have

such protection each year in case they should have to have assistance.

Under this bill it can be said that no person in our country above 65 years of age will be denied good medical care because of inadequate financial resources. It does not pretend to be a complete solution to the problem. But it is a reasonable and fair beginning. It will take considerable experience in this field to be sure just what more or just what different should be done. It is hoped that out of the White House Conference on the Aging scheduled for next January will come solid information and data to guide future steps.

INADEQUACIES OF FORAND BILL

Various other proposals have been studied conscientiously by the Committee on Ways and Means. Each has some advantages and some disadvantages. The greatest pressure has been for adoption of the bill sponsored by our distinguished colleague, the gentleman from Rhode Island [Mr. FORAND]. Millions have been led to believe that enactment of the Forand bill would give all retired persons full and free medical care all the rest of their lives. It is not so. To begin with, it would provide no benefits at all for about 4 million retired persons who are not on social security, which includes the million and a half who have least resources and need help most.

Second, it would give no help at all with such important items as costs of physicians' services, drugs, laboratory and X-ray services, home-care services. Many older people do not have to go to a hospital but they do have to make frequent calls on their doctor or have home-nursing services or buy expensive medicines.

Among the 12 million for which the Forand bill provides only hospital, nursing home, and surgical benefits, it gives the same benefits to all, to those who do not need outside help as well as to those who do.

Again, the Forand benefits begin the first day of hospitalization, thereby inevitably inviting pressure on the doctors to send patients to the hospital when they do not need to go or to keep them in the hospital when they do not need to stay. This same defect existed in some Blue Cross plans and led to excessive costs and almost prohibitive premiums to pay for the costs. If a conscientious doctor will not recommend hospitalization just because the patient, having paid for hospitalization, wants it, the patient goes to a less good doctor who will recommend it. A veritable racket develops. The patient uses up more money out of the fund but gets poorer care. And the more of the total funds that goes to those who do not need help, the less there is for those who do need it.

When confronted with a difficult problem like this, the temptation is to grab the first bottle of medicine available or the one with the most glowing promises on the label. But the problem is too complicated and too important to too many of our citizens for the Congress to adopt hastily some plan that may not work as intended. This bill is a good first step and I trust something care-

fully worked out can be adopted in the next Congress.

UNABLE TO GET \$1,200 LIMIT INCREASED

Mr. Chairman, there is one other point I should like to mention. My proposal to increase from \$75 a month to \$1,200 a year the amount a person on social security can earn without losing benefits was adopted in the 1954 amendments. I introduced in 1957 a bill to increase the ceiling on earnings to \$1,800 a year and have hoped for its adoption. But it has not been possible to get favorable action because the experts say that it would take one and a half to two billion dollars more a year out of the social security fund which is already not quite in balance. It would require an immediate additional tax on all covered workers and employees of one-half of 1 percent each. The committee believes that is too great an additional load to impose on the gross earnings of all workers. I am sorry, because it would be a better and sounder way to help more retired people, if it were feasible.

Mr. MASON. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. BALDWIN].

Mr. BALDWIN. Mr. Chairman, I rise in support of H.R. 12580. This bill makes a number of improvements in the Social Security Act which are highly desirable. It removes the limitation of 50 years for those who would otherwise qualify for benefits on the grounds of total disability. It extends the coverage of the program to an additional 300,000 people. It increases the benefits payable to children in certain cases and would provide benefits for certain wives, widows, widowers and children of insured workers who are not now eligible for benefits.

There is some question as to whether the medical care provisions go far enough. However, this bill recognizes that this problem is extremely important and should be solved. The provisions of the bill on medical care are a step in the right direction.

Mr. MASON. Mr. Chairman, I yield 8 minutes to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Chairman, it is not my purpose to discuss this bill in detail. Most of the provisions have been covered during the course of this debate. I rise, however, to express my support for the legislation. In fact, at the time the chairman introduced the bill, H.R. 12580, I introduced a companion bill to it. No program of the Government can ever be static. We know that times change. We know, in the first instance, we can never expect to write perfect legislation. Therefore, our objective always must be in any governmental program to improve the program and to remove inequities and to keep the legislation in tune with the times, consistent always, of course, maintaining the soundness of the legislation and not interfering with the basic objectives of the fundamental program with which we are dealing. Mr. Chairman, the provisions contained in this bill are in general sound provisions. They move in the direction of trying to remove inequities that have come to our attention.

Certainly, nobody will contend the pending bill is a perfect piece of legislation and that we will not have to have any more amendments to the act. I think there are some things in this bill that may not stand the test of time and which are going to prove to be not only aggravations but which will create problems. Generally speaking, however, I think the committee in its endeavor through these long weeks showed a splendid determination to try to write a sound and reasonable bill taking into consideration all the divergencies of opinion that one runs into in any committee composed of 25 members.

One very good thing that I think this bill does is to move farther along the road of trying to get universal coverage. It seems to me there is still one basic defect in our general social security system, and that is we still do not have a situation where all of our people can be considered as eligible for coverage under it. It seems to me, Mr. Chairman, if the program is a good program, we must move in the area of making certain that all of our people are eligible to come under it.

I would like to call attention, Mr. Chairman, to one of the things I think is the most serious defect in the present social security system in our treatment of the aged, and that is the fact that today in the age group over 72 years of age, there are approximately 2 million of our older people, who we could either say were born too soon or Congress acted too late to give them the benefits that other people have under this program. I have proposed that we cover these people—at least those over the age of 72. I take the age 72 because it is at this point that the social security system, in effect, becomes an annuity system rather than a retirement system; it is at this age that we do not look to any work clause as a limitation on their rights to receive benefits. The committee did not see fit to provide for coverage of these people. It is still my hope, Mr. Chairman, that in the not too distant future, the committee and the Congress will deem it proper on the basis of justice and equity that these people who have been forgotten be given the consideration they deserve and that they be given at least the minimum benefits of the OASI program.

Mr. Chairman, let me address myself briefly to the matter of health care which is the item on which we experienced, I suppose, the greatest controversy and the greatest uncertainty as the committee considered this legislation. Let me suggest to the Members and to all who might hear my voice that they should bear a degree of tolerance toward the committee and its efforts in this area.

The original social security proposals received a great deal of study before it was enacted into law. Those in the Congress and also people out of the Congress and people in the Federal Government spent over 2 years working out the basic social security system. It certainly was anything but perfect, even after 2 years of intensive effort. But in that effort, Mr. Chairman, they were dealing with dollar benefits which is cer-

tainly a much more simple matter than trying to provide services for people. The ramifications of the problem of providing medical service are almost unlimited. So I would ask the Members of Congress and of the House to be tolerant of those who have been wrestling with the problem. We have much to learn and much to know about this area of either insuring against medical catastrophe or methods of meeting medical costs. We have much to know about that subject but I think the committee in title 16 has come up with a program that should warrant the support of every Member of this House. This can be said about this new title: if the States act to carry out the objective of title 16 providing medical care for the aged it can be said that no older person needing medical care will be denied that care by reason of his inability to pay for the required medical treatments. By enactment of this bill we express on the part of the Federal Government a willingness of the Federal Government to assume from 50 to 65 percent of the cost of such medical care for such people, and by this action I think we carry out to a very high degree any responsibility that can properly be attributed to the Federal Government in this particular area.

I think it is a sound step; I think it is a reasonable step, and I think, frankly, that the committee is to be complimented for coming forth with this proposal to meet the most crying need as far as medical care and assistance of the old people are concerned.

I could not close, Mr. Chairman, without paying tribute to the gentleman from Rhode Island (Mr. FORAND). I feel this personally; I would like him to know that I personally feel that it is a great loss to the Congress and to the Nation that he will not be back. We differed, and differed violently, for instance, on the bill relating to the medical insurance under the social security system, but let me say, Mr. Chairman, he is a man always to be admired, a man of sincere conviction, a man with whom one can differ who respects the differences on the part of others without holding it as a personal affront. I certainly want to express to him my hope for a most pleasant and well-deserved rest as he retires from the Congress of the United States.

Mr. MASON. Mr. Chairman, I yield 3 minutes to the gentleman from North Carolina (Mr. JONAS).

Mr. JONAS. Mr. Chairman, I asked for this time in order to propound a question of the distinguished chairman of the Ways and Means Committee.

On page 5 of the committee report the statement is made that no new social security taxes are incorporated in the bill and that even with increased benefits the trust fund will remain actuarially sound.

Mr. MILLS. Is the gentleman referring to this language with the figure "7" at the beginning of the paragraph?

Mr. JONAS. Yes.

Mr. MILLS. The gentleman will notice we say there are minor increases in cost with these improvements. There are also minor increases on the plus side and it is possible for us to bring to the House this recommendation without a percentage increase in the payroll tax. I would

not want the gentleman to believe that in the process we are making the program more actuarially sound because that is not the case. I can say to the gentleman that the program is, according to our actuaries, actuarially sound and after this bill is enacted it will be the same as it was before the bill was enacted.

Mr. JONAS. Am I to understand the gentleman is saying that the increased benefits provided in the bill and the other liberalizations are adequately financed within the framework of the existing payroll tax?

Mr. MILLS. I can assure the gentleman that the best information obtainable by the committee convinces me that that is the case.

Mr. JONAS. Another question: I understand that the medical care program is not to be financed by social security taxes or paid for out of the social security trust fund, but out of the general funds in the Treasury?

Mr. MILLS. The general funds and the State.

Mr. JONAS. Matching?

Mr. MILLS. Yes.

Mr. JONAS. The estimated Federal share is \$165 million per year plus \$160 million each year from the States.

Mr. MILLS. I tried to explain in the course of the remarks I made that this is a very difficult area for estimation. I doubt that these figures are going to prove correct. They may be on the high side, and they may be somewhat on the low side; but, whatever it is, the relationship between the Federal and State money is pretty close.

Mr. JONAS. I have one other question. Will the financing of the medical care program follow the so-called back-door approach to the Treasury and bypass the budget and appropriation processes?

Mr. MILLS. No. I appreciate the gentleman from North Carolina raising that question. This authorization contemplates an appropriation each year by the Appropriations Committee. The Appropriations Committee under this program is not bypassed at all.

Mr. JONAS. If the States submit plans which are approved by the Federal Government, is that a contract that we are obligated to carry out?

Mr. MILLS. There can be no payments made under any circumstances out of the general funds of the Treasury without an appropriation enacted by the Congress.

Mr. JONAS. I thank the gentleman.

Mr. MASON. Mr. Chairman, I ask unanimous consent that the gentleman from New York (Mr. BOSCH) may extend his remarks at this point in the Record.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. BOSCH. Mr. Chairman, I rise in support of H.R. 12580. This bill, in my opinion, omits several items which I had hoped would be included. The retirement test, I am convinced, should be liberalized so that our citizens who have paid for protection under social security could continue to engage in more realistic partial employment after they reach age 65. The present limitation of \$1,200

is ridiculous and unrealistic and should have been increased, if not completely removed. There were more than 175 bills before the Committee on Ways and Means to liberalize the retirement test so as to allow beneficiaries to earn more than the \$1,200 yearly without loss of benefit entitlement. The AFL-CIO opposed this liberalization and, in my opinion, is responsible for the fact that no such liberalization is included in H.R. 12580.

Medical care for the aged has been one of the most talked about issues before our committee. We have had to deal with the issue of Government intervention in the health care of our senior citizens. In considering this matter, I have had to take into account not only our creditable accomplishments in this area in New York State but also the circumstances and conditions existing in other areas of our Nation. I have had foremost in my mind a determination to protect and preserve the free enterprise concept under which the standard of quality for health care in our Nation has reached a preeminence not equaled anywhere else in the world.

It is my considered judgment that the Federal-State program contained in the legislation before us is the most satisfactory solution to the matter that could be found at this time. It is a compromise between the approach advocated by the supporters of the Forand bill, H.R. 4700, and the plan proposed by Secretary Flemming of the Department of Health, Education, and Welfare. The present proposal does not go as far as many would have us go in this all-important field of medical care for our senior citizens. It must be recognized however that there is still very much information which is necessary and essential to deal intelligently in this field. It is my hope that such studies will be conducted and we will in all probability have constructive recommendations made as a result of the White House Conference on the Problems of the Aged scheduled for January 1961. By vesting administrative responsibility in the States we have minimized Federal bureaucratic intervention in the physician-patient relationship. By providing a wide range of benefits we have given to the physician the opportunity to prescribe for his patient the type of medical service that is most economical and most efficacious from the standpoint of producing a curative or preventive effect.

I would have liked to see the monthly benefits increased, coverage for Federal employees if they desire it—they are now about the only large group of employees not under social security—and reduction of the retirement age to 60 years. All of these proposals were fully considered but the actuary experts of the Social Security Administration felt that none of these could be done without substantial increase in the rate of tax, effective immediately. Under these circumstances, it was deemed necessary to give this further consideration in the next Congress rather than further extend the coverage offered in this legislation.

Primarily, this legislation corrects many of the inequities in various phases

of social security and will perfect this legislation to the benefit of the beneficiaries under the social security system and in that respect deserves the support of this Congress.

Mr. SISK. Mr. Chairman, early this month, many of us greeted with great pleasure the news that our colleagues on the Ways and Means Committee had at last been able to bring their social security struggles to an end and that we would shortly have a social security bill before us. This bill has a number of commendable features, including the elimination of the age requirement for disability benefits, and some strengthening of the medical care program for public assistance recipients and for the so-called medically indigent.

But how long, Mr. Chairman, how long must we wait until we, the Members of this House of Representatives, are given the opportunity to vote for a program to help the great majority of America's aged with their health needs—to help our older people cope with their medical expenses before their staggering medical bills make them eligible for the committee's program, by driving them into medical indigency or onto the public assistance roles?

How much more evidence of the need for Government help to the aged must we pile up? We have heard from the people—the aged and the young—through their letters, their telegrams, their post cards, their mass rallies in New York, in Detroit, in Hartford. They ask us, very simply, why cannot the Government provide the means whereby we can contribute during our working lifetimes for paid-up health insurance when we retire? We have heard from the public welfare and the social work organizations: Use the social security system, they say, to help the aged finance their health care. Use the social security system, says the immediate past president of the national organization of Blue Cross plans, Dr. Basil MacLean.

Here is what Dr. MacLean wrote, and I quote:

A lifetime's experience has led me at last to conclude that the costs of care of the aged cannot be met, unaided, by the mechanism of insurance or prepayment as they exist today. The aged simply cannot afford to buy from any of these the scope of care that is required, nor do the stern competitive realities permit any carrier, whether nonprofit or commercial, to provide benefits which are adequate at a price which is feasible for any but a small proportion of the aged.

Those are the words of a respected expert. And more recently, Mr. Chairman, comes word from an insurance company, Nationwide Insurance, an insurance company which is itself offering health insurance policies to the over-65 group, that basic hospital and medical care for people over 65, according to a vote of its board of directors, can best be provided through legislation using the social security system.

The need is clear enough. And it has been proven beyond a reasonable doubt that the need can be met only through the use of the social security mechanism for financing benefits. Let us speed the bill before us on its way to the other body, in the hope that it will be returned

to us with the necessary amendments so that before this Congress adjourns, we shall have met our responsibility to add a greater measure of dignity to the lives of many millions of Americans.

Mr. DENT. Mr. Chairman, in line with the expressions offered by my colleague, Congressman ADME J. FORAND, I will support this legislation in order that we can give the Senate a House bill upon which they can operate to bring forth a more worthwhile piece of legislation.

In my humble opinion, the medical care provisions hold forth but an empty promise in our fight for a realistic program of medical care for the aged.

This must not be the ending, but perhaps it can be a significant beginning in our admission that aid along this line is needed now and tomorrow.

Mr. DANIELS. Mr. Chairman, although I rise to support this legislation, I regret that its coverage is limited.

I am well aware, Mr. Chairman, that we cannot vote on the Forand bill at this time. We must take this legislation as it is, in the hope that the other body will give us an opportunity to make amends.

There is not the slightest doubt in my mind that if the opportunity were offered to this House, the vote in favor of the Forand bill would be overwhelming.

I doubt that the differences between the Forand plan and the proposals contained in this bill need further examination from a technical point of view. But to keep the record clear, I will try to state them in layman's language.

The Forand bill offers to all social security pensioners, as a matter of right and not of charity, a degree of protection against the overwhelming costs of long and serious illness. And this protection would be provided through a Federal insurance program.

The proposals contained in the bill before us would protect more than 10 percent of the aged, in only a handful of States, provided they first exhausted their own modest resources and were reduced to utter poverty. And the cost would be borne by all the taxpayers in all the States.

There you have it.

I say that social security based on a means test is no security at all.

Our Federal pension program covers all wage earners because our Nation decided it was in the national interest to do so.

Disability benefits were extended to all workers on the same basis—the national interest.

It is time we added health protection for the aged on the same basis and for the same reason.

Mr. Chairman, it is obvious that we must vote for the omnibus social security bill as it stands. But let us urge our friends in the other body to do what we ourselves would do today if it were possible, and incorporate a health plan for the aged into the social security structure itself.

Mr. KOWALSKI. Mr. Chairman, I rise to join my colleagues in expressing—in the strongest words at my command—my earnest belief that this Congress will be derelict in its duties if it does not enact a real form of health care for the

aged that will make them first-class citizens of this Nation.

It seems strange indeed that we should find ourselves at a legislative juncture where those who oppose improvement of our social security machinery to provide for medical care have temporarily stilled the voice of a majority of the Members of this House, who are anxious to enact such legislation.

It seems strange indeed that there should be such a frightening campaign being waged by opponents, who seek to discredit the proposal advanced by my good friend from Rhode Island—and who, at the same time, attack the entire social security structure—by their reckless charges that this is socialism and that it involves a compulsion that is alien to America.

It seems strange indeed that these same opponents, forced by the overwhelming evidence of real need, have conceded that something must be done—but who offer nothing to meet that need.

But the strangest spectacle of all, Mr. Chairman, is that offered to us by those who somehow believe that Government-paid medical care for the members of our Armed Forces or our Government is perfectly proper, but that the financing of medical care for the aged through social security taxes is strangely indecent and un-American.

I am appalled, Mr. Chairman, at the substitute proposals that have been offered in an effort to block passage of the Forand bill. One of these would grant Federal and State subsidies to the private insurance carriers. The other would give Federal grants to State welfare programs—but only for the most impoverished of the Nation's elderly. And both of them have a basic, irremediable fault—for they depend on added State revenue which would have to be appropriated by State legislatures which the record shows are either unwilling or financially unable to make such appropriations.

Our aged have asked for bread—these proposals would give them nothing but a stone.

The American people will not be fooled, Mr. Chairman. They are watching us—their elected representatives—and they demand of us that we act responsibly and without further delay.

This body is temporarily deprived of the chance to act. It is up to the other body, therefore, to amend the social security bill, attach provisions similar to those of the Forand bill, and send it back to this body for its concurrence. There can be no doubt that we have the votes necessary to insure this concurrence, and I trust the opportunity will be afforded to us.

Mr. BURKE of Massachusetts. Mr. Chairman, I rise to express my regret that adequate health insurance provisions have not been included in the social security legislation and to indicate my hope that they will be included before this act finally leaves the Congress.

I think it is obvious that elderly people are more likely to have serious illnesses or accidents than young people. The expense of medical attention, hospitals, and nursing care has risen astronomically. Retired persons on limited

and often static incomes are not able to meet these extra costs. Sixty percent of them have total incomes of less than \$1,000 per year. They have no room in their budgets for health disasters.

These well-recognized dangers produce a chain reaction that leads to other mental and physical defects. By that I mean that the risk of illness without money leads to worry. This strain—this fear—can itself cause illness or aggravate chronic illness or an injury or disease.

We all loved F.D.R.'s saying that "there is nothing to fear but fear itself," but this is only partly true for the aged person. He knows that although his fear is poison itself, it is also not groundless. He knows that his own physical and financial resources are not equal to an emergency. He cannot help being afraid.

For example, an older person knows that someday he is likely to fall. He may trip over a rug, or lose his balance, or get his feet mixed up. Or a leg may give way. Whatever the cause, the result is usually a broken hip. That is a major disaster. It means weeks in the hospital and months in bed. This may bring on other problems such as bedsores, incontinence, frozen joints, and general atrophy. It may be the beginning of the end.

Of course, if it is not a fall, it may be an accident. Decreased hearing, eyesight, and alertness make all accidents more likely. Or it may be the attack of a disease, the faltering of body organ, or the developing of some deficiency that brings trouble.

The aged person fears not only the physical impairment but also the bills that come with it. Doctors' bills, nurses' bills, drug bills, hospital bills, consultants' bills, laboratory bills. They all seem unbelievably high. A few days in the hospital for a checkup can cost \$50. Longer confinements run into the thousands. Most aged persons know that they cannot meet such expenses. They will have to go without some of the services, or reduce themselves to poverty, or pile up debts for their children to inherit.

An older person is naturally more cautious and that is perhaps desirable or unavoidable. But fear can turn normal caution into worry or even terror. This is what is unnecessary.

In our great country, with its riches and progress in the physical and social sciences, it is not necessary for an aged person to fear that he will be helpless and abandoned when emergency illness strikes. He can have insurance. If he cannot afford adequate private insurance—and most people cannot—the Government can utilize its own experience and organization to enable him to purchase protection through the social security system.

We do not want to rely on handouts. We cannot rely on State matching. We can act in this Congress to limit disability expenses and thus to reduce fear, one of the most terrible of all impairments.

Mr. PELLY. Mr. Chairman, I may be bending over backward unnecessarily, but it could be as a stockholder in a company providing health and medical

protection that I have a personal conflict of interest with parts of this bill.

Therefore, when the vote on passage of H.R. 12580 is taken I shall feel constrained under clause I of rule 8 of the House rules to answer "present" when my name is called.

Mr. DOOLEY. Mr. Chairman, the bill H.R. 12580, while by no means a perfect solution to the problem of medical care for the aged, is at least a step in the right direction.

The bill contains several improvements in the social security law. Fortunately the measure does not place too heavy a burden on the social security fund, which annually is dispensing \$11 billion to its beneficiaries. The fund must be kept in balance, not only because of current demands, but because of the impact which the requirements of future years will have on it.

In order to implement the provisions of H.R. 12580, if enacted into law, it will be necessary for a State to take affirmative action. To participate in the program and receive Federal matching funds for health care for the aged, a State must volunteer.

There is some doubt as to how many States will participate, in view of the requirement that they provide matching funds.

The need for assistance to the aged, in the field of medical care, is so obvious that there is no need to belabor the point. But much study is needed before all the points of dispute can be clarified and resolved, and before a sound, equitable and economical program can be developed.

The White House Conference on Aging which will hold its sessions in January of 1961 will undoubtedly develop data useful in arriving at a proper solution to the problem.

H.R. 12580 is not the complete answer by any means. It does firm up and advance the efforts to help the aged without unbalancing the social security fund, and for that reason I will support it.

Although it is an irrefutable fact that much is already being done for the health of our aging population, much more must be done. Today, millions upon millions of dollars are being poured into research on cancer, heart disease, arthritis, et cetera, which plague so many of the aged, but the struggle to solve medical enigmas is an unending one. In the meantime the Government is helping the States to build hospitals, clinics, nursing institutions, et cetera.

Mr. PORTER. Mr. Chairman, I rise in support of H.R. 12850 as it has been approved by the House Ways and Means Committee. There are serious omissions to this bill, but it does provide us with certain improvements among them removal of the requirement that a disabled worker must be 50 years old in order to receive benefits. I have long felt that requirement was unjust. I am glad the committee has eliminated it.

I am sorry the committee did not take the major step so many of us have advocated. I refer to adequate health benefits through social insurance.

Earlier this year I sent a questionnaire to 131,000 residents of the Fourth

Congressional District, which I have the honor to represent. More than 20,000 persons participated in the poll.

I asked several questions. One of them was: Do you favor legislation as proposed in the Forand bill which provides medical care for social security retirees?

The endorsement of the legislation as proposed in the Forand bill was overwhelming. By a vote of 13,410 to 5,028 my constituents said "yes." The percentage vote was 73 percent in favor, 27 percent opposed. There are seven counties in the Fourth Congressional District of Oregon. Voters in each county favor medical care for social security retirees. Let me quote the vote:

	Yes		No	
	Number	Percent	Number	Percent
4th district.....	13,410	73	5,028	27
Coos County.....	1,597	81	364	19
Curry County.....	420	79	114	21
Douglas County.....	1,648	70	676	30
Jackson County.....	2,038	70	888	30
Josephine County.....	999	76	311	21
Lane County.....	5,526	72	2,147	28
Linn County.....	1,212	70	528	30

I cite these statistics to prove that medical care for social security retirees is not the figment of the imagination of humanitarians such as my friend and colleague, the gentleman from Rhode Island (Mr. FORAND).

Statistically it would be possible for a man to pay now for the medical care he will need in his later years. As I said on this floor June 13 the greatest objection I have to the medical care plan proposed in the bill we are considering today is the pauper approach whether you call it a needs test or an income limitation or medical indigency. Because of the rising costs of medical care it is necessary, morally, socially, and economically that we help people help themselves. We cannot wait for the millennium before we act. Millions of people desperately need, want and deserve action.

The Harvard Business Review for January-February 1960, carried an article by Gaston V. Rimplinger entitled "Health Care of the Aged: Who Pays the Bill?"

Author Rimplinger writes, in part:

The question of what can be done to provide adequate medical care for retired employees is a nagging problem to businessmen.

His impartial discussion of the factors involved deserves careful attention.

I believe Walter Lippmann probed to the core of the problem recently when he asks in his column:

What is so wrong about its being compulsory that a man should insure himself against the needs of his old age? What is so wonderful about a voluntary system under which a man who doesn't save for his old age has to have his doctors' and his hospital bills paid for by his children or public welfare funds?

Let us therefore today approve H.R. 12580, realizing as we do that it is truly only a small step toward what is part of our national purpose. And let us hope

that the other body, tied by no closed rule such as we are working under today and which precludes amendments, will make further improvements to bring this bill closer to the Forand proposals.

Mr. KARTH. Mr. Chairman, I am aware that no amendments can be made on the bill submitted to the House by the Ways and Means Committee regarding amendments to the Social Security Act. Nevertheless, I wish to express my considered opinion of that part of the amendments dealing with medical services for the aged.

I will not take up the time of my colleagues in order to document in detail the need for truly special—and truly effective—action on the health problems of our aged population, which now numbers 16 million if we use the age of 65 and over. A reading of the special reports prepared by the experts within the Department of Health, Education, and Welfare, by the various schools of public health in the universities across our country, and especially by the Senate Subcommittee on Problems of the Aged and Aging, headed by Senator PAR McNAMARA—all of these extensive studies would suggest how hollow—how mocking—is the proposal now before the House. The hopes of the millions of senior citizens and their families to remedy this travesty now lie in the Chamber on the other side of the Capitol Building, since they are not hog-tied by the rule against amending the present bill on the floor.

I want to take this occasion to point out to my colleagues here just what are the glaring defects and tragic implications of this legislative farce.

First. The program provided in the bill actually would result in virtually no program at all, since its implementation hangs on the scrawny, flimsy reed—or should I say weed—of State matching funds. Even for the piddling numbers of elderly men and women theoretically eligible for benefits under this bill, there is no firm assurance that every State would vote the funds for even the minimum level of medical benefits cited in the bill.

Second. Some of the States will never vote any appropriation to come under the Federal-State matching program contemplated in this shameful amendment.

Third. Many States will delay action on their part for several years to come.

Fourth. Few States, if any, will legislate funds necessary to provide the full complement of health benefits theoretically available through this callous paper gesture. Nearly one-half of our States still do not take full advantage of the Federal funds available now for old-age assistance programs.

Fifth. Like the other forms of old-age assistance, the States would not necessarily appropriate each year the required funds to make the program work. Each year, such programs would run the risk of getting the short end of the stick.

Sixth. The eligibility requirements consist of miserly and almost punitive conditions regarding not only the income of the elderly applicant for this degrading charity medicine, but also his

other living arrangements. As a matter of fact, each State can set up its own criteria of need as it sees fit.

Seventh. To me the most disheartening aspect of the proposed amendment is that it requires no improvement of standards now existing in old-age assistance medical care—and offers help to a limited number of senior citizens only after such men and women become pauperized, instead of creating conditions for the financing of medical care which would prevent such inhuman medical indigency.

Eighth. While there are many other serious objections to this empty posture of problem-solving, the one simple but overriding fault is the bill's disappointing rejection of the genuine use of the social security principle—although the authors of the amendment call it an amendment to the Social Security Act. Actually it is a betrayal of the ethical principle involved in the original Social Security Act of 25 years ago, when Democrats were proud and anxious to advance such legislation.

What I mean is the contribution of working men and women, during their years of employment when they could afford it, to a fund that would provide paid-up benefits—as a right and not as charity—when they are retired from the labor force. Such a simple, but efficient and rational method insures a sound method of financing basic medical costs—including costs for much of preventive medical services. Such a simple and practical approach places no burden on Federal, State or local, or private resources. Such a simple but profoundly just solution to the problem would relieve the anxieties of the total population about their health protection in future years when they join the ranks of the increasing population of older citizens.

What frigid irony lies in the fact that under this current proposal, elderly citizens will still be required to pay taxes, on a Federal and State level, in order to finance the program.

There are now 16 million so-called older Americans today; nearly 6 million alone are over the age of 75. In 10 years, there will be at least 20 million persons over 65. Pitifully few will share in the benefits supposedly made possible by this particular legislation. Pitifully few can afford the premiums for truly adequate private health insurance—read the record of the Senate Subcommittee on the Aged.

All of them, however, are over the age of 21. Most of them have become sophisticated, informed citizens on the issue of how best to arrange for the financing of their medical needs in retirement.

For example, when the Minneapolis Star and Tribune conducted a recent poll in Minnesota concerning medical care for the aged, 55 percent of those interviewed preferred to pay higher social security taxes to care for sick people over 65 while 40 percent wanted to keep social security as it is. Despite the emphasis in the survey questions on the costs involved the majority of Minnesotans who were polled wanted medical care for the aged as part of their social security.

I should like to close my remarks by referring to the attached table, indicating certain population statistics of selected States around the country. They show the percentage that the over-65 population is, relative to the total population, as of 1958, and also their proportion of the population aged 21 and over. I close my remarks with the question, How well are we truly responsible to the emerging needs of our constituents? What do we intend to do, here in the House of Representatives, when the issue completes its round trip to and from the floor of the Senate?

Senior citizens, as percentages of total population, and of population 21 and over, in selected States (as of July 1, 1958, Census Bureau estimates)

State	65-plus population as percent of total population	65-plus population as percent of 21 and over population
Arkansas.....	10.8	18.6
California.....	8.4	13.9
Florida.....	10.2	10.8
Illinois.....	9.2	14.5
Kentucky.....	8.9	15.4
Louisiana.....	6.8	12.3
Michigan.....	7.6	12.8
Minnesota.....	10.0	16.7
Missouri.....	11.0	17.4
Montana.....	9.4	16.2
New York.....	9.4	14.4
Ohio.....	8.8	14.4
Pennsylvania.....	9.4	14.7
Rhode Island.....	10.0	15.5
Tennessee.....	8.0	13.6
Texas.....	7.2	12.6
Virginia.....	6.8	11.9
Wisconsin.....	9.7	16.0

Mr. FRUEDEL. Mr. Chairman, there are many reasons for us to regret the absence from this bill of the Forand proposals to include medical, hospital, and nursing home payments in the benefits or our social security legislation. I wish to emphasize one of those reasons.

We Americans have always been proud of our traditional desire to improve upon the present, to seek something better and to raise our living standards even higher.

This opportunity exists today in the field of medical services for the aged. With the pioneering and creative work that Johns Hopkins does in medicine and surgery, I hope it is appropriate for a Representative from Baltimore to call this to your attention.

In the past it was believed that mental vagaries, senility and many physical disorders were an unavoidable part of the aging process. But now we know that most of the mental disturbances are due to physical breakdowns. Consider, for example, the effects upon the brain from inadequate blood circulation, or from blood that accumulates poisons because of kidney or prostate problems.

Research indicates that many physical disorders, previously considered inevitable, are amenable to treatment and sometimes to prevention if caught in time. For example, unattended glaucoma may develop to the point of blindness, undetected diabetes may lead to vascular complications and amputation of a limb, protracted abdominal pain may be diagnosed as a metastatic cancer, and a neglected cardiac condition may lead to disabling secondary complications.

There are about 500,000 people living in America's nursing homes and homes for the aged. Most of them are just vegetating. By that I mean that they are sitting in their chairs—sometimes tied—or lying in their beds without any hope of recovery. They are waiting, waiting, waiting for their bodies to atrophy and decay until some vital organ stops functioning. There is nothing more depressing than to walk through the rooms of such institutions and to visit with the patients, knowing in your own mind that "this is a death house."

In my own State of Maryland and more particularly in Baltimore city, the medical capital of the world, the majority of the inhabitants of nursing homes are welfare patients. Because they are welfare patients the fee paid for their care is the bare minimum and consequently they can be given only the minimum essentials of food, medical attention and rehabilitation. They need something to occupy their long days—some kind of occupational therapy—something to give them purpose. And these are only the ones who can qualify for public welfare. God knows how many exist who cannot.

But the Senate subcommittee report on the problems of the aging finds that nearly half the patients in the nursing homes could be largely rehabilitated.

Why are these people so cruelly abandoned to protracted decay? Because there is not enough money available in this rich country of ours to give them the needed medical facilities. It is as simple as that. Nearly half of the skilled nursing home beds are considered substandard. Payments for patients under old-age assistance are insufficient to cover registered nursing services, routine medical care, rehabilitative and recreational activity.

Consider for a moment the progress that we all know about and the cost involved. Not too many years ago, people with mental disorders were locked in padded rooms, tied down with ropes or even chains. Now, thank God, we can give them tranquilizers. But this takes money. I know of one tranquilizing pill that is taken once every day at a cost of \$0.20 each. A drug bill of \$40 per month is not unusual. Even the rather common vitamin pill, multicebrin, costs over \$0.04 each at the ordinary retail outlet.

While I recognize that the Forand bill is no panacea, it is a step in the right direction for the salvation of some of our fellow human beings. Furthermore, they provide a method by which all of us may contribute, while we are working, to a fund for better care and happiness when we have passed into retirement. With a quarter of a million "human vegetables" now in our institutions unnecessarily, it is time for us to take action.

Therefore, in deploring the unfortunate decision of the Committee on Ways and Means, I am speaking in behalf of humanity, rather than in terms of a political issue. It is without reflection upon the intentions of the committee that I hope the other body gives this House a chance to reconsider the matter and reach a sounder conclusion.

Before concluding, I would like to call to the attention of the Members of the House a most timely article printed in the Baltimore Evening Sun of June 20, 1960, pointing up the very real and growing problem of Baltimore city's sick, aged and homeless. And I'm sure this same problem is duplicated in every major city in the country. Surely the conclusion is inescapable that legislation in the nature of the Forand bill is called for to aid this unfortunate segment of our population.

Mr. LANE. Mr. Chairman, this is a "shotgun" health insurance bill for the aged. Either we vote for it, knowing that it will provide very little medical security for the 16 million Americans over 65, or do absolutely nothing for them at this session.

Confronted with this very narrow choice, we have no recourse but to vote for H.R. 12580, in the hope that it will become the entering wedge for a genuine health insurance bill in the next Congress.

We believe that the whole approach of H.R. 12580 to the problem of health insurance for the aged is wrong. The humiliating means test merely increases somewhat the number of those who would qualify as medically indigent, thereby placing health insurance on a charity basis, rather than a dignified insured right, through the Federal old-age, survivors, and disability insurance system.

This is not primarily the problem of medical care for the very poor, who are cared for under welfare and old-age assistance programs. The purpose we had in mind was to remove for all the aged the dread fear that an expensive illness would wipe out a lifetime of slender savings, threaten the ownership of a home, force dependence on children, or make one, after a lifetime of independence, submit to the bureaucratic test of pauperism.

Almost \$400 million a year is now being spent by Federal, State, and local governments for medical care under the old-age assistance program. The committee bill will inevitably increase this amount, placing an unfair burden on State and local governments. This would put off for years, in some States, the implementation of health insurance for the aged, even on the restricted "public assistance" definition.

This bill is in the nature of a delaying action, and one that might beguile wishful thinkers into the belief that it is a bargain-basement method of securing health insurance when in fact, because it is financed from general revenues, it would compel some of the aged to pay for health insurance they would be ineligible to receive.

Bear in mind that, under existing old-age assistance provisions, 24 States fail to match all the Federal funds at their disposal. Only the social security system can provide medical care insurance for the aged on a sound, contributory foundation, financed by the payment of modest amounts on the part of employer and employee during the beneficiary's working years.

Eventually, we must come to this solution: 1960 was the year to make a real beginning instead of a false start. If put to the vote of the American people, they would overwhelmingly agree to fractional payroll deductions in order to finance health insurance in their old age as a matter of right and not as charity.

Because this bill will improve unemployment compensation provisions, extend coverage under the Federal old-age, survivors, and disability insurance system, and provide disability benefits to additional individuals, I shall vote for it.

However, I am very much disappointed because it takes only a feeble step toward providing health insurance for the aged.

The solution to this problem is a major responsibility that cannot be postponed much longer.

Mr. RIVERS of Alaska. Mr. Chairman, I rise to add my voice to those of my distinguished colleagues in impressing upon this chamber the urgency of action to alleviate the financial burdens of the elderly through improving our system of social insurance.

Coming as I do from the Union's last great frontier, and representing as I do the pioneering spirit of all of Alaska's brave citizens, I would urge my colleagues to show the same pioneering spirit in developing a bold new program that would help to insure to the older citizens—to the pioneers of another day—the type of medical care which they need but which they presently cannot afford.

Here in the Congress we have one of the greatest opportunities ever presented to a governing body in the 20th century to pioneer in this medical care field. This is no place for weakness or timidity—not when we stand here on this frontier and gaze at a promised land in which our senior citizens will have an opportunity to live out their days in good health and personal dignity.

The Forand bill, Mr. Chairman, is an outstanding example of the pioneering spirit of which I speak. By using the social security system as the vehicle for financing old-age insurance for medical and hospital care the element of self-reliance is maintained, and the concept of doles postulated on demonstrable pauperism is abandoned. At this point I cannot be sure of all the details, and the extent to which the employed people of America and their employers are willing to be taxed under the Forand-type of legislation, but I do feel sincerely that it is the right approach. I do not see that there would necessarily be a deprivation of freedom of choice in the selection of doctor or medical institution. The Government's role could be kept at the job of collecting and disbursing the funds, and otherwise administering the program for those who are eligible. After all, the social security system has demonstrated its worth through 25 years of insuring an honorable retirement for millions of our citizens. On the other hand I do not think that we can solve the medical problems of the aged by Federal subsidies to State welfare programs, except on a temporary basis pending effectiveness of the Forand-type program, which should be initiated and

put into operation as soon as possible, for it will be many years before all of the persons to become eligible for benefits under the program will have paid their respective shares of the tax involved. Neither do I think that any general or adequate solution of this problem can be attained by Federal and State payments to insurance companies in the form of partial payments of premiums upon health insurance policies.

Although our hands are largely tied under the committee bill presently under consideration, I hope that the other body can add the Forand bill's principles to the social security amendments embodied in the bill before us and send it back for our approval.

Mr. PUCINSKI. Mr. Chairman, I wish to associate myself most forcibly with the views already expressed in this Chamber concerning the need for prompt action to alleviate the financial burdens of our senior citizens through enactment of social security medical care.

It is most regrettable, Mr. Chairman, that as of this date the Members of this House are not in a position to record their support for health care legislation that would become a part of our social security system—for it is my earnest belief that there is overwhelming sentiment in this body for such legislation.

No issue in modern times—certainly not since the enactment of the great social legislation of the 1930's—has inspired the imagination of the American people as has the health care bill introduced by our distinguished colleague, the gentleman from Rhode Island and cosponsored by many us, of including myself. Each Member of this House must be acutely conscious of that fact, for the proof that this issue has aroused the American people is nowhere more evident than in the volume of mail which has poured into each of our offices expressing concern on this issue. And the tenor of this mail has been overwhelmingly in favor of prompt action by the Congress in adopting health care legislation which would be a broadening of the social security program of which we are so justly proud.

The American people are not indifferent to the needs of our senior citizens. They are watching us, they are depending on us, to discharge our obligations as their elected representatives. They will not be placated by stopgap plans; they will not settle for a program that, even if it were in effect ratified by each of the 50 States, nevertheless would provide health care for the most medically indigent. The American people will not accept halfway measures—indeed, they should not be asked to settle for anything less than the maximum in medical care which we, as the richest nation on the face of the earth, can in our wisdom devise.

We in this distinguished body should be proud, indeed, of the gentleman from Rhode Island [Mr. FORAND] for the excellent program which he has devised and so carefully shepherded through 3 difficult years. It is indeed regrettable that, despite the fact that this very sound plan for health care for the aged originated in this Chamber, we in the

House cannot be the first in the Congress to vote on this issue because of the parliamentary situation we find ourselves in.

Because of the situation, those of us who believe in the principle of medical care for the aged as part of our social security system—and I submit, Mr. Speaker, that a majority of this body supports this principle—are temporarily foreclosed from voting on this issue. It is our sincere hope that the Members in the other body of the Congress will substitute a more effective health care program for the pitifully inadequate provisions of the bill now before this body. When that happens, I am confident their amendment will receive a warm reception in this House.

I have said repeatedly that we should not compel the senior citizens of America—the people who built this wonderful country of ours—to be reduced to a pauper status before a grateful nation will provide them adequate hospital and surgical care in their advanced age. There is another aspect of the Forand bill which is not included in the bill now pending before us. This is the provision that would have permitted hospital and surgical benefits to widows and underaged children receiving social security benefits when the family's breadwinner has died. These children should be provided better than pauper's care.

I know that the Ways and Means Committee has worked very hard in trying to find a solution to this difficult problem of hospital or surgical care for our aged citizens. I believe the committee deserves our commendation for its sincere effort. Since the committee in its wisdom believes it has gone as far as it can, I do hope the other body will write in the necessary amendments to make this a really effective program and I shall support such amendments when they are returned here for our consideration.

Mr. THOMPSON of New Jersey. Mr. Chairman, after months debate in committee and throughout the country, the House of Representatives is now preparing to vote on a bill which supposedly includes a program to provide the Nation's aged with health care.

The program before us, however, does not meet—nor does it seriously attempt to meet—the needs of America's elderly. Under the guise of doing something for our older folk, it seeks to reap political rewards while at the same time stifling the only type of program that can do the job in this important area.

Congressional testimony has proven—without a shadow of a doubt—that our older citizens are unable to meet their health needs. No one, on either side of the aisle, would attempt to claim that our 16 million people aged 65 and over do not need help if they are to maintain their health.

So shocking and unshakable has this testimony been, that even an indifferent administration was forced to call for some type of legislation in this field. As might have been expected, the administration proposal was grossly inadequate. It may have contained political benefits for the Republican Party, but it would have produced few benefits for the elderly.

Many of us hoped that the program adopted by the Ways and Means Committee would be of a different nature. As proponents of the Forand bill, we had long recognized that any aid-to-the-aged health care program—to be effective—would have to be based on the social security system. The Ways and Means Committee, apparently, did not grasp the importance of this essential prerequisite.

After studying the committee proposals in this area, I can only conclude that the great weight of this testimony presented to the committee has been in vain. And I can only conclude that the many meetings of senior citizens that have been held throughout the country also have been in vain.

The committee's plan provides no health care for the aged. In simple terms, it provides charity and nothing but charity. Even this charity, I might point out, is contingent upon the action of the separate States.

I do not believe for 1 minute that this proposed legislation will fool the American people. Surely the elderly will quickly realize that their needs have not been met. Even worse, while this bill gives verbal support to the health problems of the aged, in practice it denies to those 65 or over any hope of obtaining effective assistance while they are still capable of benefiting from it.

I am convinced that should this bill be enacted into law, it will prove to be inadequate. By placing health care needs solely on the foundation of relief, rather than social security, this measure could create a near-insurmountable obstacle, possibly blocking passage of future—and more practical—legislation.

Every thinking Member of the House must recognize that this proposal will confuse public opinion and—at worst—will tragically delay the chances of the aged to obtain the care they desperately need.

America's aged do not seek charity. They are not down on bended knee begging for the opportunity to go on relief rolls. Nor do they look forward to taking a pauper's oath, declaring themselves poverty-stricken and wards of the State.

No one likes to be poor. No one likes to be old. Certainly, no one likes to be both. But statistics show that a substantial percentage of our elderly cannot afford the high cost of medical care. Living on small pensions, sometimes solely on social security, and sometimes only on painfully gathered life savings, it is little wonder that those who have reached retirement age are in constant fear of serious illness.

These are the people asking us for help. They are not asking for a means test. They are asking for legislation that will permit them to live out their years free from the threat of penury caused by ill health.

When I was a young boy, I remember seeing the many Civil War veterans who were living out their lives with no place to go. They sat in the parks and sunned themselves, they sat on the front porches of their children and they sat on benches in front of neighborhood grocery stores. In many ways, they were honored and respected, but even then they belonged

to another era and their usefulness had past. They were honored, but for the most part they were dependents. They had lost the freedom they fought for.

The Civil War veterans are no longer with us. And something else has changed. Our people no longer accept the philosophy that once man has become full of years, he has no further purpose. Today, we believe that when our older citizens retire after making their contribution to society, they are entitled to enjoy their "golden years" in dignity and independence.

We believe that men and women of 65 and more have the right to lead constructive lives, to enjoy their retirement, to hold up their heads with pride.

Medical science has played a major role in making this humane concept possible. It has developed the medicines and the drugs that prolong life, ease its miseries and make possible happy and healthy years of retirement. Unfortunately, social science has not kept up with physical science. While we have learned how to cure physical ailments, we have not—as a nation—learned how to cure social ailments.

We have provided medicines to alleviate heart trouble, blood diseases and other physical infirmities, but we have provided no relief against insecurity and indignity. It is these social problems that we are attempting to solve through health-care-for-the-aged legislation.

All of us know that the miracles of modern science are not cheap. We recognize that the availability of the new wonder drugs is often conditioned by a high price tag. Sometimes I wonder who is in a more pitiful position—the man who is dying from a yet-incurable disease, or the man who knows that the drug that could save him is available, but is beyond his means.

If all of us—on both sides of the aisle—did not recognize the seriousness of this health care problem for our senior citizens, I would not be talking about humanity; I would be talking statistics. But all of us do recognize the problem—even, I might add, if some of us only see it in a political context.

The bill now before the House clearly avoids our social responsibilities to the aged ill.

Not only is it grossly inadequate in the amount of aid proposed, but the mechanism for granting this aid runs completely contrary to the desires of the people the measure is supposed to help.

If enacted, America's elderly would only find that they have been given one more category under which they can apply for relief.

If enacted, those too old for gainful employment would only find that their health needs must forever be secondary to their financial needs.

If enacted, even those senior citizens eligible for assistance—the majority would not be eligible—would find their needs further subjected to individual State budgets.

If enacted, all of our citizens would be denied the opportunity of contributing to their old age health insurance coverage while employed and would be

forced to rely upon charity after their working days are over.

While I will, of course, vote in favor of this legislation as part of the omnibus bill, let me make it clear that I do so only in the hope that the other body will recognize the real problems faced by the elderly and come forth with an amendment that solves these problems rather than ignoring them through a bald and hypocritical political maneuver.

Mr. Chairman, a further problem which will be caused by the enactment of this bill is set forth in the following statement by the New Jersey Education Association and the New Jersey Civil Service Employees Association:

If H.R. 12580 is enacted in its present form it will reduce the retirement allowances of approximately 2,130 New Jersey teachers and 1,300 other New Jersey public employees. The average cut in allowance will be approximately \$1,300 per year for retired teachers and approximately \$960 per year for other retired public employees.

The people affected by this legislation are members of the New Jersey Teachers Pension and Annuity Fund and the New Jersey Public Employees Retirement System. They have retired under a plan which permits the State of New Jersey to reduce the retirement allowance payable by the State pension fund if the employee earned a social security benefit through New Jersey public employment. Any social security benefit earned in this way is used to relieve the State of all or a portion of its obligation to pay a pension to retired public employees.

Many of the persons affected by this legislation have purposely advanced the dates of their retirement in order to avoid earning a social security benefit through public employment in New Jersey. If H.R. 12580 is enacted in its present form section 204(a) will reduce the number of quarters of coverage required to attain fully insured status to such a degree that all of these people will be considered as having earned their social security benefits through New Jersey public employment.

The effect on these people will be a substantial reduction in income through loss of pension from the State of New Jersey.

When teachers were asked to accept integration of their pension fund with social security, many older teachers were hesitant to go along. Some of these were already entitled to social security benefits in addition to State pensions as a result of work in private employment or as dependents of social security beneficiaries. The argument which convinced many of these people to vote "yes" for integration was that under the terms of the proposal anyone who wanted to avoid integration could do so by retiring from New Jersey public employment before earning fully insured social security status.

The New Jersey Education Association and the New Jersey Civil Service Association are not asking for any extension of social security benefits for these people. We are asking that the benefits they were promised when they retired will be paid.

We are not asking that regulations be changed specially for these people. We are asking that the requirements for attaining fully insured status which existed when these people retired be preserved for them.

Mr. FARBSTEIN. Mr. Chairman, although I am going to vote for this bill, I do so because I have no choice. I favor the amendment to the social security measure as represented by the Forand bill rather than the amendment presently before us. It is my earnest

hope that the Senate will amend the present bill in keeping with the Forand bill.

Home, hospital, and medical care for those on social security as represented by the Forand bill is a must so far as I am concerned. It will assist those who need help most and can afford the expense least. It is my opinion that the 70 million workers presently covered by social security should be permitted to contribute, while they have the opportunity, for paid-up medical care protection for themselves and their dependents when their years of productive earning capacity have ceased, especially when they clamor for the opportunity to do so. In this fashion, a planned and orderly basis without cost to the general revenues of Government can take care of the cost.

The administration plan and the plan presently proposed by the Committee on Ways and Means and incorporated in the social security bill depends upon the States passing legislation to effectuate any plan of assistance to the aged insofar as home, hospital, and medical care is concerned. It is put on the basis of a means test rather than on actuarial or insurance basis. This I do not think is a salutary basis for this great need of our senior citizens. The program of assistance under the bill before us differs very little from old-age assistance and it would place a burden on some of the States which are financially unable to meet this new obligation. The result of this would be that there will be no legislation whatsoever to aid those who we feel should be assisted in certain areas of the country.

The official estimate of cost to the Federal Government is about \$185 million and approximately \$140 million to the States. This, I understand, is based on providing medical service for only an estimated one-half to 1 million persons during the year.

Experience under our present public assistance programs indicates that Federal matching grants, along either the old or new lines, will not make good health care generally available even for the small minority of the aged theoretically being aided.

The problem of insecurity arising from the high cost of medical care during the years of retirement is not primarily the problem of the very poor. The objective should be to remove for all the aged the haunting fear that an expensive illness will wipe out a lifetime accumulation of savings, threaten the ownership of a home, force dependence on children, or make one, after a lifetime of independence, submit to the humiliation of a test of need.

Our goal is, so far as possible, to prevent dependency rather than to deal with it at the expense of the general taxpayer after it has occurred. By contributing additional small amounts from their earnings to the nearly universal social security system, workers could gain insurance protection against medical care costs in retirement and their possible future dependency could be prevented.

Only the social security system can provide medical care insurance for the

aged in a satisfactory manner. If medical care costs are not met by social insurance, increasingly they will be met through relief. Almost \$400 million a year is now being spent by Federal, State, and local governments for medical care under the old-age assistance program; the committee bill would increase this over three-quarters of a billion dollars, and this would be just the beginning. In the absence of social insurance protection this drain on general revenues will more than double in the next several years.

Under the Forand bill health benefits, added to old-age and survivors insurance would next year provide benefits to approximately 12 million of our senior citizens; this is a goal for us to pursue.

Mr. MULTER. Mr. Chairman, much has been said emphasizing the wisdom of devising a meaningful health care program for our millions of retired citizens within the framework of the social security system, and I wish to associate myself with these views.

A quarter century ago, when the Congress first enacted the social security system, President Roosevelt made it abundantly evident that we were at the beginning—not at the end—of the program of caring for those citizens who had contributed so much to their country during their productive years. The Congress has many times endorsed this view by constant reappraisal and improvement of the social security system.

Now we come to the point where we can make perhaps the greatest improvement since the system was first founded—the incorporation into its provisions of a plan to underwrite those medical expenses which come more frequently with advancing age and weigh so cruelly on our senior citizens, whose financial resources are still only at a marginal level despite the great advances we have made in our social security program these last 25 years.

It is regrettable, in the light of the great public interest in this program, that we in this body should find ourselves at a point where we are temporarily without the power to stand up and be counted on this great issue. It is even more regrettable when it appears, as it does to me, Mr. Chairman, that there is overwhelming support in this Chamber for exactly the kind of program that our senior citizens want and deserve. This is brought about by the parliamentary situation prohibiting any amendments by the House to the bill before us.

It is now up to the Members of the other body to rectify the situation in which we find ourselves. They can do this through the simple process of amending the social security measure which we shall shortly send to that body. In doing so, it is my fervent hope that there will be no attempt to satisfy the needs of the millions of retired citizens by adopting little more than a Madison Avenue slogan wrapped around a billion dollar subsidy for the insurance companies. In doing so, it is my hope that the other body will not attempt to degrade our older citizens in their golden years by forcing upon them a cruel program that would compel them to take

"paupers' oaths" before they can receive the medical care they deserve.

There is a simple solution to the problem: The other body need only substitute, for the totally inadequate medical care provisions now in this bill, a program of the type sponsored by the gentleman from Rhode Island and by so many other Members of this distinguished body. If that is done, Mr. Chairman, I know this House will not be derelict in discharging its responsibilities. If then we are given legislation of the type offered by the gentleman from Rhode Island, this body will swiftly and overwhelmingly add its stamp of approval.

I am supporting the bill in its present form for the reasons stated.

Mrs. GREEN of Oregon. Mr. Chairman, it is my intention to vote for H.R. 12580, in spite of the fact that the rule prevented the Committee of the Whole from amending it so as to make more adequate provisions. My vote for the rule and for the bill are to be interpreted only as giving voice to my opinion that the bill should be passed to the other body where, it is to be hoped, meaningful medical care amendments will be added to it.

The question of medical care for the Nation's senior citizens, Mr. Chairman, is not one which can much longer be left in the realm of "things to do tomorrow, or next year, or in the next Congress." The aged are not getting any younger, they are not becoming less numerous, their health problems, despite smug assurances from some private insurance companies, are not becoming less acute.

Mr. Chairman, the distinguished gentleman from Rhode Island [Mr. FORAND] will soon leave the service of this House, after a long and distinguished career, typified by concern for the welfare of the people of this Nation. The medical care bill which bears his name is only one proposal among many of great merit which were presented to the Ways and Means Committee. Yet this crusade has been led so ably by the gentleman from Rhode Island that this whole issue has become identified by his name. "Are we or are we not going to have some kind of Forand bill?" This is the way in which most of us think about this issue. It is my earnest hope that the 86th Congress will not adjourn without sending to the President some kind of Forand bill, no matter whose name is attached to it. Such action, will be, I trust, a fitting climax to the distinguished career of the able and dedicated gentleman from Rhode Island.

Mr. Chairman, the senior citizens of this Nation have been waiting for the Congress to act for many years now. This is not a new issue. The Ways and Means Committee has studied it, the Special Subcommittee on Problems of the Aged of the Labor and Public Welfare Committee of the other body has studied it with great care. Private organizations have studied it. Individual members have studied it. This subject has been studied in every way, from every angle and by every group which could possibly have an interest. Even the administration has given the problem

careful attention. Yet the best the Ways and Means Committee can come forth with is the present bill, while we are urged by the AMA to "wait until the White House Conference can study the problem." Mr. Chairman, there has been plenty of study. What we need now is action.

The Forand bill, Mr. Chairman, would give the senior citizens of the Nation much-needed assistance with the insurmountable costs of health care; it would give to those not yet ready for retirement a means of helping themselves to prepare for the time when high medical costs and low income will simultaneously loom before them. We have been told in the same breath that this bill would "ruin the moral fiber of the American people" and that, "if they cannot afford to pay the costs, they can always get a doctor's help, just by asking." Mr. Chairman, which is more ruinous to a nation's moral fiber—setting up a way by which the people themselves can pay for future medical costs, or urging them to accept the charity which most Americans are too proud to accept? The Forand bill takes the former approach—one which is, I think, more in keeping with the very American traditions of self-reliance that we all believe in.

The Ways and Means Committee has reported to the House some medical care provisions. But these provisions are far from what is needed to meet the challenge. Under the committee's bill, the States may—if the individual States so choose—institute a program of what amounts to medical public assistance. The decision to leave the problem to the States will, undoubtedly, be defended as showing devotion to "States rights." But just to make sure that "States rights" are not used to help too many people, the State is forbidden to make its medical care available to people who, in the judgment of the State, have adequate funds available. "States rights" here, as in so many places, seems to be largely a device to make sure that we don't give too much aid to too many people. A State, under this bill, has the right to be conservative, even stingy. But it is denied the "right" to be liberal, to throw away means tests, and to make medical care available on a broad basis.

The administration, led by the President and the Vice President, urges that health care for the aged ought to be voluntary rather than compulsory.

I suppose what we have in the bill before us is also voluntary in that sense. Perhaps it is more so, because there is no assurance that anyone will get any help at all.

What is compulsory about the Forand bill, and similar proposals to place old-age health care under the social security system?

What is compulsory is the social security tax. All persons who will some day have a right to draw benefits must pay premiums, which might be as high as \$12 a year. That is compulsory. As far as the benefits are concerned, they are voluntary. No one has to apply for them or accept them.

Now let us look at the so-called voluntary plans. They are not under the

social security system; they are paid for out of general tax revenues, collected from all Federal taxpayers. Does anyone who refuses the benefits get a rebate on his taxes? Not at all. Can anyone forswear benefits in the future in return for lower taxes? Not a chance.

Then what is voluntary about these plans? Only that no one has to apply for benefits.

What is the difference? In both cases, taxes are compulsory—except that under the Forand bill, everyone who paid the taxes would be entitled to benefits if he wanted them. In both cases, benefits are voluntary, except that under the administration and committee plans everyone who sought benefits would have to be dead broke first.

Where is the real difference? Is one approach really voluntary and the other compulsory? Of course not.

Neither one is voluntary when it comes to paying the bill. Both are "voluntary" when it comes to refusing benefits.

The real difference is that the Forand bill is voluntary when it comes to drawing benefits. Under a Forand-type plan, tied in with social security, the benefits would be ready and waiting for those who needed them. Under the phony substitutes, it would be voluntary with the States and the communities whether benefits were available at all.

These are just a few of the weaknesses I can see in this bill, Mr. Chairman. There are others, the chief of which is its inadequacy. I shall vote for the bill, as I said before, but solely in order to speed it on its way to the other body where, I hope, it can be turned into legislation of the epochal kind we need to meet this crisis.

Mr. MEYER. Mr. Chairman, I am going to support the social security amendments bill in hopes that it can be improved before it becomes law. However, I would have preferred to support the Forand bill with some strengthening additions and changes. I also want to commend the gentleman from Rhode Island [Mr. FORAND] for his great effort in behalf of medical care for elderly people.

Mr. STRATTON. Mr. Chairman, I intend to vote for the committee bill, although there are several aspects on which I believe the bill is inadequate, particularly with respect to its provisions for medical care for our senior citizens. The provision included in this bill in no way meets the real need of our people for a satisfactory system of medical insurance which they can make use of with dignity. Instead, it requires the most glaring kind of means test—virtual financial destitution—before the funds provided can be utilized. Hundreds of thousands of our retired citizens in need of health care would go without it first because they would be too proud to go to this extreme to get the medical and hospital care they really required.

After careful study I am convinced that the Forand kind of approach to this great problem—that is, making this insurance available through an expansion of the existing social security system—is the only adequate way to deal with the problem. Because of the gag rule under which this bill has come before us

to the floor, it is impossible, of course, for those of us who feel as I do, Mr. Chairman, to make our views known.

I am supporting the bill notwithstanding that fact, however, in the hope and expectation that when it goes over to the other body, with their less restrictive rules of procedure, a Forand-type of plan will be substituted for the one contained in this bill. Then a revised and improved bill will come back to this House, and I will certainly support such a new bill, and feel confident that a majority of my colleagues will do likewise.

Mr. HALPERN. Mr. Chairman, earlier in this debate I pointed to the glaring inadequacies of this bill. Among these I cited its failure to provide a realistic health care program for the aged. With the indulgence of the House I would like at this time to express in more detail my views on this subject.

Everyone, Mr. Chairman recognizes the need for some form of health protection for our elderly citizens.

Everyone admits that the aged are more subject to illness than younger persons, and that they are less able to meet the costs of their ailments and hospitalization. The Department of Health, Education, and Welfare has put this general conviction into figures. The Department says that, on the one hand, the medical requirements of persons over 65 are two and a half times that of the average person. And, at the same time, 74 percent of the aged have no income at all or receive less than \$1,000 a year; 11 percent of those over 65 have between \$1,000 and \$2,000 a year.

These figures tell a tragic story. They represent sad facts—the facts of elderly couples who have to struggle to exist on meager incomes, but who are anxious to maintain their dignity, who do not want to have their lifetime savings wiped out by the cost of extended illness, who fear having to go on relief.

We cannot desert these old people. We cannot abandon them, nor delude them with tragically false promises. We cannot proffer plans that we know will not work, plans that depend upon approval by others, and that would not relieve the old folks of the financial burden of their illness. Furthermore, we should not make these elderly citizens the victims of political warfare.

It is for these reasons that I introduced a companion bill to that offered by my good friend and colleague from the other side of the aisle, Congressman FORAND. This cosponsorship is a means of eliminating politics from an issue that I think is too important and too urgent for party divisions. I introduced a bill identical to that of Congressman FORAND for another reason—because I believe that the social security approach to the problem is the most logical, the most direct, the most economical.

My bill would provide insurance against the cost of hospitalization, nursing home care and surgical services. It would provide up to 60 days in a hospital; it would provide an additional 60 days in a nursing home, a total of 120 days if that is necessary. And it would not require that these old folks pay for this insurance out of their meager funds during the years of their retirement. In-

stead, the cost of the insurance would be spread over all the years of contribution to the social security trust fund, with those who have retired today being immediate beneficiaries of the insurance if and when they need it.

The cost will be light, but the sum would be adequate because it is contributed over many years. The very most that anyone would pay for this protection would be 25 cents a week. That would be for persons whose wage base is \$4,800 a year or more. For those who make less, the cost would be less. For instance, for those whose wage base is \$2,400 a year, the cost would be half as much as for those who make \$4,800.

I support the principle of coverage under the social security system because this country has accepted this means of meeting our individual social needs. We use it now to pay old-age pensions. Why not include old-age health insurance? I see no logical reason for using any other than an established and proven means.

I know that many who oppose using the social security system take this stand because they never did like this principle. They have fought against every advance made in social security. Could it be that some of these persons do not want health insurance for our elderly citizens at all? That they offer a substitute only to obscure or defeat the issue?

The organized groups of doctors are among those who oppose health insurance under the social security system. I do not believe, however, that the organized groups reflect the views of the average doctor. I say this sincerely because I have talked with many of them. I have listened to many doctors as they testified before the Ways and Means Committee. I have read many of their views. And I am thoroughly convinced that the average doctor is convinced that the stand of his association is not good for his profession, but that the social security approach would be good for his profession, and for America.

Some of those persons who oppose the social security approach charge that it would be socialistic. This is a wild phrase and grossly misapplied in this instance. The fact is that the social security means of providing health insurance for retired persons is far from being socialized medicine. There is complete freedom of choice of doctors under this system. Anyone who gets such health insurance can choose any doctor he wishes, including, of course, the family doctor known and trusted for so many years. The rates are not fixed by the Government. They are decided by the doctors themselves through their societies and associations. The doctor assigns persons to a hospital, if he believes that advisable. The doctor decides when a person should leave a hospital, when he should go to a nursing home, if necessary.

Approval of health insurance for elderly persons under the social security system will enhance the medical profession because it will make the public more cognizant of their health problems. They will seek medical advice and medical care where heretofore the lack of

funds and the lack of available facilities have prevented it. I think passage of this bill will be the greatest boon to the free medical profession.

What is more, approval of health insurance for recipients of social security old-age benefits will give the people of America what they demand. I know this is the case not only from the mail that pours into my office from my constituents and people all over the Nation, but because of the answers to a questionnaire that I sent to the people in my district. I sent out 100,000 questionnaires to my constituency. It represents a good cross section of American thinking. Urbanites who have moved to Queens in the population shift that takes place in all large metropolitan centers are in my district. People of low, middle, and high income are in the district. A cross section of ethnic and religious groups, the small home owner, the owner of a large home, the man who pays high taxes and the one who pays an average tax, are all among my constituents.

Of the 100,000, I received returns from 15 percent, and my advertising friends tell me that is remarkably good. Ten percent is high. I asked the 100,000 about the bill that the gentleman from Rhode Island has offered and which I also introduced. I asked not just in general terms. I broke down the features of the bill. And 78 percent, about 4 in every 5, were in favor of the bill unqualifiedly. Only 10 percent were opposed. About 10 percent were undecided.

Mr. Chairman, I am convinced that the Congress must meet a need that all of us admit exists, that we should adopt the most logical, most direct, and most economical means—using the facilities of the social security system—and that we should not delay our action. It is evident that there is powerful opposition to this measure, but I say that those who are blocking the way are not heeding the demands of the people. And therefore I hope that this bill will be amended in the other body, so as to put health care for the aged into the social security system, where it belongs.

Mr. BOLAND. Mr. Chairman, I rise in support of H.R. 12580, the Social Security Amendments Act of 1960, which, among other improvements, will make it possible for the States, under a Federal-State grant-in-aid program, to provide medical care for low income aged persons who are otherwise self-sufficient but whom the States determine need help on medical expenses.

FAVORS SOCIAL SECURITY CONTRIBUTIONS SYSTEM

However, I am convinced that eventually the means of providing adequate health, hospitalization, and surgical benefits for elderly citizens living on small, fixed incomes will have to be met through the framework of the social security tax system. Contributions during years of earnings, matched by employer payroll taxes, would provide an assured method of financing, without placing a burden on Federal, State, or local revenues.

Mr. Chairman, I do not believe that this would lead to socialized medicine.

All of the testimony and evidence I have studied in the printed hearings published by Senator McNAMARA'S Subcommittee on Problems of the Aged and Aging clearly and emphatically show that private insurance companies cannot provide low premium policies to meet the medical needs of America's senior citizens of low fixed income. Such a program can be provided only within the framework of the social security contributions system.

NEW YORK TIMES ENDORSED PLAN

The New York Times editorially endorsed such a plan on May 10 when discussing alternate proposals. Said the Times:

We believe that the arguments for using social security are overwhelming. Governor Rockefeller has done well to say that the administration plan could result in a very serious fiscal situation, very high costs, and cumbersome administration, and to urge that medical care for the aged be an added health feature of the social security system, with those who benefit contributing to their own protection.

Mr. Chairman, my colleagues are fully aware that this is an issue which has generated volumes of mail from the people back home, pleading with their Congressmen and Senators to do something to help resolve the prospects of burdensome hospital and medical costs when illness strikes. I would like to read just two of the hundreds of letters I have received on this subject:

NORTHAMPTON, MASS., April 16, 1960.

Congressman EDWARD P. BOLAND,
Congressional Office Building,
Washington, D.C.

DEAR CONGRESSMAN BOLAND: Now that you are considering some sort of medical care for the aged I would like to tell you that we both live on the lowest scale of social security payments. It is impossible for us to continue our present Blue Cross and Blue Shield payments much longer.

We believe that we are among the many in our age group (78 years) for whom an illness would be a financial disaster. In this matter as old people, we wonder if a little foreign aid money couldn't be best spent at home.

We hope that you will let us know what your feelings are in this matter and will watch to see how you vote on such a bill.

Sincerely yours,

Mrs. EMILY DONOVAN.
DANIEL J. DONOVAN.

SPRINGFIELD, MASS.

HON. EDWARD P. BOLAND,
Washington, D.C.

DEAR CONGRESSMAN BOLAND: I am a senior citizen of 68 years old. My husband will be 70 years old in November.

Since he has retired at 65 years old our problems have been getting worse every day. With the high cost of living upon us such as food, fuel, rent, clothing, medicines, and sickness, which we are having a lot of lately, as my husband is in the doctor's care at the present time, we absolutely cannot get along with the amount we receive from the social security checks which is \$147 monthly.

Our living expenses are much more than we receive in social security income. We had a small life savings which is all gone now.

So, my dear Congressman, you can easily see that the future is not very bright for us. We have no children to go to for help which makes it more difficult for us. It makes us very unhappy to have to beg, and

complain to you and our country for help for the aged and feeble. So, in you we trust that you may succeed in getting help for the poor old people of this country in your official duty.

I hope I have not taken too much of your time in reading about my problems.

Thanking you for your kind attention, I am,

Sincerely,

Mrs. FRED GOTEITE.

ELDERLY DESIRE TO PAY THEIR WAY

Mr. Chairman, many of America's senior citizens unfortunately become indigents at a time in their lives when their earning capacity is nil, and they are trying to live in dignity principally on the benefits of private or social security pension plans. They do not ask anyone to pay their way in retirement. Hundreds of them in my congressional district have told me personally that they worry about the day when they might require hospitalization, the cost of which would wipe out their savings of a lifetime, or put them deeply in debt. The Washington Post editorially expressed the same concern on February 20 in these words:

Everywhere in its travels around the country, Senator McNAMARA'S Subcommittee on Problems of the Aged and Aging heard anxiety expressed by older citizens as to how they would pay for medical care in their retirement. How can anyone with foresight, old or young, fail to be anxious about this problem? While a man is employed, he can enjoy the protection of some sort of group or private insurance program to cover medical and hospital bills if he becomes ill. The chances are, however, that when he retires he will no longer enjoy such protection; yet this is the time, obviously, when he will need it most—when, indeed, he is certain to need it sooner or later, which is what makes the cost of such private insurance prohibitively high for the aged.

The McNamara subcommittee came to the conclusion that this problem "should have top priority for legislative consideration in 1960" and recommended in its report an expansion of the system of old-age, survivors, and disability insurance to include health service benefits for all persons eligible for OASDI. We think this conclusion is inescapable. The essence of it is embodied in the Forand bill which would cost about \$1 billion a year to be financed with one-fourth of 1 percent increase in social security taxes. Like other old-age benefits, this would be paid for by a citizen throughout his wage-earning years, with a matching contribution by his employer. It would relieve retirement of one of the worst of its nightmares.

And, again on March 24, the Washington Post editorially pointed out:

Old age is the time of life when, generally, income is lowest and potential and actual illness is at its highest. Why should it be called socialistic for Americans to provide for the health hazards of their retirement years by paying insurance premiums through taxation during their wage-earning years? This is not socialism; it is simple commonsense. It is a practical scheme for enabling citizens to face old age with confidence and self-respect—to know that they need not depend upon the charity of doctors and hospitals for whatever medical care they may require. This is no more socialistic than any other form of social security.

Mr. Chairman, the distinguished columnist, Mr. Walter Lippmann, went to the heart of the issue in his article appearing in the Washington Post, on June

16. I would like to read Mr. Lippmann's column to my colleagues:

MEDICAL CARE FOR THE AGED
(By Walter Lippmann)

Almost everyone realizes that a great mass of the old people do not have the savings, and cannot depend upon their children, to pay for the doctors, hospitals, nursing homes, and drugs which, because they are aging, they need more than do younger people.

There are a few eccentrics, professing to be conservatives, who think that in a truly rugged individualism these ailing old people would do without medical care if they can't pay for it, or would make their children mortgage the future to pay the medical bills.

insurance, which already exists, for old age? What is wrong about its being compulsory that a man should insure himself against the needs of his old age? What is so wonderful about a voluntary system under which a man who doesn't save for his old age has to have his doctors and his hospital bills paid for by his children or public welfare funds? There is nothing un-American in the principle that the imprudent shall be compelled to save so that they do not become a burden to their families and the local charities, so that they can meet the needs of their old age with the self-respect which comes from being entitled to the benefits because they have paid the cost out of their own earnings.

The President has been led to think, he

For far too many of these, long life has meant shrunken incomes, increased sickness, loneliness, and the shame of being a candidate for a handout from society. Health, Education, and Welfare Secretary Flemming, in his thorough report to the House Ways and Means Committee last year, concluded that three out of every four aged persons would be able to "prove need in relation to hospital costs." That is to say, they would be able to prove that they simply could not afford to pay for the care they needed when taken seriously ill.

The issue, then, is not whether there is a problem but rather how to meet the problem.

TWO APPROACHES

Representative AIME FORAND, Democrat, of

the social security system to which employers and employees contribute regularly. By comparison with the heavily subsidized schemes, this approach has the advantage of keeping old people from feeling that they are beggars living off society's handouts.

We do not pretend to know all the answers to the problem of enlarging the social security system to include a health insurance program for the aged. Even a modest study of the problem immediately convinces anyone of its difficulty and complexity. At this point, we don't think that the complete answer to it has emerged.

Nevertheless, no democratic government can refuse to grapple with a problem of such demonstrated urgency and importance. The issue cannot be evaded and, before it becomes a political football, the politicians of both parties should accept responsibility for finding the best possible answer in the shortest possible time.

Mr. METCALF. Mr. Chairman, providing medical and health insurance for our elderly citizens is a must for this session of Congress. We have delayed too long already in facing up to the tragic fact that our elderly citizens have doctor and hospital bills which they cannot meet. We must no longer avoid our responsibility to our retired constituents. I am sorry indeed that the bill we are voting on at present does avoid this responsibility.

We should not try to meet this problem half way. We should not go at it piecemeal. We should go all the way. We should, of course, see that the recipients of social security old-age pensions should get insurance covering hospital and nursing home costs, but we should also cover the 6 million persons 65 and over who are not covered by the social security program. They, too, are in difficult financial straits. They, too, must be considered.

I believe that the quickest, surest, and most economical way to meet the problem is to enact a bill along the lines of the Forand bill with the addition of a program to take care of the elderly outside the social security program. Basically, however, the Forand bill is the answer.

I say this because our social security structure is sound and proven. It is solvent. The money within the fund is in excess of what we are paying out. In fact, we can undertake to put health insurance for our retired people under the system by providing for only a little additional tax.

There is a trend in many sections of the Nation toward the metropolitan centers where there are more jobs and where there is more income. This is understandable, but when these people leave the farming and economically marginal areas, they make the problems of these regions more acute.

Most of those who leave are the young. Those left behind are the elderly. I do not mean that they are all 60 or 65 years of age, but employment drops when the youngest go. Income chances are cut for those who remain. Those who get social security old-age benefits have little or no chance of supplementing their social security checks. They are by no means likely to earn anywhere near the \$1,200 allowed to them each year. And so, for the most part, they must subsist

on the checks they get from social security.

Let us take an example of one such couple. They are receiving, say, \$150 a month in security checks as husband and wife. They probably have their home paid for. I am talking about the average elderly couple. They do not have any savings. They have to get by on their social security check of \$150 a month, \$150 for husband and wife.

They find that if they stretch the \$150, they can buy food, they can buy clothing, they can buy their fuel, they can pay their taxes on their property—but let some sickness come along and they are in dire straits. Suppose the husband or wife is hospitalized for 2 weeks, or a month, or 2 months, and they run up a doctor bill of say \$500 or \$600, a hospital bill of \$300 or \$400. That couple will be ruined. They cannot get the money they need out of their social security check of \$150 a month. They need that to live on. It is only enough for them to exist.

It is evident that these people can be helped only by a complete program of hospital and medical care. I do not see any other way out. And for the life of me, I cannot understand why the American Medical Association opposes such a program. Recently a doctor in my district told me, "So and so can't afford to pay his bill. I know his situation. He's only getting a social security check of \$70 a month; his wife is getting a check of \$35 a month. That's only \$105 a month. They need that for their food, their fuel, their clothing, their taxes. In fact, I don't understand how they get by. And they owe me a doctor bill for \$300. I don't know how I'm going to get it."

I do not think the American Medical Association speaks for all the doctors. I do not think the American Medical Association speaks for all the doctors when it comes out against another proposal—social security for doctors. I find in talking to my doctors that the AMA as such has never taken a poll to find out if doctors want to be included under the social security program. I have talked to doctors, and 9 out of 10 doctors in my district want to come under social security.

Let me say one more thing: The cost of the administration of most of the programs proposed—except for the social security principle plans—would be enormous. A lot of additional taxes would be drained from the people and the people would not be directly benefited. Most of the money would be lost in the administration of the program.

On the other hand, making health insurance for the elderly a part of the social security system is ideal. The cost of administration would then be minute. In fact, one of the most striking features about the social security program is its low cost of administration. Less of the social security funds are paid for administration than in any other program of our Federal Government. Ninety-nine percent of the money we collect for social security goes to benefit the people, and I think the program of hospital and medical care would work in the same way.

On May 25 I introduced a bill, H.R. 12418, which provided basic health benefits as a matter of right to all persons aged 68 or over. This bill sought to answer the objection to the Forand bill that many people in between the public welfare group and the social security group were not covered.

The Republican proposal, the so-called Medicare program did take care of this middle group but at a high cost to the Federal Government, to the States and to the people affected.

My proposal was founded on the principle of social security but the people who were left out of the Forand bill were included in the coverage and at the same time costs were held down. My bill would have provided for the 9 million persons aged 68 or over who are eligible for old-age survivors and disability insurance monthly benefits, medical and institutional care, or, if they preferred, a \$4 increase in their monthly cash payments. The benefits would accrue as a matter of right without a means test. Persons aged 68 or over, not eligible for old-age survivors disability and insurance benefits would receive identical treatment through a parallel program financed out of general revenue.

By adding this latter proposition to the Forand bill we can achieve coverage for all the persons in the retired age group and at the same time utilize tried and tested techniques which we have found to be fiscally responsible.

I am deeply disappointed, therefore, in the proposal before us. I do not think it makes sense. It is an evasion. What we ought to have before us is a Forand-type plan.

We should enact such a program in this session of Congress. I do not know of any greater domestic problem facing the people of the United States, and I hope that before this Congress adjourns, the other body will give us a chance to incorporate in this measure something like the Forand bill, a bill that uses the principle of social security, and I would also hope it would take care of those not under the social security program. This is the best, most practical, most economical answer to a problem of real importance to the Nation.

Mr. HOLLAND. Mr. Chairman, there are many changes in the social security laws contained in this bill which are needed by recipients of social security payments. However, it does not begin to settle the problem of bringing health to those in their elder years who need health and medical care.

The men and women of America who have grown old in their labor to make this country the richest nation in the world are shunted aside and are told by our Government "You must meet the requirements of those who are receiving public assistance before you can secure hospitalization and medical care."

In our State of Pennsylvania at the present time, we are taking care of our indigents by supplying them hospital and medical care, and in some cases, nursing home care. These are individuals who under our constitution have proven they have no other source of income, and are paupers, in order to secure this help.

The State's bills for these services amount to \$38,100,000.

In the county in which I live—Allegheny County—we pay out of local taxes \$6,582,311 to take care of indigent people. It is estimated that over 70 percent of these patients are 65 years of age and older.

One of the most pitiful sights which has come to my attention is to see an old man over 65 who has lived all his life, paying his own way, being forced to beg for hospital and medical attention. I have had men and women come to me and state they wish the good Lord would take them before they are forced to beg for help.

Some of the letters I have received in connection with the Forand bill, and some of the editorials appearing in the newspapers, spoke about the Forand bill increasing taxes, while at the same time they favored the Federal Government and the State government joining together and paying into the insurance company large payments to cover the aged. The aged are not asking to be paid out of current taxes. They are willing to pay their own way by increasing social security deductions. They do not want to be a burden to the county, or the State or the Nation, or even to their own families. They want to maintain their dignity and pay their own way.

These recipients would have no portability, for if they moved out of the State, they would have to return to Pennsylvania to receive help.

The complicated plan contained in this bill to give hospital and medical care to the aged is unworkable. It would require millions of dollars to administer. When it is compared to the social security proposal under the Forand bill, it is not acceptable to the States—and above all, it is not acceptable to the aged who would resent being investigated and investigated as to their eligibility.

The only economic way that this can be arranged is through the social security system. The social security system of giving medical help and hospitalization to our aged is preferable and has the following advantages: First, simple administration—already basically established; second, collection during years of employment when payment is easy; third, no drain on general tax revenue; fourth, continued coverage even if the recipient moves to another State; and, fifth, preservation of dignity—no means test.

This, Mr. Chairman, is what we want for the aged. I am voting for this bill for the many improvements pertaining to the social security program which it contains. I am also in hopes that the Senate will amend this bill properly and place the medical and hospital care under social security where it belongs.

In mutual aid to foreign countries we appropriate millions of dollars to help better the health of people throughout the world. Let us help our own.

Mr. RHODES of Pennsylvania. Mr. Chairman, while I intend to support this bill to improve the social security program, I am disappointed in the inadequacy of the proposal in meeting the needs of our retired aged and handicapped citizens.

It seems to me that there should have been an increase in social security benefits. This is particularly true of the present \$33 minimum, which is unrealistic and shameful.

I was, however, pleased that the proposal which I made for removing the age 50 requirement for disability benefits was approved by the committee and is a part of the present bill.

But I was disappointed that my proposal for lowering the age requirements was not included in the bill. The difficulty of aged persons in finding gainful employment indicates the need for lowering present age requirements from 65 to 62 for men and from 62 to 60 for women.

The approach in the present bill to meeting the needs of health and hospitalization is inadequate and unrealistic. I fear, along with many of my colleagues, that this will lead to a great deal of confusion and do little or nothing in helping our aged citizens to cope with costly medical and hospital services.

Even though the bill is inadequate, I will support the proposal, which we must accept if there is to be any advance in the social security program this year. It leave us little choice—we either vote for an inadequate bill or no bill at all.

It is my hope that the House bill will be improved by the Senate so that when the final decision is made we will have a chance to vote for something better than the proposal now before us.

We cannot, in good conscience, ignore the need for substantial improvements in our social security program. We owe this to the people. If we pass no other major legislation before this Congress adjourns, passage of an adequate and realistic social security bill would be a constructive and real achievement.

Mr. KEOGH. Mr. Chairman, I join in expressing regret that my colleague on the committee and my friend, ARME FORAND, has made a decision to retire. We will miss sorely his advice and counsel on the committee. I know of no one who has had a deeper concern for humane and sound social legislation or who has contributed more to the improvements which have been made over the years in the Social Security Act. We will miss his warm friendship, his wise counsel, and his great contributions to the work of the committee.

Mr. ZABLOCKI. Mr. Chairman, I wish to join with my colleagues in extending my sincere congratulations and commendation to our distinguished friend from Rhode Island [Mr. FORAND] for his untiring efforts in support of legislation to promote the welfare and to solve the health problem of our people, and particularly of our elder citizens.

In introducing the Forand bill to provide medical care insurance under the social security system, and in championing other constructive measures, our distinguished colleague from Rhode Island has won a special place in the hearts of the American people.

We receive his decision to retire upon the completion of the work of this Congress with deep regret. His experience, his sage advice, and his leadership in social welfare legislation will be missed

in these Halls. I want to take this opportunity, however, to extend to him my best wishes for a happy, restful retirement in the circle of his family and of his many friends.

Mr. Chairman, I want to add that I was honored when the gentleman from Rhode Island invited me in 1957 to join him in sponsoring legislation to provide medical care insurance on a prepayment, funded basis for our older citizens. I became a cosponsor of the Forand bill, and I had hoped that it would be reported to the full House for consideration and a vote. The medical care provisions of the bill before us, containing the Social Security Act amendments of 1960, fall considerably short of the proposal outlined in H.R. 4700. I will, however, support this legislation for two reasons: First, because the medical care needs of our older citizens are pressing, and we must make a start somewhere and in some way in meeting those needs; and, secondly, because I have hope that the House conferees, led by the able chairman of the committee, Mr. MILLS, and with the assistance of Mr. FORAND, guided by the expressions made here today, will bring back to the House a more effective program for helping our elder citizens to secure needed and adequate medical care.

I know that my good friend from Rhode Island [Mr. FORAND] and many of my colleagues will support this position. To me, there is little alternative in view of the facts which confront us.

It is a fact, for instance, that 80 percent of our 16 million citizens over 65 years of age have incomes of \$2,000 or less and cannot afford adequate medical care.

It is a further fact that the majority of our elder citizens are not covered by any type of hospitalization or medical care insurance.

It is a still further fact that the cost of medical care has continued to rise at a sharp rate, and that our older citizens—spending, on the average, twice as much per year for medical care as the average spent for this purpose by our population as a whole—cannot look forward to meeting their needs in this area through their own effort.

Because of these facts, I feel that we must continue to seek a comprehensive and effective solution to this problem, beyond the very limited provisions in the bill before us. I intend to continue to work to this goal. It is my hope that this Congress will enact legislation which will meet the needs of the aged. Such legislation would be a lasting tribute to the efforts of our beloved colleague from Rhode Island [Mr. FORAND].

Mr. VANIK. Mr. Chairman, although I am completely dissatisfied with the inadequacies of H.R. 12580, as reported by the Ways and Means Committee, I will support this legislation, because it appears to be the only opportunity this year to provide medical care for the aged and to improve the social security laws by removing the age 50 eligibility requirement for disabled insured workers and their dependents and to provide an increase in children's benefits.

The provisions made in this legislation to provide for a Federal-State

grant-in-aid program to help the States assist low-income aged individuals who need assistance in meeting their medical expenses is certainly desirable for those who can qualify. However, we face a critical problem in the widening gap between medical services and care available to the indigent as distinguished from the low income or near indigent.

This widening gap destroys highly desirable incentives for low-income families to try to "go it alone" on their low incomes. Thousands of these families in my community, unable to qualify under public programs which provide health and medical care, struggle along without necessary services to the detriment of family and community health.

The only sound approach to this problem can be found in the principles of the Forand bill which would make it possible for the average worker to provide medical and health care for his family during his working years as a matter of earned right. Thus the payment of premiums during the period of good health would build up a reserve to cover such medical and hospital care as he and his family may need in later years when income is reduced or completely eliminated in retirement.

In observing thousands of families in my community, who live on social security and other pensions, I am constantly impressed by how well they get along, even receiving a partial social security payment. If these families own their own modest homes the pension program usually produces enough income to permit these families to continue living in the family homestead without outside help either from the family or any public agency. However, when critical and extended and prolonged illness, particularly the illnesses of old age, involve one of the members of these families, the entire family unit is plunged into a hopeless catastrophic financial dilemma from which there is no chance of survivorship. These are provident working people who have contributed to the growth and to the strength of America and who cannot under any circumstances meet the tremendous medical burdens that are imposed by the diseases of old age. These people must not be cast upon a social trash heap or be permitted to die prematurely for lack of decent medical care.

It is of these families we must also think in terms of this legislation. It is my hope that this shortcoming in the House legislation can be corrected in conference, so that this positive and necessary step forward in social security can be accomplished in this session.

Mr. SANTANGELO. Mr. Chairman, I support H.R. 12580, the Social Security Amendments of 1960, which is designed to extend and improve the coverage under the Federal old-age, survivors, and disability insurance system and to remove hardships and inequities, and for other purposes. I support this bill because on balance it removes inequities in our social security system, but I am sorely disappointed in what the Committee on Ways and Means has submitted to the Congress without opportunities to amend the bill and to improve its provisions.

This bill provides for a program of medical care for the aged and establishes a new title of the Social Security Act, title 16, which would initiate a new Federal-State grants-in-aid program to help the States low-income aged individuals who need assistance in meeting their medical expenses. This proposal is not the Forand bill, which 16 million aged persons were looking forward to with anxiety and with anticipation. The bill known as the Forand bill, H.R. 4700, and which I cosponsored, was in essence rejected by the committee. The rejection of the Forand bill is a sad blow to all of us who were seeking an effective program upon trustworthy machinery, the social security trust fund. The failure to pass the Forand bill is a disappointment to me. The medical care program which the committee submitted for consideration provides for a Federal-State program and is completely optional with the States, with each State determining the extent and character of its own program, including standards of eligibility and scope of benefits. The State sets forth the eligibility requirements, and those persons 65 years of age and over whose income and resources—taking into account their other living requirements as determined by a State—are insufficient to meet the cost of their medical services, will be eligible under the program. Persons on public assistance will not be eligible under the provisions of the instant bill.

The scope of medical benefits and services provided for will be determined by the States. The Federal Government will participate by matching funds with the State in accordance with a formula which runs along the lines of Federal contributions to States for the administration of public welfare. The States may provide institutional and noninstitutional services. The services which the State program must provide if it is to meet the Federal standards will provide 10 major items: First, inpatient hospital services up to 120 days per year; second, skilled nursing-home services; third, physicians' services; fourth, outpatient hospital services; fifth, organized home care services; sixth, private duty nursing services; seventh, therapeutic services; eighth, major dental treatment; ninth, laboratory and X-ray services up to \$200 per year; and, tenth, prescribed drugs up to \$200 per year.

Experience discloses that in the administration of the old-age assistance program as opposed to the old-age and survivors insurance program, 15 States have failed and neglected to set up programs for medical assistance for the aged people on public welfare. In those programs, the Federal Government provides most of the moneys with little contribution from the States, and yet 15 States have failed to make any provisions for the granting of medical services to the aged people receiving public assistance. If 15 States refuse to contribute at least 10 percent of the funds for providing medical care for those receiving public assistance, is it reasonable to expect that these 15 States will provide 50 percent of the cost for senior citizens who are not on public assistance

and who cannot afford to pay for their medical care?

This bill improves upon the 1958 amendments as to persons who are disabled and who cannot pursue any gainful occupation. This bill eliminates the age requirement which was fixed at 50 years and provides that if a person of whatever age has the necessary period of employment, he may receive benefits if he is permanently disabled and cannot work at any gainful occupation. This bill also reduces for some people the number of quarters to become eligible for benefits. This bill extends coverage to self-employed doctors and interns, certain domestic help and certain State and local government employees. This bill increases the benefit provisions for children of widows who are entitled to benefits under the social security system.

This bill provides also that a disabled worker who regains his ability to work and then within 5 years again becomes disabled will not be required to wait through a second 6-month waiting period before his benefits will be resumed as is now required by law. This bill also provides that survivors of workers who died before 1940 and who had at least six quarters of coverage would qualify for benefit payments.

I have been disappointed in the medical care program and benefits which this bill provides for. The effectiveness of this program will depend upon the State governments availing themselves of the opportunity. In my opinion, this program is a mirage and vanishes when we seek to reach it. I trust that the States will take the opportunities provided for, but in view of past history, I doubt very much that State governments will embark upon this humane program.

I have been disappointed in two other major respects. These are defects of omission and failure to act rather than defects of commission. I am disappointed that the committee did not recommend an increase in the permissible earnings which a retired worker may earn before losing retirement benefits. The law at present provides that retired workers may not earn in excess of \$1,200 per year. If they do earn in excess of \$1,200 per year, they lose a proportionate part of their pension benefits. If they earn in excess of \$2,400, retired workers lose entirely their pension benefits. Experience has disclosed that with the high cost of living, pensioners must supplement their pension benefits by obtaining employment. Many of them earn in excess of \$1,200 per year and are penalized by reason of their diligence which has brought to them gross earnings in excess of \$1,200. It is my hope that the committee would raise the limitation to at least \$1,800 per year or to any other reasonable figure. This the committee failed to do.

I was also sorely disappointed in the failure of the Committee on Ways and Means to correct an inequity affecting thousands of service workers, such as waiters, beauticians, taxicab drivers, porters, pin boys, maritime service employees, who depend upon tips as part of their wages. Under the present law,

tips which these service workers receive are not included in the computation of social security benefits, notwithstanding the fact that these tips are included for purposes of income tax. It is unfair that the tips should be subjected to taxes and yet not be included in the basis for determining pension benefits. The Committee on Ways and Means rejected the provisions of my bill which would have provided for contributions on tips by the employee as well as the employer. The committee also rejected to grant service employees to pay on their tips on a voluntary basis without joint contribution by the employer. This failure on the part of the committee has not only disappointed me, but millions of persons throughout the United States. I shall continue my efforts to correct this inequity in future congressional sessions provided I have the opportunity of representing my district.

I wish to commend several members of the Committee on Ways and Means, especially my colleague, Mr. EUGENE J. KROGH, in his support to include a provision to cover service workers with respect to their tips as part of wages in the computation of social security benefits. I also commend Mr. AIME J. FORAND, the Representative from Rhode Island, who is retiring at the end of this session and whose bill has brought to the attention of the Nation the crying need for a solution of the problem concerning medical care for the aged of our country.

I, therefore, am voting for this bill and trust that it will pass with an outside hope that the Senate in conference with the House Members will embody those features which are lacking and will improve upon those features which attempt to solve the program, but which, in my opinion, do not adequately do so.

Mr. REUSS. Mr. Chairman, of all the civilized democracies under the sun, we are the only one that has failed to act publicly on a national basis to meet the problem of health care for the aged. Yet, America's senior citizens are no less subject to the ills the flesh is heir to than are older persons elsewhere in the world. The medical and hospital needs of people over 65 are several times greater than those of the average American. And retired people, living on social security or other pensions, are less able than at any time in their adult lives to pay even modest hospital or doctor bills.

What is often overlooked is that an adequate system of health care for the elderly, financed under the social security system by the contributions of workers and employers, would benefit many people other than the direct recipients of such assistance.

If my mail received in Washington is an indication—and I am sure that it is—the great majority of Milwaukeeans recognize the serious financial difficulties which confront retired persons in time of illness, and favor the establishment of a national program to underwrite basic health care costs. The signs point clearly to the wisdom of using our social security system as the foundation for assuring adequate health care for our senior citizens in a dignified way. We now have 25 years of experience with the

social security system, and although it has inadequacies and imperfections, the system works.

I hope the parliamentary course of H.R. 12580 will permit amendments so as to set up the kind of health program for the aged that this country needs.

Mr. RABAUT. Mr. Chairman, I join in the remarks which my good friend, the Honorable AIME FORAND, has made on the floor today in connection with medical care for aged individuals. I have expressed to him personally that he should enlarge upon his remarks under his request to extend them. He should make known the attitude of certain groups toward this humane and beneficial legislation.

At this point, I would like to express my deep regret that he is leaving us. His absence from this body will be a major loss to many of his colleagues, to his congressional district, to his fine State of Rhode Island, and the Nation as a whole. He has been an inspiration to me. He is not only humble and sincere but has a great devotion for his fellow man. And, although he is retiring from public service, I am sure that in his retirement his efforts to assist others in need will continue.

Mrs. DWYER. Mr. Chairman, I support the pending legislation because I believe it makes an important contribution toward updating and improving our social security system and permitting that system to be as useful and helpful as possible to the elderly, the retired, the disabled and the dependent.

The economic and social circumstances which affect the lives of our people are constantly changing. It is essential that Congress keep up with these changes, understand the way in which they affect the people concerned, and act accordingly so that social security laws and regulations reflect these changes and are adapted to the real needs of real people.

To a great extent, the present bill does this:

By removing the age 50 eligibility requirement of the disability insurance program, we shall bring badly needed help to an estimated 250,000 insured workers and their dependents who—despite their disability—have not been allowed to qualify for the benefits they need and deserve.

By providing a 12-month period during which benefits are continued for all disabled workers who attempt to return to work, we shall strengthen the rehabilitation features of the disability program and encourage, rather than discourage, workers to overcome their handicaps and resume their places as constructive and productive forces in our national life.

By eliminating the 6-month waiting period for disabled workers who have returned to work and then become disabled again, we shall ease these workers over a particularly trying time when they need help the most.

By liberalizing the insured status requirement, about 600,000 persons will be eligible for minimum social security benefits immediately, and ultimately about 1.4 million will be eligible who would not otherwise have qualified. This liberalization will help especially the older

workers who come under the program in the later years of their working lives.

A number of amendments will remove inequities in the present law which have worked to the disadvantage of widows, especially those over 75, and the children and other survivors of insured workers.

The bill will also extend coverage, and protection, to about 300,000 additional people who do not now participate in the Social Security System, including self-employed doctors and domestic workers, thereby making it possible for them to provide necessary survivorship and disability protection for themselves and their families.

In a related field, the bill would provide the authorization for increased appropriations in the important maternal and child welfare programs, including services for crippled children.

The legislation also would improve the existing Federal-State program of employment security by, among other things, building up the fund from which advances to States are made when their reserves have been depleted in times of heavy unemployment. This will further strengthen the whole unemployment compensation program.

In the vital field of medical care, the legislation is designed to encourage States to make improvements in their medical payment programs for old age assistance recipients.

Of all the changes and improvements made by this bill, unquestionably the most important and controversial is the proposed new program of medical services for the aged. The committee has recommended a voluntary program, similar in many respects to the kind of program envisaged in legislation I introduced earlier this year. Ten million persons over 65 with relatively low incomes would qualify for assistance in the event they incur extensive medical expenses. This program would be voluntary, with Federal and State Governments sharing the cost under an equalization formula in which the Federal share would range from 50 to 65 percent. The medical services which would be included in the program are especially designed for older persons. An estimated 1½ million people over 65 each year require the kind of medical services specified in the bill.

The committee's recommendation of such a program, Mr. Speaker, marks a major step ahead in helping older people meet the often catastrophic impact of serious illness. The problem is universally acknowledged to be one of the most serious which our country faces. The controversy exists only in relation to the best means to meet the need.

Proponents of the plan to make medical care for the elderly an integral part of the social security system will not be satisfied by the committee recommendation. Yet, the House must either accept or reject this program, at this time, as it is. Whatever may be one's views about the Forand bill, the present proposal is a constructive and forward-looking one. For this reason, I support it.

Mr. DONOHUE. Mr. Chairman, unfortunately it is quite evident there is much fear and distressing doubt, in the minds of a goodly number of Mem-

bers here that this proposal, H.R. 12580, the Social Security Amendments of 1960, is as reasonable and realistically responsive as it could and should be, to the needs and the desires of the great majority of American citizens. Under such circumstances we are, unhappily, because of the closed rule under which we are operating, permitted to vote only for or against the whole bill, without modifications.

Being restricted, then, to these two choices, I intend to support the bill because it does provide an extension and expansion of a limited number of benefits to those people whose needs are most urgent.

For instance, the bill removes the age 50 eligibility requirement for disability benefits; it liberalizes the eligibility requirements of old age, survivors and disability benefits; it makes certain improvements in the social security benefit protection for children and extends benefit eligibility to more widows; it effectuates certain improvements in the administrative financing and solvency provisions of the unemployment compensation system, as well as extending its coverage; it extends coverage to groups that were not before included. All these improvements are good and they have already been carefully and thoroughly explained by the distinguished chairman of the House Ways and Means Committee.

Unfortunately, the committee has not seen fit to recommend other advances and improvements which a great many of us have been advocating with the earnest hope that they would be included in this measure. Chief among these would be provisions to reduce the retirement age, especially for women, and particularly for widows; to increase the minimum benefits in accord with rising living costs; and realistically raise the outmoded and outdated basic income limitations.

Of course, the major fears and doubts about the substantial worth of this measure are concentrated on the most controversial new title XVI, which would initiate a new Federal-State grants-in-aid program to help the States assist low-income aged individuals who need help to meet their medical expenses. In my own opinion this title, and its provisions, fall far short of adequately and equitably assisting our older citizens in the desperate financial distress they tragically encounter from the ills and the sicknesses so common in the later stages of life.

It is my earnest hope, that after this measure is considered, and probably changed, in the Senate, we may yet have the opportunity to repair and strengthen this title so that a far more equitable and effective program of medical service and hospitalization treatment assistance may be granted to the millions of aged Americans so desperately and despairingly in need of it.

Mr. GALLAGHER. Mr. Chairman, as we have taken up H.R. 12580, Social Security Amendments of 1960, it is apparent that the need for a liberal medical care for the aged bill is clearly and strongly supported by factual statistics

that highlight the plight of so many of the country's senior citizens.

I vote for this bill despite the fact that I do not feel the provisions of the bill go far enough in attempting to give relief and a feeling of security to elderly citizens. Defeat of this proposal would kill off any chance of a medical care bill being enacted this year. I am hopeful that the Senate will amend and liberalize the provisions.

The following statistics highlight and emphasize the seriousness of the problem and the need for a more adequate program:

Persons over 65 have two to three times as much chronic illnesses as the remainder of the population.

The average hospital patient over 65 stays 15 days, twice the national average for all age groups.

The cost of medical care has increased 49 percent, since 1947. Hospital costs are up 300 percent since before World War II.

Four out of every five persons over 65 are not employed.

Half of those over 65 have incomes of less than \$1,000 per year.

Only 40 percent of persons over 65 carry some form of commercial health insurance as compared to the national average of 70 percent.

We have come to a critical juncture in this tremendously important matter, either this Congress is going to provide necessary assistance to our senior citizens, who certainly have earned the right to such aid, or we are going to ignore the plight of the elderly.

I introduced a bill early in the year to amend the social security laws to make health benefits part of the social security system.

Mr. CARNAHAN. Mr. Chairman, the Social Security Act is of importance to millions of Americans today. It is for this reason that I am highly gratified that the Committee on Ways and Means has spent these past several months giving close study to many proposed amendments aimed at improving and strengthening this act. While this bill may not incorporate some of the features many of us might have liked to have seen presented to the House, it does recognize the fact that laws dealing with social security need almost constant attention in order to determine whether or not in these changing times the law meets the basic needs for which it was originally designed. I believe that there are some good proposals in this bill.

However, I am frank to admit, Mr. Chairman, that I was disappointed to have the committee fail to report favorably the Forand bill which would have placed the problem of medical assistance for the aged under our social security system. I wish to put myself on record as still favoring such an approach to this most pressing problem.

One significant amendment to the present law is the removing of the requirement that disabled workers must be at least 50 years old to receive benefits. This would be removed and although the present strict definition of eligibility would remain it does liberalize the law with respect to disability eligibility.

I for one am tired of having the threadbare cliché of "socialized medicine" thrown into the picture every time the problem of America's senior citizens and their medical problems are discussed. I seem to recall that something of the same bogeyman was thrown up as a diversion way back in the days when the first social security law was enacted. The Washington Post in an editorial of February 20, 1960, rather effectively demolished this alarm cry of socialized medicine when it says in part:

That the American Medical Association would offer its usual doctrinaire opposition to this proposal was as much to be expected as a bill from a doctor after a visit to his office. Senator McNAMARA has observed that the American Medical Association had nothing to offer but tired abuse. This is not, by the wildest flight of the most neurotic fancy, socialized medicine or political medicine. It is simply a system, if the AMA could but calm its nerves long enough to realize it, which like Blue Cross or Group Hospitalization or any other insurance program, would enable a patient to go to the doctor and the hospital of his choice and pay the bills resulting from the care he needs in old age. It would help doctors, hospitals and medicine in general. And it would enable American men and women to retire in their old age with more security and self-respect.

There are other reasons why I favor the placing of this program within the framework of the Social Security Act. By placing this program under social security most older persons would benefit and could be assured of hospital care, additional skilled nursing care, and surgical benefits. Around 13 million men and women would get lifetime protection—all of those eligible for old-age benefits under social security. By placing this program under social security it would mean that old people not entitled to old-age benefits would be helped indirectly if they turn to public assistance for, since smaller numbers would be forced to seek such aid, each one could be given more adequate assistance from the limited funds available to existing welfare agencies.

By placing this program under social security young workers would gain, since their aging parents would be protected at once and they and their families would have similar protection on retirement or if the wage earner dies leaving young children. The most any employed person would have to pay in the early years would be a dollar a month or 23 cents a week—one-fourth percent of earnings up to \$4,800. For farmers and other self-employed people, the maximum contribution would be 35 cents a week.

Mr. Chairman, few persons over 65 have now nor can they afford good health insurance protection through any other means than within the framework of the social security setup. According to Government published figures only about two out of five have any such protection now and much of that is inadequate, can be canceled, has lifetime ceilings and is very costly. The best-known policies cost from \$2.50 to \$8.50 a month per person and pay only part,

perhaps not even half, of hospital costs for up to only 31 days.

It is my firm contention that by approaching this problem of medical aid for the aged from the angle of our social security setup, we would actually strengthen our welfare agencies, hospitals and Blue Cross. Such an approach would relieve these agencies of the high-cost load of the aged. Many hospitals today have large and growing deficits. Blue Cross keeps raising rates partly because it includes retired people without charging them more than the community rate. As a result, Blue Cross is increasingly threatened by competition from commercial companies selling such insurance. Public welfare agencies now spend \$300 million a year for health care for the aged. In many communities a large part of the old-age assistance costs are for medical care, which is an ever-growing burden. A dependable system of financing health costs for the aged, such as would be provided through the social security system, would help these community agencies to improve and extend their services. High quality, skilled nursing homes would be assured of revenues. A speedy return to independence and home care could be stressed.

Now the costs of all this would be very moderate. According to the Secretary of Health, Education, and Welfare the cost would be only about \$1 billion the first year and these new benefits can be financed on a sound basis through the social security payroll tax and without endangering present cash benefits. The Secretary of Health, Education, and Welfare estimates that the long-range cost of such a program under social security would be only about four-fifths of 1 percent of taxable payrolls. Therefore, it seems to me, Mr. Chairman, that insurance through the social security system is the best insurance buy available.

When over 10 million Americans—and the estimate runs as high as 16 million oldsters—stand in need of big medicine, it is no time to come up with an aspirin tablet. To use the standing joke of the veteran of the past war, an APC—all purpose capsule—is not the solution to specific and pressing medical needs for these elderly citizens and we of the Congress should not hold this out to these people.

While I shall vote to enact the provision in H.R. 12580 concerning medical care for the aged, I must state that I am not at all satisfied with it. This dissatisfaction points up sharp differences now existing in the approach to the health problems our senior citizens are facing. This proposal in H.R. 12580 would leave the elderly liable to heavy outlays. Also, instead of being operated by one agency as would be the case under social security, this plan would be either operated by those of the 50 States which adopted it, or by commercial insurance companies which the States paid to do the job. Not only would such an administrative program be expensive and relatively inefficient, but the plan would require adoption by the individual State legislatures, and many feel that there would be heavy pressure from various quarters against such adoption. It is further recognized that many States are already in critical

financial condition and would be extremely hard put to pay their share of the program. In addition, this program under consideration by us here today is designed to cover only about one-half million to one million persons—leaving ignored the millions who need such insurance and who would be eligible under social security arrangements. Let us hope, Mr. Chairman, that the Senate will see fit to incorporate into its consideration of this bill the social security approach to this matter.

I support the other amendments to the Social Security Act and believe these changes are in the direction of liberalization and that in spite of the limitations I have discussed the bill deserves support.

COMMENDATION OF CHAIRMAN MILLS, HOUSE WAYS AND MEANS COMMITTEE

Mr. DERWINSKI. Mr. Chairman, the purpose in my remarks this afternoon on the subject of the 1960 social security bill is not to reiterate the words that were uttered by many Members during the discussion of the legislation, but I feel that it is proper to pay tribute to the distinguished chairman of the Ways and Means Committee, the Honorable WILLBUR D. MILLS, whose dedication to the soundness of the social security system protects the citizens of this country from the irresponsible measures advocated each election year, which if enacted would bring actuarial ruin to the social security fund.

Mr. Speaker, I especially wish to commend the chairman and the members of his committee on the soundness of the provision which eliminated the disability benefit provision to disabled insured workers 50 and over, since statistics show us that wage earners under 50 who are disabled very often have families in need, and actually are more in need of this legislation than only those who had been previously covered.

And surely, the provision for medical care for older folks in need is a practical approach to a problem designed to assist those needing this protection without impairing, as I indicated earlier, the basic strength of the social security fund. All of us recognize the responsibility of our society to provide for people truly in need, but we must resist the attempts of the socialistically inclined Members who would force compulsory Government regimentation upon our medical profession and our citizens, to the detriment of all concerned.

Mr. Chairman, may I repeat that Chairman MILLS is entitled to our respect and admiration for his constant interest in maintaining the fiscal integrity of the Federal Government.

Also, I would be remiss at this point if I did not remind one and all of our obligation to point out to the citizens we represent that you never get something for nothing from Government.

Mr. MILLS. We have no further requests for time.

Mr. MASON. I have no further requests for time.

The CHAIRMAN. Under the rule the bill is considered as having been read for amendment. No amendments are in order to the bill except amendments offered by direction of the Committee

on Ways and Means. Are there any committee amendments?

Mr. MILLS. Mr. Chairman, there are no committee amendments.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. ZABLOCKI, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill—H.R. 12560—to extend and improve coverage under the Federal Old-Age, Survivors, and Disability Insurance System and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such act; and for other purposes, pursuant to House Resolution 562, he reported the bill back to the House.

The SPEAKER. Under the rule the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

Mr. MCCORMACK. Mr. Speaker, I ask unanimous consent that if a rollcall is asked for on a motion to recommit or on the passage of this bill, that it be postponed until tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

Mr. MASON. Mr. Speaker, reserving the right to object, may I inquire if we can make a motion to recommit tomorrow?

The SPEAKER. Yes.

Mr. MASON. Then, I have no objection to it going over until tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. MCCORMACK. Mr. Speaker, my request was "if." Mr. Speaker, I think under the unanimous-consent request, the gentleman ought to offer his motion to recommit now.

The SPEAKER. The gentleman may. Mr. MASON. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. MASON. I am, Mr. Speaker.

The SPEAKER. The gentleman qualifies. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. MASON moves to recommit the bill H.R. 12580 to the Committee on Ways and Means.

Mr. MILLS. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. BYRNES of Wisconsin. Mr. Speaker, on that I demand the yeas and nays.

The SPEAKER. Under the unanimous-consent agreement, the rollcall will go over until tomorrow.

ternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such act; and for other purposes.

The Clerk read the title of the bill.

- | | | |
|-----------------|-----------------|----------------|
| Feighan | Klucynski | Rains |
| Fenton | Knox | Randall |
| Fino | Kowalski | Ray |
| Flood | Kyl | Reece, Tenn. |
| Flynn | Lafore | Reese, Kans. |
| Fogarty | Laird | Reuss |
| Foley | Landrum | Rhodes, Pa. |
| Forand | Lane | Riethman |
| Ford | Langer | Rivers, Alaska |
| Forrester | Langer | Roberts |
| Fountain | Latta | Robison |
| Frellinghuysen | Lennon | Rodino |
| Friedel | Lesinski | Rogers, Colo. |
| Fulton | Levering | Rogers, Fla. |
| Gallagher | Libonati | Rogers, Mass. |
| Garmatz | Lindsay | Rooney |
| Gary | Lipscomb | Roosevelt |
| Gavin | Losier | Rostenkowski |
| George | McCormack | Roush |
| Giulmo | McCulloch | Rutherford |
| Gilbert | McDonough | St. George |
| Glenn | McDowell | Santangelo |
| Goodell | McPhill | Saund |
| Jranahan | McGinley | Saylor |
| Grant | McGovern | Schenck |
| Gray | McIntire | Schneebeil |
| Green, Oreg. | Macdonald | Schwengel |
| Green, Pa. | Machrowicz | Scott |
| Griffin | Mack | Selden |
| Griffiths | Madden | Shelley |
| Gross | Mailliard | Sheppard |
| Gubser | Marshall | Shibley |
| Hagen | Martin | Short |
| Haley | Matthews | Sikes |
| Halleck | May | Siler |
| Halpern | Meador | Simpson |
| Hardy | Meyer | Slak |
| Hargis | Michel | Slack |
| Harmon | Miller, Clem | Smith, Calif. |
| Harris | Miller, | Smith, Iowa |
| Harrison | George P. | Smith, Miss. |
| Hays | Miller, N.Y. | Spence |
| Hébert | Milliken | Sprinker |
| Hechler | Mills | Staggers |
| Hemphill | Minahall | Stratton |
| Henderson | Mitchell | Stubblefield |
| Hertong | Moeller | Sullivan |
| Hiestand | Monagan | Teague, Calif. |
| Hoeven | N'ontoya | Teague, Tex. |
| Hoffman, Mich. | Moore | Teller |
| Hogan | Moorhead | Thomas |
| Hollifield | Morgan | Thompson, N.J. |
| Holland | Morris, N. Mex. | Thompson, Tex. |
| Holt | Moss | Thomson, Wyo. |
| Holtzman | Moulder | Thornberry |
| Horan | Murphy | Tollison |
| Hosmer | Murray | Trimble |
| Huddleston | Natcher | Udall |
| Hull | Nelsen | Ullman |
| Ikard | Nix | Vanik |
| Inouye | Norblad | Van Pelt |
| Irwin | O'Brien, Ill. | Van Zandt |
| Jackson | O'Brien, N.Y. | Vinson |
| Jarman | O'Hara, Ill. | Wallhauser |
| Jennings | O'Hara, Mich. | Waiter |
| Jensen | O'Konaki | Wampler |
| Johnson, Calif. | O'Neill | Watts |
| Johnson, Colo. | Oliver | Weaver |
| Johnson, Md. | Osmer | Wels |
| Johnson, Wis. | Ostertag | Westland |
| Jonas | Passman | Wharton |
| Jones, Ala. | Pattman | Whitener |
| Jones, Mo. | Perkins | Whitten |
| Judd | Pfost | Widnall |
| Karsten | Philbin | Wier |
| Karsh | Pilcher | Williams |
| Kasem | Pillion | Willis |
| Kastenmeier | Pirnie | Wilson |
| Kearns | Poage | Winstead |
| Kee | Fox | Withrow |
| Keith | Forster | Wolf |
| Kilburn | Price | Wright |
| Kilday | Prokop | Yates |
| Kligor | Prokop | Young |
| King, Calif. | Pucinski | Younger |
| King, Utah | Quie | Zablocki |
| Kirwan | Quigley | Zelenko |
| Kitchin | Rabaut | |

SOCIAL SECURITY AMENDMENTS OF 1960

The SPEAKER. The question is on the passage of the bill H.R. 12580. Mr. BYRNES of Wisconsin. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered. The question was taken and there were—yeas 381, nays 23, answered "present" 3, not voting 24, as follows:

[Roll No. 143]
YEAS—381

- | | | |
|-----------------|--------------|---------------|
| Abernethy | Bolling | Collier |
| Adair | Bolton | Colmer |
| Addonizio | Bonner | Conte |
| Albert | Boesch | Cook |
| Alexander | Bow | Cooley |
| Allen | Bowles | Corbett |
| Andersen, Minn. | Boykin | Cramer |
| Anderson, Mont. | Brademas | Cunningham |
| Andrews | Bray | Curtin |
| Arends | Breeding | Curtis, Mass. |
| Ashley | Brewster | Curtis, Mo. |
| Aspinall | Brooks, La. | Daddario |
| Auchincloss | Brooks, Tex. | Dague |
| Avery | Broomfield | Daniels |
| Ayres | Brown, Ga. | Davis, Ga. |
| Bailey | Brown, Mo. | Davis, Tenn. |
| Baker | Brown, Ohio | Dawson |
| Baldwin | Broyhill | Delaney |
| Baring | Budge | Dent |
| Barr | Burdick | Denton |
| Barry | Burke, Ky. | Derounian |
| Bass, N.H. | Burke, Mass. | Derwinski |
| Bass, Tenn. | Byrnes, Pa. | Devine |
| Bates | Byrnes, Wis. | Diggs |
| Baumhart | Cahill | Dingell |
| Becker | Canfield | Dixon |
| Beckworth | Cannon | Donohue |
| Belcher | Carnahan | Dooley |
| Bennett, Fla. | Casey | Dorn, N.Y. |
| Bennett, Mich. | Cederberg | Dowdy |
| Bentley | Celler | Downing |
| Berry | Chamberlain | Doyle |
| Betts | Chef | Dulski |
| Blatnik | Chenoweth | Dwyer |
| Blitch | Chipperfield | Elliott |
| Boggs | Church | Everett |
| Boind | Clark | Evins |
| | Coad | Fallon |
| | Cofin | Farbstein |
| | Cohelan | Fascell |

SOCIAL SECURITY AMENDMENTS OF 1960

The SPEAKER. The unfinished business is the passage of the bill (H.R. 12580) to extend and improve coverage under the Federal Old-Age, Survivors, and Disability Insurance System and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such systems; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and ma-

ANSWERED "PRESENT"—3

Pelly Rhodes, Ariz. Utt

NOT VOTING—24

- | | | |
|--------|-----------|---------|
| Alford | Buckley | Frazier |
| Anfuso | Durham | Healey |
| Barden | Edmondson | Hees |

Kelly	Metcalf	Powell
Keogh	Morris, Okla.	Steed
McGowan	Morrison	Taylor
Magnuson	Multer	Thompson, La.
Morrow	Mumma	Wainwright

So the bill was passed.

The clerk announced the following pairs:

On this vote:

Mr. Anfuso for, with Mr. Rhodes of Arizona against.

Mr. Keogh for, with Mr. Utt against.

Mr. Morrow for, with Mr. Hess against.

Until further notice:

Mr. Buckley with Mr. Taylor.

Mr. Morrison with Mr. Wainwright.

Mr. Multer with Mr. Mumma.

Mr. UTT. Mr. Speaker, I have a live pair with the gentleman from New York, Mr. Kroon. If he were present, he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. RHODES of Arizona. Mr. Speaker, I have a live pair with the gentleman from New York, Mr. Anfuso. If he were present, he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. HOFFMAN of Illinois changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

86TH CONGRESS
2D SESSION

H. R. 12580

IN THE SENATE OF THE UNITED STATES

JUNE 23 (legislative day, JUNE 22), 1960

Read twice and referred to the Committee on Finance

AN ACT

To extend and improve coverage under the Federal Old-Age, Survivors, and Disability Insurance System and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such Act; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act, divided into titles and sections according to
4 the following table of contents, may be cited as the "Social
5 Security Amendments of 1960".

NOTE: The bill, H.R. 12580, was considered in the House under a closed rule permitting only amendments offered by direction of the Committee on Ways and Means, such amendments not subject to amendment. No amendments were offered and the bill passed the House without amendment as reported by the Ways and Means Committee. Accordingly, the substance of the bill as passed by the House has not been included.

The title page and the final page of the House-passed bill reproduced here show the only changes--identifying information and the signature of the clerk of the House.

1 (c) The amendments made by this section shall be
2 effective only with respect to fiscal years beginning after
3 June 30, 1960.

4 AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAIL-
5 ROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DIS-
6 ABILITY INSURANCE

7 SEC. 708. Section 1 (q) of the Railroad Retirement Act
8 of 1937 is amended by striking out "1958" and inserting in
9 lieu thereof "1960".

10 MEANING OF TERM "SECRETARY"

11 SEC. 709. As used in this Act and the provisions of the
12 Social Security Act amended by this Act the term "Secre-
13 tary", unless the context otherwise requires, means the
14 Secretary of Health, Education, and Welfare.

 Passed the House of Representatives June 23, 1960.

Attest:

RALPH R. ROBERTS,

Clerk.

80TH CONGRESS
2D SESSION

H. R. 12580

AN ACT

To extend and improve coverage under the Federal Old-Age, Survivors, and Disability Insurance System and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such Act; and for other purposes.

JUNE 23 (legislative day, JUNE 22), 1960

Read twice and referred to the Committee on Finance

SOCIAL SECURITY AMENDMENTS OF 1960

REPORT

TOGETHER WITH
MINORITY VIEWS

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

TO ACCOMPANY

H.R. 12580

A BILL TO EXTEND AND IMPROVE COVERAGE UNDER THE FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AND TO REMOVE HARDSHIPS AND INEQUITIES, IMPROVE THE FINANCING OF THE TRUST FUNDS, AND PROVIDE DISABILITY BENEFITS TO ADDITIONAL INDIVIDUALS UNDER SUCH SYSTEM; TO PROVIDE GRANTS TO STATES FOR MEDICAL CARE FOR AGED INDIVIDUALS OF LOW INCOME; TO AMEND THE PUBLIC ASSISTANCE AND MATERNAL AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT; TO IMPROVE THE UNEMPLOYMENT COMPENSATION PROVISIONS OF SUCH ACT; AND FOR OTHER PURPOSES



AUGUST 19, 1960.—Ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE

CONTENTS

	Page
I. Scope of the bill.....	1
II. Principal provisions of the bill on medical services for the aged.....	2
A. Medical care for the aged receiving old-age assistance (title I).....	3
1. Purpose.....	3
2. Effect of the bill.....	3
3. Eligibility.....	4
4. Scope of medical services.....	4
5. Federal matching.....	4
B. Medical assistance for the aged not receiving old-age assistance.....	5
1. Purpose.....	5
2. Eligibility.....	6
3. Scope of benefits.....	7
4. Federal matching.....	7
5. Plan requirements.....	8
C. Medical guides and recommendations.....	8
D. Number of persons affected and costs.....	9
E. Cost estimates of medical programs (State-by-State break- down).....	9
1. Cost estimates for the new program of medical assistance for the aged.....	9
2. Cost estimates under old-age assistance amend- ments.....	10
III. Summary of other provisions of the bill.....	12
A. The old-age, survivors, and disability insurance (OASDI) provisions.....	12
1. The disability insurance program.....	12
2. Retirement test (earnings limitation).....	12
3. Reduction of retirement age for men to 62.....	12
4. Insured status requirement.....	12
5. Improved benefit protection for dependents and survivors of insured workers—wives, widows, children, husbands, and widowers.....	13
(a) Survivors of workers who died before 1940.....	13
(b) Increase in children's benefits.....	13
(c) Other changes affecting wives, widows, children, husbands, and widowers.....	13
6. Increased coverage.....	13
7. Investment of the trust funds.....	14
8. Technical and minor substantive changes.....	14
B. Aid to the blind program of public assistance.....	14
C. The maternal and child welfare programs.....	14
D. The unemployment compensation program.....	15
IV. General discussion of the old-age, survivors, and disability insurance provisions.....	15
A. Improving the disability provisions of the program.....	15
1. Benefits for disabled workers under age 50 and their families.....	15
2. Trial period of work for disability beneficiaries.....	16
3. Modification of the requirement for a waiting period for benefits for persons whose disabilities recur.....	17
4. Alternative work requirements for disability pro- tection.....	17
B. Retirement test (earnings limitation).....	18
C. Reduction of retirement age for men to 62.....	18

IV. General discussion of the old-age, etc.—Continued	
D. Improvements in the benefit protection for widows, children, etc.	Page 21
1. An increase in the benefits payable to certain children of deceased workers to three-fourths of worker's benefit	21
2. Benefits for survivors of workers who died before 1940	21
3. Benefits in certain situations where a marriage is legally invalid	22
4. Benefits for a child based on his father's earnings record	22
E. Increased coverage	23
1. Facilitating coverage of additional employees of nonprofit organizations and validation of erroneous returns already filed	23
2. Provision of an additional opportunity for ministers to obtain coverage	24
3. Coverage of American citizens employed in the United States by foreign governments	25
4. Facilitating the coverage of employees of State and local governments	25
(a) Retroactive coverage	25
(b) Employees transferred from one retirement system to another	26
(c) Policemen and firemen under retirement systems in Virginia	27
(d) Delegation by Governor of certification functions	27
(e) Validation of coverage for certain Mississippi school personnel	27
(f) Exclusion of certain justices of the peace and constables in Nebraska	27
(g) Facilitating coverage of employees of municipal and county hospitals	28
(h) Limitation on States' liability for employer (and employee) contributions in certain cases	28
(i) Statute of limitations for State and local coverage	28
F. Investment of the trust funds	29
G. Miscellaneous provisions	31
1. Improving the method of computing benefits	31
2. Changing the provisions governing payment of the lump-sum death benefit	33
3. Elimination of certain obsolete recomputations	34
4. Modifying the provisions relating to advisory councils on social security financing	34
5. Continuing court actions when a new Secretary is appointed	35
6. Extending a deadline where the ending date for an action falls on a nonwork day	35
7. Crediting quarters of coverage for years before 1951	35
8. Correcting technical flaws in the law	36
V. Actuarial cost estimates for old-age, survivors, and disability insurance program	37
VI. Aid to the blind program of public assistance	52
1. Exemption of earned income	52
2. Extension of time with respect to Missouri and Pennsylvania	52
VII. Maternal and child health and welfare provisions	53
VIII. The unemployment compensation program	54
A. Purpose and summary	54
B. General explanation	55
1. Increase in the loan fund	55
2. Eligibility for and repayment of advances	55

CONTENTS

V

	Page
IX. Section-by-section analysis.....	57
Title I—Coverage.....	57
Title II—Eligibility for benefits.....	72
Title III—Benefit amounts.....	85
Title IV—Disability insurance benefits and the disability freeze.....	94
Title V—Employment security.....	99
Title VI—Medical services for the aged.....	108
Title VII—Miscellaneous.....	113
X. Changes in existing laws.....	117
XI. Minority views.....	274

Calendar No. 1928

86TH CONGRESS }
2d Session

SENATE

} REPORT
No. 1856

SOCIAL SECURITY AMENDMENTS OF 1960

AUGUST 19, 1960.—Ordered to be printed

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

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 12580]

The Committee on Finance, to whom was referred the bill (H.R. 12580) to extend and improve coverage under the Federal old-age, survivors, and disability insurance system and to remove hardships, and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such act; and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

I. SCOPE OF THE BILL

In this 25th anniversary year of the Social Security Act, the committee has examined proposals relating to almost every title of the Social Security Act. As a result of our consideration, the committee is reporting a bill which makes changes and improvements in all of the programs encompassed by this legislation.

The major issue presented to the committee this year has been the increasing cost of adequate medical care for older people. The evidence presented to the committee indicated that these costs derive, to a large extent, from the fact that impressive improvements have been made in medicines and medical technology, which assist in better

diagnosis and treatment, and from improved hospital and other facilities and their wider availability to the public. The knowledge that these costs are unpredictable, and sometimes very heavy, especially for our older men and women living on reduced retirement incomes, has been a matter of grave concern to this committee.

As a result, we are recommending a program of Federal assistance in providing, through the cooperation of the States, an expanded program of medical care for persons aged 65 and over. Under this proposal the Federal share of existing old-age assistance plans will be substantially increased to encourage States to strengthen their medical programs for these people or to initiate new programs. In addition, Federal money will be made available, on a generous matching formula, to assist the States in aiding those aged persons, many of them otherwise self-sufficient, who need help only in meeting the costs of medical care of a very expensive nature.

II. PRINCIPAL PROVISIONS OF THE BILL ON MEDICAL SERVICES FOR THE AGED

The amendment of the Committee on Finance is an improvement on the bill passed by the House of Representatives for a number of reasons. First, it can be made effective on October 1, 1960, whereas the effective date of the House bill is July 1, 1961. Second, the committee plan strengthens the House bill by adding an additional \$130 million in Federal money for the medical vendor payments, in the form of more favorable Federal matching, to act as an incentive to the initiation or fuller development of State medical programs for the aged. Finally, the reported bill is a simplification and streamlining of the House bill, which will greatly facilitate its administration.

In summary, the bill as reported by the committee represents a realistic and workable plan. States can take advantage of its provisions in part or whole almost immediately upon enactment. The financial incentive in the plan should enable every State to improve and extend medical services to aged persons.

The Committee on Finance has made three basic changes in the existing old-age assistance provisions (title I) of the Social Security Act to encourage the States to improve and extend medical services to the aged:

(a) Increases Federal funds to the States for medical services for the 2.4 million aged persons on old-age assistance;

(b) Authorizes Federal grants to the States for payment of part or all of the medical services of a group of persons totaling about 10 million who may, at one time or another, be in need of assistance in paying their medical expenses;

(c) Instructs the Secretary of Health, Education, and Welfare to develop guides or recommended standards for the use of the States in evaluating and improving their programs of medical services for the aged.

The committee has given careful consideration to the subject of medical care for the aged. This has included review of the testimony presented in the extensive public hearings held by the House Committee on Ways and Means and the additional hearings by the Committee on Finance on the House bill and certain other health care proposals which have been advanced. As a result, the committee is cognizant of many problems which exist in this area. The com-

mittee is also cognizant of difficulties attendant upon various approaches which have been advanced.

Your committee has designed a Federal-State matching program based upon historic principles of Federal-State cooperation. This program is established under title I of the Social Security Act, thereby providing additional matching funds to the States to (1) establish a new or improve their existing medical care program for those on the old-age assistance rolls, and (2) add a new program designed to furnish medical assistance to those needy elderly citizens who are not eligible for old-age assistance but who are financially unable to pay for the medical and hospital care needed to preserve their health and prolong their life. This twofold plan would thus cover all medically needy aged 65 or over, whether or not they are eligible for old-age assistance, or whether or not they are eligible for the benefits under the social security or any other retirement program. It accomplishes this objective within the framework of a Federal-State program with broad discrimination allowed to the States as to the programs they will institute, improve, and administer in meeting the health needs of the aged when illness occurs or continues.

A. MEDICAL CARE FOR THE AGED RECEIVING OLD-AGE ASSISTANCE

1. *Purpose*

The existing provisions of title I provide Federal funds to the States for medical services to aged individuals who are determined to be needy by the States. At the present time, States provide needy aged persons with "money payments" for medical services and also provide "vendor payments" to the suppliers of medical care (for instance, doctors, hospitals, and nurses). These provisions vary greatly. Some States have relatively adequate provisions for the medical care of needy aged persons; others have little or no provision. The increased Federal financial provisions in the bill are designed to encourage the States to extend comprehensive medical services to all needy persons receiving monthly assistance payments. Participation in the Federal-State program is completely optional with the States, with each State determining the extent and character of its own program, including the standards of eligibility and the nature and scope of benefits. The limits of Federal financial participation are discussed later in this report.

2. *Effect of bill.*

At the present time, the Federal Government makes available to the States funds for medical services to needy aged persons. Federal financial participation is limited to a stated statutory proportion of average assistance expenditures up to \$65 per month.

To encourage all States to develop a comprehensive medical care program, additional Federal funds would be available to the States, effective October 1, 1960, as follows: A provision is added to the existing law to provide for Federal financial participation in expenditures to vendors for medical services of up to \$12 per month in addition to the existing \$65 maximum provision. Where the State average payment is over \$65 per month, the Federal share in respect to such medical-services costs would be a minimum of 50 percent and a maximum of 80 percent depending upon each State's per capita in-

come. (See table A, col. II, for the Federal medical percentage for each State.) Where the State average payment is \$65 a month or under, the Federal share, in respect to such medical-services costs, would be 15 percentage points in addition to the existing Federal percentage points (50 to 65 percent); thus, for these States the Federal percent applicable to such medical-services costs would range from 65 to 80 percent. (See table A, col. III.)

A State with an average payment of over \$65 a month would never receive less in additional Federal funds in respect to such medical-services costs than if it had an average payment of \$65. For example, if a State has an average payment of \$67, including an average of \$10 in such medical-services costs, and has a Federal medical percentage of 70 percent, it will receive an additional Federal payment per recipient of old-age assistance (over present law) of the larger of (a) 15 percent of \$10, or \$1.50, or (b) 70 percent of \$2 (i.e., the excess of the average payment over \$65), or \$1.40.

As to Puerto Rico, Guam, and the Virgin Islands, their additional matching for vendor medical expenditures will be on up to an additional \$6 a month per recipient rather than the additional \$12 a month for the States and the District of Columbia. This was done because their matching maximum for old-age assistance is an average of \$35 a month per recipient in contrast to \$65 for the States. Under existing law there are also dollar maximums applicable to Guam, Puerto Rico, and the Virgin Islands for the public assistance programs, these are increased proportionately on condition that the additional increases are used for vendor medical expenditures under the old-age assistance.

The payments under this program would be made directly to providers of medical services.

3. Eligibility

Each State has the responsibility of determining the standard of eligibility for the medical care it provides aged persons. For aged persons receiving money payments the State must take into consideration any income and resources of the individual.

4. Scope of medical services

There is no Federal limitation on medical services provided under the bill. Each State may determine for itself the scope of medical services to be provided in its program.

5. Federal matching

The bill provides for an increase in Federal funds for medical services. The formula, as outlined above, would result in Federal funds in addition to those presently provided. Additional Federal funds may be obtained only for medical services, within the \$12 per recipient maximum for payments, made directly to providers of the medical services. States have the option of transferring part or all of the money payments now made for medical services to vendor payments.

TABLE A.—Existing and proposed Federal matching percentages (effective for October 1960 through June 1961)

	Federal matching percentages currently applicable under old-age assistance	Federal medical matching percentages under bill ¹	Total Federal matching percentage applicable to medical expenses of old-age assistance recipients for States with average total payment of under \$65
	I	II	III
Alabama.....	65.00	79.15	80.00
Alaska.....	50.00	50.00	65.00
Arizona.....	63.23	63.23	78.23
Arkansas.....	65.00	80.00	80.00
California.....	50.00	50.00	(2)
Colorado.....	53.42	53.42	(2)
Connecticut.....	50.00	50.00	(2)
Delaware.....	50.00	50.00	65.00
District of Columbia.....	50.00	50.00	65.00
Florida.....	59.68	59.68	74.68
Georgia.....	65.00	74.36	80.00
Guam.....	50.00	50.00	65.00
Hawaii.....	53.38	53.38	68.38
Idaho.....	65.00	67.04	(2)
Illinois.....	50.00	50.00	(2)
Indiana.....	50.00	50.00	65.00
Iowa.....	63.23	63.23	(2)
Kansas.....	60.78	60.78	(2)
Kentucky.....	65.00	76.94	80.00
Louisiana.....	65.00	72.00	(2)
Maine.....	65.00	65.23	(2)
Maryland.....	50.00	50.00	65.00
Massachusetts.....	50.00	50.00	(2)
Michigan.....	50.00	50.00	(2)
Minnesota.....	58.57	58.57	(2)
Mississippi.....	65.00	80.00	80.00
Missouri.....	53.42	53.42	68.42
Montana.....	54.07	54.07	69.07
Nebraska.....	63.41	63.41	(2)
Nevada.....	50.00	50.00	(2)
New Hampshire.....	57.91	57.91	(2)
New Jersey.....	50.00	50.00	(2)
New Mexico.....	65.00	67.99	(2)
New York.....	50.00	50.00	(2)
North Carolina.....	65.00	77.46	80.00
North Dakota.....	65.00	74.18	(2)
Ohio.....	50.00	50.00	(2)
Oklahoma.....	65.00	67.54	(2)
Oregon.....	52.58	52.58	(2)
Pennsylvania.....	50.00	50.00	(2)
Puerto Rico.....	50.00	50.00	65.00
Rhode Island.....	50.00	50.00	(2)
South Carolina.....	65.00	80.00	80.00
South Dakota.....	65.00	75.42	80.00
Tennessee.....	65.00	76.55	80.00
Texas.....	61.36	61.36	76.36
Utah.....	65.00	65.00	(2)
Vermont.....	65.00	65.82	80.00
Virgin Islands.....	50.00	50.00	65.00
Virginia.....	65.00	65.44	80.00
Washington.....	50.00	50.00	(2)
West Virginia.....	65.00	72.69	80.00
Wisconsin.....	54.60	54.60	(2)
Wyoming.....	50.92	50.92	(2)

¹ These are applicable to the new program of medical assistance for the aged and to vendor medical costs under the old-age assistance program when State average total assistance payment is over \$65 per month (when average is \$65 or under, percentages shown in next column are applicable).

² Average total assistance payment in May 1960 was over \$65, so no figure is shown in this table. In all other studies, the average payment was \$65 or less, and under these conditions the Federal matching percentage as shown in this column would be applicable.

B. MEDICAL ASSISTANCE FOR THE AGED NOT RECEIVING OLD-AGE ASSISTANCE

1. Purpose

The bill would amend existing title I to make it clear that States may extend their assistance programs to cover the medically needy.

The bill would give the States a financial incentive to establish such programs where they do not exist or to extend such programs where they are not adequate in coverage or comprehensive in the scope of benefits.

Under the provisions of the committee bill, a State desiring to establish a program for assisting low income individuals in meeting their medical expenses would submit an amendment of its old-age assistance plan which, if found by the Secretary of Health, Education, and Welfare to fulfill the requirements specified in this title, would be approved for Federal matching. A number of the plan requirements are substantially the same as those in the present public assistance titles. Other plan requirements are directed specifically to accomplishing the purposes of the new title, to assist aged persons who are able to meet their expenses other than their medical needs.

A State would have broad latitude in determining eligibility for benefits under the program as well as the scope and nature of the services to be provided within the limitations prescribed. Thus, each State would determine the tests for eligibility and the medical services to be provided under the State program within the limitations described below. Federal financial participation would be governed by the establishment of an approved plan subject to the criteria and limitations prescribed in the law.

2. Eligibility

Benefits under a State program may be provided only for persons 65 years of age or over to the extent they are unable to pay the cost of their medical expenses. Under this program, it will be possible for States to provide medical services to individuals on the basis of an eligibility requirement that is more liberal than that in effect for the States' old-age assistance programs.

Section 1 of the Social Security Act, as it would be amended by the bill, provides that one of the objectives of the title is to furnish medical assistance to individuals who are not recipients of old-age assistance but whose income and resources are insufficient to meet the costs of necessary medical services.

It would cover all medically needy aged 65 or over; it would cover every such person including those under the social security system, railroad retirement system, civil service system, or any other public or private retirement system whether such person is retired or still working, subject only to the participation in the program by the State of which they are resident; it would cover the widows of such workers as well as their dependents who meet the age 65 requirement and are unable to provide for their medical care. There are many individuals who have not worked under the social security program or any other retirement program for a sufficient time to ever become eligible for retirement benefits; this is another needy group which would be able to receive medical assistance under the health plan endorsed by the Finance Committee.

A State may, if it wishes, disregard in whole or part, the existence of any income or resources, of an individual for medical assistance. An individual who applies for medical assistance may be deemed eligible by the State notwithstanding the fact he has a child who may be financially able to pay all or part of his care, or that he owns or has an equity in a homestead, or that he has some life insurance with a cash value, or that he is receiving an old-age insurance benefit, annu-

ity, or retirement benefit. The State has wide latitude to establish the standard of need for medical assistance as long as it is a reasonable standard consistent with the objectives of the title. In establishing such standard a State must comply with all other applicable provisions of section 2 of the Social Security Act, as it would be amended by the bill.

This is based on the grounds that an aged individual who has adjusted his living standard to a low income, but who still has income and resources above the level applicable for old-age assistance, might be unable to deal with his medical expenses. The committee intends that States should set reasonable outer limits on the resources an individual may hold and still be found eligible for medical services. Individuals who are recipients of old-age assistance in any month would not be eligible for participation in the medical assistance program in that month.

3. Scope of benefits

The scope of medical benefits and services provided will be determined by the States. The Federal Government, however, will participate under the matching formula in any program which provides any or all of the following services, provided both institutional and non-institutional services are available:

- (1) Inpatient hospital services;
- (2) Skilled nursing-home services;
- (3) Physicians' services;
- (4) Outpatient hospital services;
- (5) Home health care services;
- (6) Private duty nursing services;
- (7) Physical therapy and related services;
- (8) Dental services;
- (9) Laboratory and X-ray services;
- (10) Prescribed drugs, eye glasses, dentures, and prosthetic devices;
- (11) Diagnostic, screening, and preventive services; and
- (12) Any other medical care or remedial care recognized under State law.

The Federal Government will not participate as to services rendered in mental and tuberculosis hospitals.

The description of the care, services, and supplies provided with Federal financial participation which may be provided for recipients of medical assistance for the aged is intended to be as broad in scope as the medical and other remedial care which may be provided as old-age assistance under title I of the existing law with Federal financial participation. The various types of care and services have been enumerated primarily for informational purposes. Accordingly, a State may, if it wishes, include medical services provided by osteopaths, chiropractors, and optometrists and remedial services provided by Christian Science practitioners.

4. Federal matching

The Federal Government will share with the States in the cost of the new medical assistance program in accordance with the matching formula prescribed by the bill. The Federal share of the cost will be determined in the same general manner as now provided for the portion of the old-age assistance payments between \$30 and \$65 per month; that is, the Federal share will depend upon the per capita

income of the State as related to the national average, but with a range from 50 to 80 percent. (See col. II of table A on p. 5 for Federal share by States.) For Puerto Rico, Guam, and the Virgin Islands the matching will be on a 50-50 basis. There is no maximum upon the dollar amount of Federal participation in the new program. Appropriation requirements, therefore, would depend upon the programs developed by the States. Thus, the total cost would depend upon the scope of services offered and the number of persons found eligible by the States under the respective State plans.

The Federal Government will participate in the cost of administering these programs on a dollar-for-dollar basis, as is now true in the case of the four public assistance programs.

The committee, in recognition of the fact that some States could take advantage of the Federal funds for this program very quickly, has set the effective date for the new program as October 1, 1960.

5. Plan requirements

Although the requirements for the approval of the medical assistance for the aged in the State plan are generally comparable to those in the public assistance titles of the Social Security Act, the committee concluded that some changes are needed to carry out the intent of the new part of the program.

A State would not be permitted as a condition for medical assistance to impose a lien on the property of a recipient during his lifetime. An enrollment fee for recipients would not be permitted. However, the bill would permit the recovery from an individual's estate after the death of his spouse if one survives him. This provision was inserted in order to protect the individual and his spouse from the loss of their property, usually the home, during their lifetime.

The committee concluded also that in order to meet the practicalities of providing an effective medical benefit program for this low income group, a State should not be permitted to have as an eligibility requirement a durational residence requirement which excludes any individual who resides in the State. A State plan must also provide for inclusion, to the extent required by regulation prescribed by the Secretary of Health, Education, and Welfare, of provisions with respect to the furnishing of care to individuals who are residents of the State but are absent therefrom. It is the intent of the committee that the Secretary will promulgate regulations governing the provision of such assistance to residents outside of their States of residence in a reasonable manner with due regard to the traditional rights of the States under the public assistance programs to determine the scope of the medical care provided.

C. MEDICAL GUIDES AND RECOMMENDATIONS

As recommended by the Advisory Council on Public Assistance, appointed pursuant to the Social Security Amendments of 1958, the bill instructs the Secretary of Health, Education, and Welfare to develop guides or recommended standards for the information of the States as to the level, content, and quality of medical care for the public assistance medical programs. He would also prepare such guides and standards for use in the new programs of medical assistance for the medically needy aged.

D. NUMBERS OF PERSONS AFFECTED AND COSTS

Under the revised title I, State plans (with Federal matching funds) could provide potential protection under the new program of medical assistance for the aged to as many as 10 million persons aged 65 and over whose financial resources are such that, if they have sizable medical expenses, they will qualify. These 10 million persons would include the vast majority of the 12 million individuals aged 65 and over who are receiving old-age and survivors insurance benefits—as well as other aged persons, too. Each year, after all State plans are in full operation, an estimated one-half to 1 million persons among these 10 million may become ill and require medical services that will result in payments under this title. In the first year after enactment of the bill, when relatively few States will probably have had an opportunity to develop comprehensive plans (although it is expected that all States now not having comprehensive medical programs for their old-age assistance recipients will adopt or extend such programs) an estimated additional \$60 million in Federal funds would be expended for medical assistance for the aged. In addition, increased Federal funds for matching vendor medical-care payments in respect to the 2.4 million old-age assistance recipients are estimated at about \$140 million. Thus, under both programs combined, the cost would total about \$200 million. See table B for State-by-State breakdown of these figures.

With respect to costs after the new programs have been in effect for several years, it must be considered that the old-age assistance roll is decreasing slowly, but that States with no vendor medical payments now (or with small payments of this type) will probably develop quite comprehensive medical-care programs for the old-age assistance recipients. The increased Federal funds for matching the vendor medical-care payments of old-age assistance recipients are estimated at about \$175 million annually in the long run. In addition, an estimated \$165 million in Federal funds for medical services for the aged may be provided in a full year of operation after the States have had opportunity to develop these programs (and this figure could even be somewhat higher if all States had relatively well developed and comprehensive plans). Thus, under both programs combined, the annual cost would total about \$330 million.

E. COST ESTIMATES OF MEDICAL PROVISIONS (STATE-BY-STATE BREAKDOWN)

1. Cost estimates for the new program of medical assistance for the aged

Total Federal and State expenditures under the new program of medical assistance for the aged will, of course, depend upon a number of factors. For example, actual Federal and State expenditures under the program will, in the long run, depend on the number of people found to be eligible and on the kind and volume of medical services that will be provided under the plans to be developed by the States. In the near future a very important factor in estimating costs will be the timing involved in the adoption and development of these plans by the various States.

The estimates shown in table B were prepared by the Department of Health, Education, and Welfare on the basis of what the experience might be in the first year after enactment of the bill.

Because of the obvious difficulties in estimating what the experience will be in each State under the flexible plans that can be developed under the provisions of the proposed program and in projecting exactly when each State will take the necessary action and begin operations, it should be understood that the figures in the table as to what the expenditures would be in individual States, of necessity, may vary considerably from what may be actual results. The estimates are based on assumptions related to objective factors for each State such as per capita income, existing medical services under old-age assistance, number of persons aged 65 and over, and number of recipients of old-age assistance. Because the actual expenditures in any individual State is a matter for State decision and action, the estimates may be wide of the mark for individual States and yet be reasonably reliable for the country as a whole.

2. Cost estimates under old-age assistance amendments

In developing the estimates of the cost of Federal matching of vendor medical care payments under the old-age assistance program, shown in table B, it was possible to make estimates, within a reasonable margin of error for the States that are now spending for medical care an average monthly amount of at least \$12 per recipient. States that have average monthly payments for medical care below \$12 are assumed to utilize the additional Federal money to improve their medical care programs (and thus obtain further Federal funds). States with no medical care programs (or with relatively insignificant ones) are assumed to develop plans that will have an average monthly cost of \$6 per recipient.

SOCIAL SECURITY AMENDMENTS OF 1960

TABLE B.—Estimated annual 1st-year costs under proposed program of medical assistance for the aged and for additional matching for vendor medical care payments under old-age assistance

[All figures in thousands]

	Medical assistance for the aged ¹		Additional OAA vendor medical costs		Additional costs—both programs	
	Federal cost	State and local cost	Federal cost	State and local cost	Federal cost	State and local cost
United States.....	\$60,000	\$55,837	\$142,175	\$3,873	\$202,175	\$59,710
Alabama.....	34	9	4,155	-----	4,189	9
Alaska.....	1	1	52	52	53	53
Arizona.....	12	6	635	370	647	376
Arkansas.....	27	7	3,308	-----	3,335	7
California.....	750	750	18,365	-----	19,115	750
Colorado.....	361	314	3,627	-----	3,988	314
Connecticut.....	3,318	3,318	1,039	-----	4,357	3,318
Delaware.....	33	33	41	13	74	46
District of Columbia.....	75	75	46	-----	121	75
Florida.....	296	199	3,354	-----	3,650	199
Georgia.....	14	5	4,804	984	4,818	989
Hawaii.....	43	43	28	-----	71	43
Idaho.....	34	17	673	-----	707	17
Illinois.....	5,911	5,911	3,905	-----	9,816	5,911
Indiana.....	3,013	3,013	594	-----	3,607	3,013
Iowa.....	98	57	3,120	-----	3,218	57
Kansas.....	1,052	678	2,485	-----	3,537	678
Kentucky.....	15	4	2,795	572	2,810	576
Louisiana.....	123	48	12,970	-----	13,093	48
Maine.....	156	83	731	-----	887	83
Maryland.....	822	822	384	-----	1,206	822
Massachusetts.....	4,751	4,751	5,663	-----	10,414	4,751
Michigan.....	1,778	1,778	4,405	-----	6,183	1,778
Minnesota.....	2,612	1,848	3,943	-----	6,555	1,848
Mississippi.....	6	2	4,638	1,112	4,644	1,114
Missouri.....	175	152	4,582	-----	4,757	152
Montana.....	30	26	186	158	216	184
Nebraska.....	944	545	712	-----	1,656	545
Nevada.....	47	47	187	-----	234	47
New Hampshire.....	854	620	404	-----	1,258	620
New Jersey.....	4,879	4,879	1,362	-----	6,241	4,879
New Mexico.....	9	4	877	-----	886	4
New York.....	13,416	13,416	5,919	-----	19,335	13,416
North Carolina.....	62	18	1,897	-----	1,959	18
North Dakota.....	245	85	773	-----	1,018	85
Ohio.....	1,336	1,336	6,430	-----	7,766	1,336
Oklahoma.....	1,318	633	8,699	-----	10,017	633
Oregon.....	1,719	1,550	1,064	-----	2,783	1,550
Pennsylvania.....	2,451	2,451	3,601	-----	6,052	2,451
Rhode Island.....	896	896	485	-----	1,381	896
South Carolina.....	6	2	1,623	-----	1,629	2
South Dakota.....	8	3	419	186	427	189
Tennessee.....	22	7	1,934	-----	1,956	7
Texas.....	79	50	6,891	426	6,970	476
Utah.....	34	18	741	-----	775	18
Vermont.....	43	22	206	-----	249	22
Virginia.....	503	266	331	-----	834	266
Washington.....	2,481	2,481	3,517	-----	5,998	2,481
West Virginia.....	75	28	567	-----	642	28
Wisconsin.....	2,980	2,478	2,770	-----	5,750	2,478
Wyoming.....	53	52	238	-----	291	52

¹ Because of the newness of this program, it is extremely difficult to estimate exactly which States will participate and to what extent, especially in the 1st year after enactment.

NOTE.—Estimates were not made for Guam, Puerto Rico, and Virgin Islands, which can participate in these programs; any additional expenditures for these jurisdictions would probably be relatively small.

III. SUMMARY OF OTHER PROVISIONS OF THE BILL

A. THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE (OASDI) PROVISIONS

1. *The disability insurance program*

(a) *Removal of age 50 eligibility requirement.*—An estimated 250,000 people—disabled insured workers under age 50 and their dependents—would qualify for benefits for the second month following the month of enactment of the bill through removal of the age 50 qualification for benefits in present law.

(b) *Trial work period.*—The bill would strengthen the rehabilitation aspects of the disability program by providing a 12-month period of trial work, during which benefits are continued for all disabled workers who attempt to return to work, rather than limiting this trial work period to those under the formal Federal-State vocational rehabilitation plan, as in existing law.

(c) *Waiting period.*—The bill would provide that the disabled worker who regains his ability to work and then within 5 years again becomes disabled will not be required to wait through a second 6-month waiting period before his benefits will be resumed, as is now required.

2. *Retirement test (earnings limitation)*

The committee's bill would liberalize the retirement test (earnings limitation) to allow annual earnings of \$1,800 per year without loss of benefits. Under existing law a beneficiary under age 72 will lose 1 month's benefits for every \$80 (or fraction thereof) by which his annual earnings exceed \$1,200. Under the committee's bill a beneficiary would lose 1 month's benefits for every \$80 (or fraction thereof) by which his annual earnings exceed \$1,800. There would be no change in the provision of existing law which guarantees that no benefits will be lost for any month in which a beneficiary earns \$100 or less and does not render substantial services in self-employment. The House bill would have made no change in the earnings limitation of present law.

3. *Reduction of retirement age for men to 62*

Under the bill as reported by the Committee on Finance, men workers and dependent husbands would be entitled to elect to retire at age 62, with actuarially reduced benefits, in the same way that women workers and wives can now make such an election. Likewise, dependent widowers and dependent fathers of deceased workers would qualify for full benefits at age 62 in the same manner as widows and dependent mothers of deceased workers now can qualify. Approximately 1.8 million men would be eligible to elect to retire immediately and receive these benefits.

4. *Insured status requirement*

The committee's bill deletes the provision of the House bill which would liberalize the fully insured status requirement by making eligible for benefits persons who have one quarter of coverage for every four calendar quarters elapsing after 1950 (or age 21), and before age 62 or, if earlier, disability or death. Present law requires one quarter of coverage for each two quarters so elapsing. The House provision would enable a rather substantial number of people to qualify for benefits on the basis of a very limited record in covered work, and a

relatively small contribution to the system. The liberalization would also have caused a large drain on the trust fund, particularly within the next few years.

5. Improved benefit protection for dependents and survivors of insured workers—wives, widows, children, husbands, and widowers

The committee's bill, like the House bill, would increase the benefits payable to children in certain cases and would provide benefits for certain wives, widows, widowers, and children of insured workers who are not now eligible for benefits. Other than as noted below, these changes would be effective for benefits for the month following the month of enactment.

(a) *Survivors of workers who died before 1940.*—Survivors of workers who died before 1940, and who had at least six quarters of coverage, would qualify for benefit payments. About 25,000 people, most of them widows aged 75 or over, would be made eligible for benefits for the first time by this change.

(b) *Increase in children's benefits.*—The benefits payable to the children of deceased workers, which now can be somewhat less than 75 percent of the worker's benefit depending on the number of children in the family, would be made 75 percent for all children, subject to the family maximum of \$254 a month, or 80 percent of the worker's average monthly wage if less. About 400,000 children would get some increase in benefits as a result of this change, effective for benefits for the third month after the month of enactment.

(c) *Other changes affecting wives, widows, children, husbands, and widowers.*—Certain dependents and survivors of insured workers would also benefit by provisions included in the bill which (effective with the month of enactment) (1) authorize benefits on the basis of certain invalid ceremonial marriages contracted in good faith; and (2) assure continuation of a child's right to a benefit based on the wage record of his father, which is now voided if a stepfather was living with and supporting him at the time his father died, or, in a retirement or disability case, at the time when the child applied for benefit.

The House provision reducing from 3 years to 1 year the period required for marriage for a wife, husband, or stepchild of a retired or disabled worker to qualify for benefits was deleted, however, because there was insufficient evidence that the 3-year provision is not necessary to prevent payments to persons who marry for the primary purpose of qualifying for benefits.

6. Increased coverage

Another opportunity would be provided for an estimated 60,000 ministers to be covered under the program, in the same manner as is provided in the House bill. In addition, if the States take advantage of the opportunity offered them, nearly 2½ million employees of State and local governments could obtain coverage for certain past years on a retroactive basis. The provision of the House bill covering American citizens employed in the United States by foreign governments was also approved, as was the House provision making possible the coverage of certain policemen and firemen under retirement systems in Virginia. Other approved provisions would facilitate coverage for some of the noncovered people employed in positions covered by State or local retirement systems, and for the 100,000 noncovered employees of certain nonprofit organizations.

The provision in the House bill extending coverage to physicians has been deleted because of lack of definitive information on whether a majority of doctors wish to come under the program. The coverage of domestic and casual workers who earn between \$25 and \$50 a quarter from one employer, as provided in the House bill, was eliminated, together with the coverage of parents who work for their sons or daughters. In both of these instances it was not clear that the administrative problems which constituted the reasons for these exclusions had been completely eliminated. Also eliminated from the House bill were the extensions of coverage to American Samoa and Guam, to Americans employed in the United States by international organizations, and to certain American employees of labor organizations in the Panama Canal Zone. The committee believes that further examination and hearings should be undertaken before coverages should be extended to these groups of workers.

7. Investment of the trust funds

The bill would make certain changes in the investment provisions relating to the Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund so as to make interest earnings on the Government obligations held by the trust funds more nearly equivalent to the rate of return being received by people who buy Government obligations in the open market.

These changes, which were made in the House bill, would make for more equitable treatment of the trust funds and are generally in line with the recommendations of the Advisory Council on Social Security Financing.

8. Technical and minor substantive changes

The bill would provide a number of amendments of a technical nature. These provisions will correct several technical flaws in the law, make for more equitable treatment of people, and simplify and improve the operation of the program.

B. AID TO THE BLIND PROGRAM OF PUBLIC ASSISTANCE

The committee's bill liberalizes the exemption of earned income allowed for people receiving aid to the blind under State programs (now \$50 per month) so that earnings of \$1,000 per year, plus one-half of additional earnings, would be exempted under these plans. This provision is not in the House bill. The committee's bill, like that of the House, would extend to June 30, 1964 (now expires June 30, 1961), the temporary legislation which relates to the approval by the Secretary of Health, Education, and Welfare of certain State plans for aid to the blind which do not meet in full certain Federal requirements relating to the "needs" test.

C. THE MATERNAL AND CHILD WELFARE PROGRAMS

Both the House and committee bills would provide that the authorization for annual appropriations for the maternal and child health services program be increased from \$21.5 million to \$25 million and the services for crippled children program from \$20 million to \$25 million. The child welfare program authorization was increased from

\$17 million to \$20 million by the House bill, but the committee has increased the authorization to \$25 million. The committee's attention has been called to the need for more and better services for children, particularly those who are mentally retarded. The new authorization for research and demonstration projects, provided in the House bill, is included in the committee bill. It permits grants to public and other nonprofit institutions and agencies for this purpose.

D. THE UNEMPLOYMENT COMPENSATION PROGRAM

The committee's bill makes two changes affecting the so-called George-Reed loan fund which is used to make advances to States with depleted reserve accounts:

(1) The maximum amount authorized in the loan fund from Federal unemployment tax revenues is increased from \$200 million to \$500 million;

(2) More realistic eligibility requirements for States applying for advances are provided and also increases in the rate of repayment of advances.

The committee deleted the provisions contained in the House bill raising the Federal unemployment tax, establishing a new procedure for financing administrative expenses, extending coverage to several groups of workers, and including Puerto Rico in the unemployment compensation program.

IV. GENERAL DISCUSSION OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROVISIONS

A. IMPROVING THE DISABILITY PROVISIONS OF THE PROGRAM

In providing cash benefit protection in 1956 to workers against the contingency of retirement because of severe disability, Congress designed a conservative program. At that time it was believed prudent to move cautiously because of the limited experience under the disability "freeze" provision (waiver of premium) which was passed in 1954 and the lack of definitive information on the costs of disability benefits. With more operating experience, Congress approved the payment of benefits to dependents of disabled workers in 1958, thus eliminating this distinction between the disability insurance program and the retirement and survivor insurance programs.

The committee's present proposals take into account the additional administrative experience gained since 1958 and the findings of the recent study of all aspects of the disability program by the Subcommittee on the Administration of the Social Security Laws of the House Committee on Ways and Means. As noted elsewhere in this report, the latest cost estimates show an actuarial surplus in the disability insurance trust fund. The changes recommended in the committee's bill can be made and the disability fund will still be in actuarial balance without a change in the tax rate.

1. Benefits for disabled workers under age 50 and their families

Under present law the disability freeze is applicable to disabled workers at any age but benefits are payable only to workers between the age of 50 and 65 and their qualified dependents. Although the age 50 restriction was appropriate as part of the conservative approach used when disability benefits were first provided, the committee be-

believes that sufficient experience has now been gained with the administration of the program to warrant the elimination of the age 50 requirement as it is recommending.

An estimated 125,000 disabled workers and an equal number of their dependents would qualify for benefits immediately upon removal of the age 50 restriction.

The need of younger disabled workers and their families for disability protection is, in some respects, greater than that of older workers. They are more likely to have families dependent upon them than are workers aged 50 and over. Many who would be eligible for disability benefits except for the age limitation are now receiving payments under the public assistance programs. With insurance benefits available to them and their dependents, some of these individuals would no longer need assistance payments. As a result, the first-year saving in public assistance funds is estimated at \$28 million and it is expected that more would be saved in later years. More important, as time goes on fewer people who become disabled before age 50 will need to have recourse to assistance. Benefits through the insurance program will be based on the person's work and earnings and paid without investigation of his financial situation.

2. Trial period of work for disability beneficiaries

Under present law disabled persons who return to work pursuant to a State-approved vocational rehabilitation plan may continue to draw benefits for as many as 12 months even though they are engaged in work activity which is such that, without this provision, they would have their benefits terminated. The committee bill would broaden this provision so that disability beneficiaries who work under other rehabilitation plans—such as programs conducted by the Veterans' Administration, State mental and tuberculosis hospitals, sheltered workshops, and insurance companies—or are rehabilitating themselves, would also be allowed a similar trial-work period during which their benefits would be continued. The bill would thus eliminate the distinction in existing law between persons who are undergoing rehabilitation under State-approved plans and those who are rehabilitating themselves or being rehabilitated under other programs.

The committee believes that the broadening of the trial-work period will be an incentive to greater rehabilitation efforts.

Under the trial-work provision of the committee bill, a disability beneficiary could perform services in each of 12 months, so long as he does not medically recover from his disability, before his benefits would be terminated as a result of such services. After 9 months of the trial period, however, any services he performed during the period would be considered in determining whether he has demonstrated an ability to engage in substantial gainful activity. If he demonstrates such ability, 3 months later his benefits would be terminated. It is intended that any month in which a disabled person works for gain, or does work of a nature generally performed for gain, be counted as a month of trial work. Thus the services rendered in a month need not constitute substantial gainful activity in order for the month to be counted as part of a trial-work effort. Work performed, for example, under sheltered workshop conditions would count, but only if it is work of a type for which the worker is usually paid—that is, if it is not performed merely as a therapeutic measure or purely as a matter of training. Work usually performed by a

person in daily routine around the home or in self-care would not be counted for purposes of this provision.

The bill also provides a continuation of benefits for 3 months for any person, irrespective of attempts to work, whose medical condition improves to the extent that he is no longer disabled within the meaning of the law. A person who recovers from his disability, especially if he has spent a long period in a hospital or sanitarium, may require benefits for a brief interval during which he is becoming self-supporting.

3. Modification of the requirement for a waiting period for benefits for persons whose disabilities recur

Under present law, a disabled worker cannot receive disability insurance benefits until after his disability has continued through a waiting period of 6 months. The bill provides that a person whose disability recurs relatively soon after the termination of a prior period of disability will not be required to undergo another waiting period before benefits can be paid. This will encourage disabled persons to return to work even though there may be question as to whether their work attempts will be successful.

Most disability insurance beneficiaries who return to work do so despite severe impairments. When a disabled person becomes employed without any improvement of his condition, a more or less slight change in his situation can result in the loss of his job and make him once again eligible for disability insurance benefits. Other disabled persons whose medical conditions may improve sufficiently to require termination of benefits, may subsequently grow worse again and become reentitled to benefits. A new 6-month qualifying period during which they receive neither earnings nor benefits imposes a hardship on them and their families, and may be a real bar to any further work attempts.

The bill provides that people who become disabled within 5 years after termination of a period of disability would not be required to serve another 6-month waiting period before they are again eligible to receive disability benefits. The 5-year period is intended to restrict the group aided to those for whom it is reasonable to assume that the second disability is the same as or related to the first disability.

4. Alternative work requirements for disability protection

Under present law, to qualify for disability benefits or the disability freeze a disabled worker must be fully insured and must have 20 quarters of coverage out of the 40 calendar quarters ending with the quarter in which he meets the definition of disability. These requirements are designed to limit disability protection to persons whose coverage has been long enough and recent enough to indicate that they have been dependent upon their earnings.

It has come to your committee's attention that some few people who have worked long periods in employment or self-employment that is now covered under the old-age, survivors, and disability insurance program and who have had covered work immediately preceding their disablement are not able to meet the work requirements for disability protection because a substantial part of their quarters of coverage occurred more than 10 years before the onset of their disability. To alleviate this problem your committee is recommending that a disabled worker who cannot meet the disability work requirements under present law should be deemed to have met those requirements if he had a total of at least 20 quarters of coverage and

if he had quarters of coverage in all calendar quarters elapsing after 1950 up to the quarter of disablement, provided that there were no fewer than 6 quarters so elapsing. Those who would benefit under this alternative work requirement would still have to meet the same requirements for duration of employment as under present law—20 quarters of coverage. The alternative requirement would have no effect for workers who became disabled after 1955.

B. RETIREMENT TEST (EARNINGS LIMITATION)

The committee bill increases the annual earnings limitation (applicable before age 72) under the retirement test from \$1,200 to \$1,800. This liberalization is necessary for a number of reasons. Since 1954, when the \$1,200 figure was instituted, there has been a substantial increase in the cost of living and an even more marked rise in the level of wages. There has also been a growing realization on the part of many Americans that the present restriction on the amount of earnings allowed is creating economic hardship for many people receiving social security benefits. For others, this provision causes a forced, unnatural termination of work activity which is psychologically damaging. We are convinced that many of our older men and women are able to preserve their independence and self-respect through limited work activity. They find it hard to understand why the old-age and survivors insurance system penalizes them, in the form of deducted benefits, for such activity. Moreover it is anomalous, in the view of the committee, for the executive branch and the Congress to urge employers to hire older men and women, while at the same time, by Federal law there is retained a 1954 measure of allowable earnings. The \$1,800 limitation seems a reasonable figure as to permissible work activity which will still preserve the basic function of the test and restrict benefits to those who are substantially retired.

The committee's bill, although liberalizing the annual earnings limitation, retains the other basic characteristics of the retirement test. Under the bill, as under present law, a beneficiary under age 72 will lose 1 month's benefit for every \$80, or fraction thereof, by which his earnings exceed the annual exempt amount. Likewise, there would be no change in the present provision which guarantees that no benefits will be lost for any month in which a beneficiary earns wages of \$100 or less and does not render substantial services in self-employment.

C. REDUCTION OF RETIREMENT AGE FOR MEN TO 62

Under present law, male workers cannot receive retirement benefits before age 65, but female workers may do so as early as age 62 by accepting permanently reduced benefits (by 20 percent for retirement at age 62; proportionately less for later ages at retirement). Similarly, men who are (or have been) dependents of female workers—such as husbands and widowers and fathers of a deceased worker—cannot now receive benefits before age 65, but women who are (or have been) dependents of male workers can receive benefits as early as age 62 (or even before that if they have an eligible child in their care). The benefit payable to a widow or to a mother of a deceased worker is not reduced if it is claimed at ages 62 to 64, but a wife's benefit is permanently reduced by 25 percent if taken at age 62 (proportionately less for later ages at claim).

The principle underlying the reduction in women's benefits on account of early retirement is that the additional amount payable before age 65 will be exactly counterbalanced by the reduced benefits payable after attainment of age 65 (i.e., the actuarial-reduction principle). The reduction in the wife's benefit is somewhat greater than that in the woman worker's benefit because the latter is applicable during the entire lifetime of the woman, whereas the former applies only while both the woman and her husband are alive (since full widow's benefits are payable even if the woman is aged 62 to 64 at time of widowhood).

In the case of a retired woman worker who is receiving reduced benefits because of retirement before age 65, present law provides that full benefits be paid to her eligible dependents (children under age 18 or permanently and totally disabled before age 18 and dependent husband aged 65 or over), namely, 50 percent of her full primary benefit (subject to the family maximum benefit provisions).

Present law also provides for equitable adjustment and correlation provisions in the case of a woman who is eligible for benefits both on her own work record and as a wife when she claims one or both benefits at ages 62 to 64. Also, suitable adjustment of reduced benefits is made at age 65 when a woman's reduced benefits have been withheld for 3 or more months at ages 62 to 64 because of the retirement test.

The earlier minimum retirement age for women under present law is also beneficial to women because it is this age that determines the "closing date" for determining fully insured status and average monthly wage. Thus, for example, a man born in January 1900 must have 28 quarters of coverage to be fully insured for retirement benefits, whereas a woman born in the same month need have only 22 quarters of coverage. Also, if a man has no earnings in the year he becomes age 62 and thereafter, his average wage is decreased by reason of the 3 "zero" years (at ages 62 to 64), whereas this would not be the case for a woman worker, who can base the calculation on the period before age 62 (even if she chooses to wait until age 65 and then receive the full benefit).

The Committee on Finance added an amendment which would

The committee recognizes, however, that not all men will wish to elect this early reduction since it represents a permanent reduction in the amount of the benefit they will receive for the rest of their lives, as well as a reduction in the benefits payable to their wives. We recognize as well that there is some question as to whether it is desirable policy for the Government to encourage early retirement at a time when medical science is lengthening the lifespan, but we recognize as well that many men in their early sixties are unable to find work or unable to work, even though they may not be so seriously disabled as to meet the strict conditions for disability benefits under the program.

For a male worker who elects retirement in the month he reaches age 62, benefits would be payable, under the provisions of the bill, amounting to 80 percent of the amount he would receive if he waits until his 65th birthday. He would have the option of receiving a proportionate increase for each month he delays retirement after age 62. Under the bill, the old-age benefit is reduced by five-ninths of 1 percent (the same factor that now applies for women workers) times the number of months beginning with the first month for which a man is entitled to an old-age insurance benefit and ending with the month before the month in which he would attain age 65. For example, a man entitled to a benefit of \$100 a month at age 65 would receive \$80 per month for life if he chose to retire at age 62.

The following table shows illustrative monthly benefit amounts for male workers without dependents—which correspond with existing benefits for women workers—for retirement between ages 62 and 65:

Average monthly wage	Primary insurance amount	Old-age insurance benefit for retirement at—			
		Age 65	Age 64	Age 63	Age 62
\$50.....	¹ \$33	\$33	\$30.80	\$28.60	\$26.40
85.....	50	50	46.70	43.40	40.00
110.....	65	65	60.70	56.40	52.00
180.....	80	80	74.70	69.40	64.00
275.....	100	100	93.40	86.70	80.00
370.....	120	120	112.00	104.00	96.00
400.....	² 127	127	118.60	110.10	101.60

¹ Minimum benefit.

² Maximum benefit.

Likewise, the wife aged 62 or over of a man who retires at age 62–64 would, under the provisions of the bill, be able to receive an actuarially reduced benefit based on her husband's reduced benefit (if she has an eligible child in her care, her benefit would not be actuarially reduced). For example, in the case of a man entitled to a benefit of \$100 a month at age 65 who claims the reduced benefit of \$80 at age 62, the wife would receive \$40 (50 percent) if she were age 65 when he retired or if she waited until age 65 to claim the benefit, and she would receive \$30 (75 percent of \$40) if she were age 62.

The following table shows illustrative monthly benefit amounts for a married male worker with no eligible children, for retirement at

various ages between 62 and 65, based on a primary insurance amount of \$100:

Age of wife	Family benefit for man retiring at—			
	Age 65 or over	Age 64	Age 63	Age 62
62.....	\$137. 50	\$128. 50	\$119. 30	\$110. 00
63.....	141. 70	132. 40	122. 90	113. 40
64.....	145. 90	136. 30	126. 50	116. 70
65 or over.....	150. 00	140. 10	130. 10	120. 00

The same actuarial reduction factors are used for men as for women. This is appropriate—despite the longer life expectancy of women—because what is of relevance is the relationship of the male expectation of life at age 65 to the male expectation at age 72 and the corresponding relationship for women. These two relationships are substantially the same, according to standard actuarial tables of mortality.

The bill would provide for men—just as present law does for women—equitable adjustment and correlation provisions where there is eligibility for benefits both on his own work record and as a spouse, adjustment of reduced benefits at age 65 when benefits have been withheld for 3 or more months before age 65, and more advantageous results in the determination of fully insured status and average monthly wage for benefit computation purposes.

D. IMPROVEMENTS IN THE BENEFIT PROTECTION FOR WIDOWS, CHILDREN, ETC.

The Committee on Finance believes there are several respects in which the protection available to dependents and survivors of insured workers should be improved, and the bill would make these improvements.

1. *An increase in the benefits payable to certain children of deceased workers to three-fourths of worker's benefit*

Under present law, the amount payable to a child of a deceased worker is equal to one-half of the benefit amount the worker would have been paid if he had lived, plus one-fourth of that benefit amount divided by the number of entitled children. For example, if there are two surviving children, each child is eligible for a benefit equal to one-half plus one-eighth—five-eighths—of the worker's benefit amount. And even though one child goes to work and gets no benefits, the other child is still not eligible for the full three-quarter benefit. All other survivor beneficiaries now receive benefits equal to three-fourths of the deceased worker's benefit amount. The bill would make the benefit for each child of a deceased worker three-fourths of the amount the worker would have been paid had he lived, subject, of course, to the maximum limitation on the amount of family benefits payable on the worker's earnings record. About 400,000 children would get some immediate increase in benefits as a result of this change.

2. *Benefits for survivors of workers who died before 1940*

The committee is recommending that benefits be paid to the survivors of a worker who acquired six quarters of coverage and died

before 1940. (Under the 1939 amendments, survivors' monthly benefits were payable only to the survivors of workers who died after 1939.) About 25,000 people—most of them widows aged 75 or over—would be made eligible for benefits by this change. Benefits would be payable only for months beginning with the month after the month of enactment.

3. Benefits in certain situations where a marriage is legally invalid

The bill provides that a valid marriage will be deemed to exist for purposes of eligibility for mother's, wife's, husband's, widow's, widower's, and child's benefits in certain situations where the marriage was not in fact valid under the law of the State where the insured person lived. The amendment would be effective for months after the month of enactment. Since the State laws governing marriage and divorce are sometimes complex and subject to differing interpretations, a person may believe that he is validly married when he is not. The bill provides that a person could qualify for benefits as the spouse of an insured individual, even though there was an impediment (as defined) that prevented a valid marriage from being contracted, if he had gone through a marriage ceremony in the belief that it would create a valid marriage and if the couple had been living together at the time of the worker's death (or, if the worker is still living, at the time the spouse applies for benefits). The bill defines the term "impediment" to include only an impediment that results from the dissolution or lack of dissolution of a prior marriage of the insured person or the person applying for benefits as his spouse or an impediment that results from a defect in the procedure followed in connection with the marriage ceremony. In addition, the bill would make eligible for benefits the child or stepchild of a couple who had gone through a marriage ceremony that because of such an impediment could not result in a valid marriage.

4. Benefits for a child based on his father's earnings record

Under present law, a child is deemed dependent on his father or adopting father, and therefore eligible for benefits on his father's earnings record, unless the father is not living with the child or contributing to the child's support and the child is living with and being supported by his stepfather (or has been adopted by someone else). The bill provides for paying benefits to a child on his father's earnings record even though the child is supported by his stepfather. In most States there is no obligation for a stepfather to support his stepchild. If a child has been denied benefits based on his father's earnings because of the support provided by his stepfather and the stepfather stops supporting him, the child cannot get benefits based on the earnings of either. This change would extend to the child living with his stepfather the protection now provided for other children, including children living with and being supported by other relatives. The change would be effective with the month of enactment.

E. INCREASED COVERAGE

The committee's bill would make several further extensions of coverage.

1. Facilitating coverage of additional employees of nonprofit organizations and validation of erroneous returns already filed

Present law requires that two-thirds of the employees of a nonprofit organization must consent to coverage before the organization can cover the employees who desire coverage and future employees of the organization. The committee's bill modifies this requirement so that a nonprofit organization could, if it so desired, file a certificate electing to provide coverage for all employees hired in the future and such current employees, if any, as consent to be covered. An organization could provide coverage for new employees even though none of its current employees desire coverage.

The present requirement is unfair to employees who want to be covered but are not eligible because some of their fellow employees do not desire old-age, survivors, and disability insurance protection. Under the committee's bill, a nonprofit employer would, in effect, be able to establish as a condition of employment a rule that new employees must be covered while offering its present employees an option.

There are about 100,000 employees of nonprofit organizations not now protected under old-age, survivors, and disability insurance for whom coverage would be facilitated by these changes. In the long run all employees of organizations that have elected to cover any of their employees would be covered since all new employees are mandatorily covered.

The bill would retain the requirement of present law that if some of a nonprofit organization's employees are in jobs covered by a public retirement system and some are not, the employer must divide his employees into two coverage groups for purposes of this provision. The employees who are in positions covered by the public retirement system would be in one coverage group; those who are not would be in the other. Under the bill, the employer may extend coverage to consenting and future employees in either or both groups, without the necessity for concurrence by two-thirds of the current employees.

The bill would also permit the validation of erroneous self-employment returns filed by certain lay missionaries in the belief that they were covered under present law as ministers, if requested by April 15, 1962.

The committee has been informed that a number of nonprofit organizations have been erroneously reporting and paying taxes on remuneration paid to their employees without first complying with requirements in the law for obtaining old-age, survivors, and disability insurance protection for their employees. For example, some organizations have reported their employees without realizing it was necessary to file waiver certificates. In some instances, the nonprofit organization later filed a certificate in accordance with the law, but by that time one or more of the employees whom the organization had previously reported had left its employ. There is no way under present law for such employees to have their services covered under the organization's certificate. In other instances, nonprofit organiza-

tions began to report their employees after the organizations filed certificates without realizing that it was also necessary to obtain the signatures of all of the employees whom they wished to cover on lists of concurring employees. The bill would, under specified circumstances, permit social security credit for remuneration for services performed before July 1, 1960, erroneously reported as wages, upon appropriate action by the nonprofit organizations and employees involved.

2. Provision of an additional opportunity for ministers to obtain coverage

Coverage was made available to ministers, under the Social Security Amendments of 1954, on an individual voluntary basis because of considerations relating to the separation of church and state. The 1954 legislation provided that ministers and Christian Science practitioners already in practice who desired coverage had to file waiver certificates by April 15, 1957. In 1957, when it appeared that many clergymen who desired coverage had, through lack of knowledge or misunderstanding of the provisions, failed to file timely certificates electing coverage, legislation was enacted to extend the time for electing coverage to April 15, 1959. Under present law, in general, only newly ordained ministers (and ministers who have not had net earnings from self-employment of \$400 or more, some part of which was from the exercise of the ministry, for as many as 2 taxable years after 1954) may still file certificates electing coverage.

Of some 200,000 full-time ministers who could have elected coverage, about 140,000 have come under the program up to this time. There are many ministers who want coverage but are no longer eligible. In some cases, such ministers failed to file timely waiver certificates because they misunderstood the provision or were unaware of the deadline. Other ministers erroneously believe that they met the requirements for electing coverage by filing tax returns, while still others believe they met the requirements by filing waiver certificates although actually they did not because the certificates were defective in some respects.

The committee is mindful of the need to maintain reasonable restrictions on the time within which a choice must be made under the provision for individual voluntary coverage of ministers. However, the committee recommends that ministers and Christian Science practitioners who under present law are no longer eligible to elect coverage be given additional opportunity to obtain this protection. To this end, persons who have already entered the ministry would be given until April 15, 1962, to file waiver certificates. Certificates filed under this amendment (like those filed under present law by a newly ordained minister) would be effective with the year preceding the latest year for which the tax return due date has not passed.

In addition, the bill would permit the validation of coverage of certain clergymen who filed tax returns reporting self-employment earnings from the ministry for certain years after 1954 and before 1960 even though, through error, they had not filed waiver certificates effective for those years. These ministers or their representatives would be given the opportunity until April 15, 1962, to file waiver certificates or supplemental certificates effective with the first taxable year for which they had filed such a tax return and for all succeeding years. In order for the benefits of this amendment to be secured,

any taxes due by reason of the validation of the coverage would have to be paid by April 15, 1962.

Also a provision is added to the House bill which would give a further opportunity to certain ministers who previously filed certificates effective with their first taxable year ending after 1956—as required under the law in effect at the time when their certificates were filed—to amend their certificates to make them effective for the preceding taxable year. Under present law, such ministers generally had until April 15, 1959, to amend their certificates for this purpose and under the bill they would have until April 15, 1962, to do so.

3. Coverage of American citizens employed in the United States by foreign governments

Under present law, service performed in the employ of a foreign government or an instrumentality wholly owned by a foreign government, is generally excluded from old-age, survivors, and disability insurance coverage. The committee believes that such service, if performed by a citizen of the United States within the United States, should be covered. Coverage of their employment would enable these citizens to build the same basic protection under old-age, survivors, and disability insurance that other Americans possess and would prevent gaps in protection for those citizens who work for a limited period of time for a foreign government.

This employment has heretofore not been covered because the United States cannot levy the employer tax of the program upon foreign governments. The committee believes that the most feasible way to provide coverage for United States citizens working for these foreign employers would be to treat them as self-employed individuals. Although the committee believes it is generally undesirable to cover as self-employment the services of persons who are actually employees, such coverage offers a practical solution to the unique problem of covering American citizens employed by foreign governments. Under the bill, compulsory coverage would be provided for these employees on the same basis as that provided for self-employed persons.

4. Facilitating the coverage of employees of State and local governments

Both the House- and committee-approved bill would make several changes designed to facilitate the coverage of State and local government employees, as follows:

(a) *Retroactive coverage.*—The provision of the Social Security Act which permitted State and local governmental employee groups to obtain extended retroactive social security coverage beginning as early as January 1, 1956, expired at the end of 1959. Under existing law, coverage for employees of States and localities who are brought under the program after 1959 may be effective no earlier than the first day of the year in which it is obtained. The bill would permit coverage—on the regular contributory basis—for any employee group brought under the program after 1959 to begin as early as 5 years before the year in which coverage for the group is agreed to, but no earlier than January 1, 1956.

The provision of the present law that permitted employee groups to obtain an extended period of retroactive coverage recognized that in many instances the States would require considerable time to enter into coverage agreements with the Department and to make the necessary arrangements for providing coverage for the groups desiring

it. Although some 3½ million of these public employees have been brought under social security, there still remain about 2½ million, mostly persons covered under retirement systems of States or localities, who have not been covered, and it is to be expected that for some time into the future significant numbers of public employees will continue to come under the program. The committee's bill would enable public employee groups who come under coverage in the future to avoid being unduly handicapped because of their late entry into coverage.

The bill would also provide a measure of flexibility in determining the beginning date for coverage for different political subdivisions. Under present law, where a retirement system covering positions of more than one political entity is covered as a single retirement system coverage group (without being broken down into "deemed" retirement systems for the various entities), coverage must begin on the same date for all persons in the retirement system. If the retirement system is divided on a political subdivision basis for coverage purposes, coverage may begin on different dates for the different subdivision. A State may wish to provide coverage for a retirement system as a single-coverage group, in order to facilitate coordination of the State system with old-age, survivors, and disability insurance, or for some other reason. At the same time, some political subdivisions, for financial or other reasons, may wish coverage to start at an earlier date than do other political subdivisions. Under the bill, when a retirement system is covered as a single retirement system coverage group, the State may, if it wishes, provide different beginning dates for coverage for the employees of different political subdivisions.

(b) Employees transferred from one retirement system to another.— Under present law, in some cases a retirement system covering more than one political subdivision has been divided into retirement systems on a political subdivision basis and coverage has been extended only to those members of the various retirement systems who desire such coverage. An individual who is in a division of one of these retirement systems which is composed of positions of members of that system who do not desire coverage may later become a member of another one of these retirement systems which has also provided coverage for only those members who desire it. If so, he is covered compulsorily as a new member of the second group. The committee believes that the compulsory coverage of new members, where coverage has been extended under the divided retirement system provision, is essential as a means of protecting the trust funds, over the long run, against drains due to the election of coverage mainly by persons who may expect to receive substantially more in benefits than is contributed to the program.

Problems have arisen in a very limited area, however, where persons become members of a different retirement system through an action of a political subdivision (such as the annexation of one political subdivision by another) rather than an action by the individual (such as a change in jobs). The bill provides that in this type of situation an individual who has elected not to be covered would continue to be excluded from coverage but only if the "retirement system" to which he originally belonged and the new "retirement system" were in reality parts of the same retirement system which was divided on a political subdivision basis by the State prior to further division of the

two parts between those who desired and those who did not desire old-age, survivors, and disability insurance coverage. Individuals who were placed in another retirement system group by an action of a political subdivision taken before enactment of the bill would continue to be covered unless the State, before July 1, 1961, requests that they be excluded from coverage. Such a request would apply only to the wages that these individuals are paid on and after the date on which the request is filed.

(c) *Policemen and firemen under retirement systems in Virginia.*—The bill would make applicable to the State of Virginia the provision in present law which permits 16 specified States and all interstate instrumentalities to extend coverage (under their agreements with the Secretary of Health, Education, and Welfare) to services performed by employees of any such State (or of any political subdivision thereof) in any policeman's or fireman's position covered by a retirement system of a State or local government, provided the members of the system vote in favor of coverage. The 16 States in which policemen and firemen covered by a State or local retirement system are now permitted to come under the old-age, survivors, and disability insurance program are: Alabama, California, Florida, Georgia, Hawaii, Kansas, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Vermont, and Washington.

(d) *Delegation by Governor of certification functions.*—When coverage is extended to State or local retirement system groups under the referendum provisions of existing law, all persons in a retirement system group are covered upon a favorable vote by the majority of the members. Under present law, the Governor must personally certify that the referendum has been conducted in accordance with the requirements of the Social Security Act and that the result was favorable. Also, when a retirement system group is divided into two parts to extend coverage to only those members of the group who desire coverage and the procedure is used which permits coverage without a referendum provided specified procedures are followed, the Governor must personally certify that such procedures were followed. The committee recognizes that the requirement that the Governor personally make the certifications in question sometimes imposes an unnecessary burden on the Governor. The bill would permit the Governor of a State to designate an official of the State for the purpose of making these two types of certifications.

(e) *Validation of coverage for certain Mississippi school personnel.*—The committee's bill would validate, for the period from March 1, 1951, to October 1, 1959, the coverage of certain teachers and school administrative personnel in Mississippi who during this period were reported under old-age, survivors, and disability insurance as State employees. The employees in question had been included under the Mississippi coverage agreement with the Secretary of Health, Education, and Welfare as employees of the State rather than as employees of the various school districts in Mississippi. Since 1951, Mississippi has filed wage reports and paid contributions for these employees on the basis that they were State employees.

(f) *Exclusion of certain justices of the peace and constables in Nebraska.*—Under existing law a State has the option of including or excluding from its coverage agreement any position for which the

compensation is on a fee basis. Once such positions have been covered under the agreement, the decision cannot be changed under present law. The committee has been informed that the coverage of such justices of the peace and constables who are compensated on a fee basis was not intended by the State and the bill authorizes the State of Nebraska, at its option, to modify the agreement to exclude the services of these individuals. The modification shall specify the effective date of the exclusion, but it shall not be earlier than the enactment date of this bill.

(g) *Facilitating coverage of employees of municipal and county hospitals.*—The bill would permit municipal and county hospitals to be treated as separate retirement system coverage groups, on the same basis provided under present law for institutions of higher learning. Under this amendment, such hospitals could obtain coverage for their employees where the city or county does not wish to provide coverage for all employees of the city or county.

(h) *Limitation on States' liability for employer (and employee) contributions in certain cases.*—Where an individual performs services that are covered by a State's social security coverage agreement, the State is required to pay up to the maximum employer contribution with respect to the wages paid to him by each separate employing entity. Accordingly, where an individual works in a year as an employee of the State and one or more political subdivisions, or as the employee of two or more political subdivisions, the State's total liability for employer contributions may exceed the maximum employer tax which may be imposed on an employer who is subject to the social security taxing provisions of the Internal Revenue Code of 1954. Under the House bill a State could, beginning as early as 1961, limit its liability for employer contributions to the maximum employer tax liability of a single employer in these cases where the employer contributions are paid from the State's own funds, without the State being reimbursed by the employing localities. The committee believes, however, that it is only equitable to limit such liability for some years in the past and, therefore, provides that the limitation can apply to wages paid as early as January 1, 1957, or January 1 of the third year preceding the year of the agreement or modification. The limitation could be applied by a State only to the extent that the State complies with such regulations as the Secretary may prescribe relative to this subject.

This provision is intended to recognize the special financial obligation assumed by States that, in addition to being responsible under Federal law for the social security payments and reports of their political subdivisions, actually bear the cost of the employer contributions for political subdivisions. The committee believes that a State's liability for employer contributions which are paid out of the State's own funds should be computed as though individuals working for the State and its political subdivisions were working for only one employer.

(i) *Statute of limitations for State and local coverage.* (1) *Time limitation on the correction of contribution payments.*—Under existing law, there is no limitation on the period within which the Secretary of Health, Education, and Welfare may assess contributions which are due under a coverage agreement with a State, or on the period within which the Secretary must refund contributions which a State

has erroneously paid. Accordingly, it is necessary for the Secretary and a State to investigate the correctness of contribution payments made many years in the past whenever that correctness is questioned, and it is necessary for the States to maintain detailed records of the employment and wages of covered public employees for an indefinite period of time. The assessment and refunding of old-age, survivors, and disability insurance taxes based on nongovernmental employment are subject to the statute of limitations of the Internal Revenue Code of 1954. The bill would make a comparable statute of limitations applicable to the States beginning January 1, 1962.

Under the bill, the liability of a State for unpaid contributions would expire in the usual case at the end of the 3-year, 3-month, and 15-day period following the year for which the contributions are due unless the Secretary makes an assessment by notifying the State of the underpayment before the end of that period. Also, a State that pays more than the correct amount of contributions could not ordinarily claim a credit for the overpayment after the end of the 3-year, 3-month, and 15-day period following the year for which the overpayment was made. These time limitations could be extended by mutual agreement and in certain other cases.

(2) *Judicial review of Federal determinations affecting a State's contribution liability.*—The present law does not provide a specific procedure by which a State may seek review by the courts of determinations made by the Secretary of Health, Education, and Welfare which result in an assessment of contributions or in the disallowance of a claim for the refund of contributions. The bill would afford States a court review procedure which is comparable to the procedure available to nongovernmental employers subject to the social security taxing provisions of the Internal Revenue Code of 1954.

The bill provides a 90-day period within which a State could request the Secretary to review determinations which affect its contribution liability. If the State is not satisfied with the Secretary's decision upon review, it could file a civil action against the Secretary in a U.S. district court within the 2-year period following the mailing of the Secretary's decision. The committee believes this provision for judicial review will afford the States an orderly and equitable procedure for the expeditious settlement of the relatively few coverage questions and other issues which cannot be settled through negotiations between the States and the Secretary.

F. INVESTMENT OF THE TRUST FUNDS

The bill would provide for putting into effect certain recommendations made by the Advisory Council on Social Security Financing. This Council was established by the 1956 amendments to the Social Security Act to study and report on the status of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds in relation to the long-term commitments of the funds. The Advisory Council, a distinguished group of representatives of employers, employees, the self-employed, and the general public, made a year-long study of the financing of the program. As a result of its deliberations the Council made a number of recommendations for changes in the law to make the provisions relating to the method of financing the old-age,

survivors, and disability insurance program more equitable. Some of the Council's recommendations are embodied in the committee's bill.

Under present law, the interest on special obligations issued for purchase by the trust funds is related to the average coupon rates on outstanding marketable obligations of the United States that are neither due nor callable until after the expiration of 5 years from the date of original issue. Thus the interest rate on new special obligations is related to the coupon rate that prevailed at some time in the past rather than to the market yield prevailing at the time the special obligation is issued. As a result of the formula in the law, the average interest rate on special obligations issued to the trust funds is now about 2½ percent, while the average yield on outstanding marketable obligations is about 4 percent.

The Advisory Council thought that the rate of return on trust fund investments in special issues should be more nearly equivalent to what the Treasury has to pay for the long-term money it borrows from other investors. This, the Council believed, would avoid both special advantages and special disadvantages to the trust funds. To bring about this result the Council recommended that two changes be made in the law: The interest rate on special obligations should be made equal to the average market yield rather than to the average coupon rate on outstanding long-term marketable obligations, and this interest rate should be based on the average rate of return on outstanding bonds that will mature more than 5 years after the date of the special issue rather than on all bonds that are neither due nor callable until after 5 years from original issue.

In making its proposal that the interest rate on special obligations should be equal to the average market yield on outstanding long-term marketable Federal obligations that will mature more than 5 years after the date the special obligation is issued, the Council recognized that there might be a need for a different interest rate to meet current and near future benefit obligations on a minor part of the funds being held in short-term obligations. This proposal was studied by the trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, who agreed that the interest-rate formula should be changed. The trustees thought, however, that the need to determine what part of the funds should be invested in short-term securities would create an unnecessary burden and that much the same result could be obtained by adopting an interest-rate formula that would be based on the yield of outstanding marketable Federal obligations that would mature more than 3 years after the date of the special issue.

The committee recognizes the need to give the investments of the old-age, survivors, and disability insurance program more equitable treatment by relating the interest earnings of the funds to the average yield on outstanding long-term obligations. The committee believes that at the present time, however, an equitable return can be provided for the trust funds with a single formula and interest rate. Accordingly, the bill would relate the interest received on future obligations issued exclusively to the trust funds to the average market yield of all marketable obligations of the United States that are not due or callable for 4 or more years from the time at which the special obligations are issued. Current actuarial cost estimates indicate that this change would, over the long range, provide additional income to the

trust funds equivalent to 0.02 percent of payroll on a level-premium basis.

The bill substitutes for the present requirement that the managing trustee purchase marketable obligations unless it is not in the public interest to do so a requirement that he purchase obligations issued exclusively to the trust funds unless it is in the public interest to purchase obligations in the open market.

The bill also provides that the board of trustees as a whole shall have responsibility for reviewing the general policies followed in managing the trust funds and that in keeping with its responsibilities the trustees shall meet at least every 6 months.

G. MISCELLANEOUS PROVISIONS

1. Improving the method of computing benefits

Under the present law a person's average monthly wage, on which his benefit is based, is computed over a span of time that may vary with the time when he files an application for benefits or for a benefit recomputation (and may vary also depending on whether he was in covered work before the year in which he attained age 22). A person who does not understand the rather complicated provisions of the law, or does not know what his earnings will be in future years, may find that he has not applied for benefits at the most advantageous time.

Under present law, for any person who is over "retirement age" (65 for men, 62 for women) when he applies for benefits, the period over which the average monthly wage is computed may end with any one of three "closing dates": (1) The first day of the year in which the insured person was first eligible for old-age insurance benefits (generally the year when he attained retirement age), or (2) the first day of the year in which he filed his application for benefits, or (3) the first day of the following year. If he applies for a recomputation to take account of earnings after entitlement to benefits, the computation period will end, generally, with the first day of the year in which he applies for the recomputation. The present law specifies the use of whichever of these dates yields the largest benefit amount. It is possible, however, that where a worker continued in covered work for some years after he first became eligible for old-age insurance benefits, the use of a "closing date" (not available under the present law) between the beginning of the year in which the worker was first eligible for benefits and any of the other applicable dates would have yielded a higher average monthly wage and a higher benefit amount.

The amendment proposed by the committee would substitute for the present complicated provision, with its sometimes capricious results, a provision for computing the average monthly wage, in retirement cases, on the basis of a constant number of years regardless of when, before age 22, the person started to work or when, after age 65 (age 62 in the case of a woman), he files application for benefits. (The amendment would apply also in death and disability cases.) The number of years, in the retirement case, would be equal to five less than the number of years elapsing after 1950 or after the year in which the individual attained age 21, whichever is later (these are the starting points for computation of the average monthly wage that are generally applicable under the present law), and up to the year in

which the person was first eligible for old-age insurance benefits (generally the year in which he attained age 65 (or age 62 in the case of a woman)). In death and disability cases the number of years would be determined by the date of death or disability. In those cases where a larger benefit would result (because the individual's best earnings were in years before 1951), the number of years would be those elapsing after 1936, rather than after 1950; this alternative is similar to the 1936 alternative "starting date" that is available under present law in such cases. The subtraction of five from the number of elapsed years is the equivalent of the present dropout of the 5 years during which the individual's earnings were the lowest. For persons in the future who will have been under the program for their full working life, the benefit computation in retirement cases will generally be over the highest 38 years for men and the highest 35 years for women (the number of years that would be applicable in the mature program under the present law for people who come on the benefit rolls when they reach retirement age).

The earnings used in the computation would be the earnings in the highest years. Earnings in years prior to attainment of age 22 or after attainment of retirement age could be used if they were higher than earnings in intervening years. The change would thus eliminate, for future cases, the problem that can arise at present when a person does not apply for benefits at the most advantageous time. Moreover, people who continued to work beyond age 65 (age 62 for women) could, by using earnings in later years, get benefits that would be more closely related to their earnings just before actual retirement than are benefits under the present law. The amendment would also make the computation simpler and easier to understand than it is now.

The amendment would, in general, take effect on January 1, 1961. Generally, the span of years to be used for the benefit computation in retirement cases could not be less than five—the number of years that would have to be used under the present law by people who attain retirement age in 1961. (In death and disability cases the number of years could not be less than two.) In those relatively few cases—all of them cases of people eligible for old-age insurance benefits before 1961—where the present type of computation using the year of first eligibility for old-age insurance benefits as a closing date would increase the benefit amount, the present provisions would still be used.

The bill would also make two other technical changes in the computation provisions. The first of these is a change in the method of recomputing benefits. Under the present law a worker's benefit amount may be recomputed, on application, to include earnings in the year in which he filed application for benefits or died (whichever is applicable). This recomputation is restricted to the methods for figuring average earnings and benefit amounts for which the worker qualified at the time of the original determination of his benefit amount, even though the individual, at the time he applies for the recomputation, may meet the basic requirements for the use of a different method that would yield a considerably higher benefit amount. The committee is recommending a change to permit the use of the most favorable method of figuring average earnings and benefit amounts for which the individual is eligible at the time he applies for the recomputation.

The second of these technical changes would eliminate an unnecessary waiting period now required by law. Under the present law a

beneficiary can have his benefit recomputed if he has earnings of more than \$1,200 in a year after the year in which he became entitled to benefits or in which he filed his last previous application for a work recomputation. The application for the work recomputation may not be filed earlier than 6 months after the close of the year in which the qualifying earnings were received. The 6-month limitation was enacted in 1954 in order to decrease the number of applications to be processed during the first half of the year, when a number of other workloads are at seasonal peaks.

Under the present provisions, beneficiaries who come to district offices of the Social Security Administration during the first half of the year to inquire about work recomputations must come in again at a later time to file the application for the recomputation. It would, of course, be easier for them to file when they first come in. Experience has shown that making such a person come in a second time does not result in an overall saving of work sufficient to overcome the disadvantages to some beneficiaries. Accordingly, the committee's bill would remove the requirement that a beneficiary wait at least 6 months to file an application for the recomputation.

2. Changing the provisions governing payment of the lump-sum death benefit

Under present law, if there is a surviving spouse who was living in the same household with the insured person at the time of the latter's death, the lump-sum death payment is made to that spouse. About two-thirds of all lump-sum cases are settled in this manner.

If there is no such spouse, the lump-sum death payment is paid as reimbursement to the person (or persons) "equitably entitled thereto to the extent and in the proportions that he or they" paid the total burial expenses. Many families do not have sufficient funds to pay the burial costs; in order to claim the lump sum they must borrow the money to pay the burial expenses.

The bill would make the lump sum available for meeting the expenses incurred through the funeral home—the major part of the burial expenses—without requiring that the expenses first have been paid. On application of the person who assumed responsibility for the expenses, payment would be made to the funeral home for any part of the funeral home expenses that have not been paid, within the limits of the lump-sum benefits. In the few cases where no one assumes responsibility for the burial expenses within 90 days after the date of the insured person's death, payment would be made on application by the funeral home. If, in addition, part of the funeral home expenses were paid by some person associated with the deceased insured worker, any part of the lump sum that remained (after payment directly to the funeral home for the expenses not otherwise paid) would be paid as reimbursement to the person or persons who paid the funeral home for part of the expenses.

In most cases the total amount of the lump sum will be used up in meeting the funeral home expenses (the maximum on the lump sum is \$255, and the average payment is somewhat less). In the case where the expenses incurred through the funeral home were less than the amount of the lump sum, the remainder of the lump sum would be paid to any person, to the extent and in the proportion that he paid any other expenses of the burial not incurred through the funeral home, as reimbursement for his payment of those expenses, in accord-

ance with the following order of priority: The expense of opening and closing the grave, the expense of the cemetery lot, and other expenses.

The new provisions would eliminate the delays in paying the lump sum that arise under present law from the facts that all of the burial expenses must be known before any of the lump-sum payment can be made, and that only as much of the lump sum can be paid at any time as is equivalent to the portion of the burial expenses that has been paid at that time.

3. Elimination of certain obsolete recomputations

The bill would simplify the provisions for recomputation of benefits by limiting the use of a number of recomputations that have virtually served their purpose and are now seldom if ever applicable. Under the bill any of these recomputation provisions could be used only if the insured person filed application for it, or died, before 1961. Recomputations that would be affected are:

(a) The recomputation to include self-employment income in a taxable year beginning or ending in 1952 for a person who retired or died in 1952.

(b) The "work" recomputation provided for in 1950 to allow a beneficiary to have included, in the computation of his benefit, earnings he had after he became entitled to benefits. This recomputation has been superseded by the work recomputation in the 1954 amendments; the 1950 provision can apply only where an aged worker was eligible for the work recomputation before 1955.

(c) The recomputation provided for in 1950 to include in the benefit computation the earnings the worker had in the 6 months immediately prior to his death or entitlement to benefits. Such earnings were not available in the record at the time of the worker's initial computation because of the lag in reporting and recording earnings. This "lag" recomputation can apply only to people who came on the benefit rolls or died before September 1, 1954, and have not yet had their earnings in the 6 months prior to entitlement to benefits considered in the benefit computation.

(d) The recomputation to include wage credits for post-World-War-II military service (provided for by the 1952 amendments) where such credits could not have been used at the time of the original computation. It applies only to people (insured workers and survivors) who were on the benefit rolls before September 1952.

4. Modifying the provisions relating to advisory councils on social security financing

Under the present law, an Advisory Council on Social Security Financing is required to study and report on the status of the trust funds prior to each increase in the tax rates. When the law providing for advisory councils on financing was enacted in 1956, the tax increases were scheduled at 5-year intervals. The 1958 amendments accelerated the schedule of tax increases so that the tax rate is to be increased at 3-year intervals, with the next increase scheduled for 1963. This means that under present law an advisory council would have to be appointed this year and issue its report by January 1962.

The first advisory council on financing, which made its report in January 1959, considered the present tax schedule and concluded that the 1963 tax increase should go into effect. Since the council issued its report there has been no significant change in the condition of the

trust funds nor is there any other reason to reexamine the need for the 1963 increase to go into effect. It would therefore be desirable to eliminate the requirement for a review of the status of the trust funds by the end of next year. On the other hand, it does seem desirable that the need for the increases scheduled for 1966 and 1969 be reviewed, and under the bill the provision for an advisory council to be appointed in 1963 and another in 1966 would be retained. Moreover, the committee believes that when the ultimate tax rate is reached there should continue to be periodic reviews of the financing of the program, and the bill therefore provides for additional councils to be appointed every 5 years after 1966.

5. Continuing court actions when a new Secretary is appointed

Whenever a new Secretary of Health, Education, and Welfare is appointed, it is necessary, within 6 months of his appointment, to substitute his name on pending court actions in which his predecessor was a party if such actions are to be continued. The requirement for substituting the name of a new Secretary on pending court actions within the time requirement causes inconvenience to claimants, and failure by claimants to take the required action has resulted in the abatement of court actions without consideration by the court of the merits of the case. The bill would allow pending court actions to continue even though there is a successor to a Secretary or a vacancy in that office. The bill would thus remove a source of irritation to claimants and would remove the harsh effect of abatement of court actions solely because of the failure to substitute on pending actions the name of a successor to a Secretary.

6. Extending a deadline where the ending date for an action falls on a nonwork day

The law provides that certain actions, such as applying for a lump-sum death payment, filing proof of support, or requesting a review in the U.S. district court of a decision of the Secretary, must be taken within a specified period of time in order to be valid. People sometimes try to meet a deadline of this sort by taking the appropriate action on the last day of the period in which it can be done, and if the deadline date falls on a nonwork day, the claimant then finds that he cannot meet the deadline because the offices are closed. The bill would eliminate this problem by extending any deadline date that falls on a day that is not officially a full workday to the first official full workday immediately following the deadline date.

7. Crediting quarters of coverage for years before 1951

The bill would change the rule for crediting quarters of coverage on the basis of maximum creditable wages paid in years before 1951 to conform to the rule applied in the case of maximum creditable earnings in years after 1950. Generally, under present law, a person who was paid the maximum amount of creditable wages in a calendar year before 1951 is deemed to have a quarter of coverage in each quarter following his first quarter of coverage in such year. Under the bill, a person who was paid the maximum amount of creditable wages in a calendar year before 1951 would be deemed to have a quarter of coverage in each quarter of such year without regard to when he received his first quarter of coverage. As a result of this change, a small number of people who do not have enough quarters of coverage

to be fully insured under the present provisions of law would be credited with additional quarters of coverage. In some of these cases they would become insured for benefits on the basis of these additional quarters of coverage. In addition, the law would be simplified because the same rules for crediting quarters of coverage would apply to all years in which a person had maximum creditable earnings, whether those years occurred before 1951 or after 1950.

8. Correcting technical flaws in the law

(a) Because of a technical defect in the law, benefits cannot now be paid in cases where a child of a disabled person is born or adopted after the worker becomes disabled, or where a child becomes a stepchild through a marriage occurring after the worker becomes disabled. The bill would correct this defect by providing for the payment of child's benefits to a child who is born, or who becomes a worker's stepchild, after the worker becomes entitled to disability insurance benefits, and to a child who is adopted by a worker within 2 years after the worker becomes entitled to disability insurance benefits, or the child was living with the parent before the onset of his disability. Such proceedings for the adoption of the child are not intended to be limited merely to court proceedings, but also include proceedings and arrangements with licensed adopting agencies or other qualified persons.

(b) Because of a technical flaw in the law, families of disabled workers at certain levels of average monthly wage where the disabled worker had a period of disability that started before 1959 can get as much as \$7.50 a month more in benefits than survivors of a worker who died before 1959 and who was at the same average monthly earnings levels. The bill would amend the provisions relating to maximum family benefits to eliminate this unintended advantage for those families coming on the benefit rolls after enactment. Since some of the families on the rolls have been getting benefits in the larger amounts for well over a year and have come to depend on the amounts they are getting, it seems desirable not to have the corrective amendment apply to families on the rolls prior to enactment but to let the present provisions continue to apply to them.

(c) Under the foreign work test, a month's benefit must be withheld from an old-age insurance beneficiary (and his dependents) for any month in which he works in noncovered work outside the United States on more than 6 days. If the old-age insurance beneficiary fails to report such employment within a specified time, he may be penalized by the loss of an additional month's benefit. As a general rule, when an old-age insurance beneficiary has such a penalty imposed upon him, his dependents are not also penalized. Because of an oversight, however, a person entitled to a childhood disability benefit or to a mother's insurance benefit who is married to an old-age insurance beneficiary does have a penalty imposed if the old-age insurance beneficiary's work outside the United States is not reported. The bill would eliminate this additional penalty.

(d) The 1956 amendments made a number of changes in section 201 of the Social Security Act (relating to the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds). As part of these changes, references to "special obligations" were deleted and the words "public debt obligations" were inserted in their place. Inadvertently this change was not made in subsection (e). The bill would correct this oversight.

V. ACTUARIAL COST ESTIMATES FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

(1) *Financing policy*

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

The concept of actuarial soundness as it applies to the old-age, survivors, and disability insurance system differs considerably from this concept as it applies to private insurance although there are certain points of similarity—especially as concerns private pension plans. In a private insurance program, the insurance company or other administering institution must have sufficient funds on hand so that, if operations are terminated, the plan will be in a position to pay off all the accrued liabilities. This, however, is not a necessary basis for a national compulsory social insurance system. It can reasonably be presumed that under Government auspices such a system will continue indefinitely into the future. The test of financial soundness, then, is not a question of there being sufficient funds on hand to pay off all accrued liabilities. Rather, the test is whether the expected future income from tax contributions and from interest on invested assets will be sufficient to meet anticipated expenditures for benefits and administrative costs. Thus, the concept of “unfunded accrued liability” does not by any means have the same significance for a social insurance system as it does for a plan established under private insurance principles, and it is quite proper to count both on receiving contributions from new entrants to the system in the future and on paying benefits to this group. These additional assets and liabilities must be considered in order to determine whether the system is in actuarial balance.

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

(2) *Actuarial balance of program in past years*

The actuarial balance under the 1952 act was estimated, at the time of enactment, to be virtually the same as in the estimates made at the time the 1950 act was enacted, as shown in table 1. This was

the case because the estimates for the 1952 act took into consideration the rise in earnings levels in the 3 years preceding the enactment of that act. This factor virtually offset the increased cost due to the benefit liberalizations made. New cost estimates made 2 years after the enactment of the 1952 act indicated that the level-premium cost (i.e., the average long-range cost, based on discounting at interest, relative to taxable payroll) of the benefit disbursements and administrative expenses was somewhat more than 0.5 percent of payroll higher than the level-premium equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

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

TABLE 1.—Actuarial balance of old-age, survivors, and disability insurance program under various acts for various estimates on an intermediate-cost basis

[Percent]

Legislation	Date of estimate	Level-premium equivalent ¹		
		Benefit costs ²	Contributions	Actuarial balance ³
Old-age, survivors, and disability insurance ⁴				
1950 act.....	1950	6.05	5.95	-0.10
1952 act.....	1952	5.85	5.75	- .10
1952 act.....	1954	6.62	6.05	- .57
1954 act.....	1954	7.50	7.12	- .38
1954 act.....	1956	7.45	7.29	- .16
1956 act.....	1956	7.85	7.72	- .13
1956 act.....	1958	8.25	7.83	- .42
1958 act.....	1958	8.76	8.52	- .24
1958 act.....	1960	8.73	8.68	- .05
1960 bill (House).....	1960	8.97	8.68	- .29
1960 bill (Senate committee).....	1960	9.18	8.68	- .50
Old-age and survivors insurance ⁴				
1956 act.....	1956	7.43	7.23	-0.20
1956 act.....	1958	7.90	7.33	- .57
1958 act.....	1958	8.27	8.02	- .25
1958 act.....	1960	8.38	8.18	- .20
1960 bill (House).....	1960	8.41	8.18	- .23
1960 bill (Senate committee).....	1960	8.62	8.18	- .44
Disability insurance ⁴				
1956 act.....	1956	0.42	0.49	+0.07
1956 act.....	1958	.35	.50	+ .15
1958 act.....	1958	.49	.50	+ .01
1958 act.....	1960	.35	.50	+ .15
1960 bill (House).....	1960	.56	.50	- .06
1960 bill (Senate committee).....	1960	.56	.50	- .06

¹ Expressed as a percentage of taxable payroll.

² Including adjustments (a) to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate, (b) for the interest earnings on the existing trust fund, and (c) for administrative expense costs.

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

⁴ The disability insurance program was inaugurated in the 1956 act so that all figures for previous legislation are for the old-age and survivors insurance program only.

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

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

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

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

At the beginning of 1960, the cost estimates for the old-age, survivors, and disability insurance system were reexamined and were modified in certain respects. The earnings assumption had previously been based on the 1956 level, and this was changed to reflect the 1959 level. Also, data first became available on the detailed operations of the disability provisions for 1956, which was the first full year of operation that did not involve picking up “backlog” cases. It was found that the number of persons who meet the insured-status conditions to be eligible for these benefits had been significantly overestimated. It was also found that the disability experience in respect to eligible women was considerably lower than had been originally

estimated, although the experience for men was very close to the intermediate estimate. Accordingly, revised assumptions were made in regard to the disability-insurance portion of the program.

The committee believes that it is a matter for concern if either portion of the old-age, survivors, and disability insurance system shows a significant actuarial insufficiency. However, the committee believes that future cost estimates—particularly if earnings continue to rise—may indicate lower costs than those in the current estimates. Also, if the long-range average interest earnings of the trust funds significantly exceed 3 percent—as would be the case under the amended financing and investment provisions incorporated in the bill if interest rates continue at their present level—the actuarial insufficiency shown in the following cost estimates would be significantly reduced, or possibly even eliminated. Thus, the committee believes that there is no necessity now to attempt to cover fully, or even partially, the deficiency which the cost estimates indicate in regard to the financing of the program as it would be amended by the committee-approved bill.

(3) Basic assumptions for cost estimates

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

The long-range cost estimates (shown for 1970 and thereafter) are presented here on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors. Both the low- and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1959. In addition to the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low- and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions.

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

The short-range cost estimates (shown for the individual years 1960-65) are not presented on a range basis since—assuming a continuation of present economic conditions—it is believed that the demographic factors involved can be reasonably closely forecast, so that only a single estimate is necessary. In connection with these short-range cost estimates, it should be noted that the assumption is made of a gradual rise in the earnings level in the future, paralleling that which has occurred in the past few years. As a result of this assumption, contribution income is somewhat higher than if level earnings were assumed, while benefit outgo is only slightly affected.

The cost estimates have been prepared on the basis of the same assumptions and methodology as those contained in the "Twentieth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" (H. Doc. No. 352, 86th Cong.).

The previous long-range cost estimates for the disability insurance program were based on the same general assumptions that were used in the estimates prepared at the time of the 1956 amendments. Now there are sufficient data available from the actual operation of the program to suggest that some changes should be made in these assumptions.

The 1956 experience on disability incidence rates for men fell practically midway between the low- and high-cost assumptions. For women, however, the actual experience was about 25 percent lower than for men instead of 50 to 100 percent higher, as had been assumed. Accordingly, the incidence rates for men used previously are continued, and those for women are lowered to the same values as the male rates (a small margin of safety or conservatism). It is, of course, recognized that in many disability benefit programs the experience of the early years is much lower than in later years. In adopting these assumptions for the long-range estimates, however, account is taken of the fact that it is not within the jurisdiction of the Department of Health, Education, and Welfare to liberalize the definition of disability by administrative action. Furthermore, it is assumed that there will be no court decisions that will have the general effect of liberalizing the definition of disability. Moreover, as indicated earlier, the estimates presuppose a continued high level of employment.

In the high-cost estimates, disability incidence rates for men are based on the so-called 165 percent modification of class 3 rates (which includes increasingly higher percentages for ages above 45). This 165 percent modification corresponds roughly to life insurance company experience during the early 1930's. Incidence rates assumed for women are the same as those for men (instead of 100 percent higher, as previously). Termination rates are class 3 rates (relatively high, to be consistent with the high incidence rates assumed).

For the low-cost estimates, disability incidence rates for men are based on 25 percent of those used in the high-cost estimates, or, in other words, on the average, about 45 to 50 percent of the class 3 rates, considering the larger adjustments above age 45. Incidence rates assumed for women are the same as those for men (instead of 50 percent higher, as previously). Termination rates are based on German social security experience for 1924-27, which is the best available experience as to relatively low disability termination rates to be anticipated in conjunction with low incidence rates.

The incidence rates actually used for both estimates are 10 percent below the above rates because, unlike the general definition in insurance company policies, disability is not presumed to be total and of expected long-continued duration after 6 months' duration, but rather long-continued duration must be proved at that time.

It will be noted that the low-cost estimate includes low incidence rates (which, taken by themselves, produce low costs) and also low termination rates (which taken by themselves produce higher costs, but which are considered necessary since with low incidence rates there would tend to be few recoveries). On the other hand, the high-

cost estimate contains high incidence rates that are somewhat offset by high termination rates.

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

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

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

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

An important element affecting old-age, survivors, and disability insurance costs arose through amendments made to the Railroad Retirement Act in 1951. These provide for a combination of railroad retirement compensation and social security covered earnings in determining benefits for those with less than 10 years of railroad service (and also for all survivor cases).

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

Another important element affecting the financing of the program arose through legislation in 1956 that provided for reimbursement from general revenues for past and future expenditures in respect to the noncontributory credits that had been granted for persons in military service before 1957. The cost estimates contained here reflect the effect of these reimbursements (which are included as contributions), based on the assumption that the required appropriations will be made in 1961 and thereafter.

(4) Results of intermediate-cost estimates

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

The Congress, in enacting the 1950 act and subsequent legislation, was of the belief that the old-age, survivors, and disability insurance program should be on a completely self-supporting basis or, in other words, actuarially sound. Therefore, a single estimate is necessary in the development of a tax schedule intended to make the system self-supporting. Any specific schedule will necessarily be somewhat different from what will actually be required to obtain exact balance between contributions and benefits. This procedure, however, does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, exact self-support cannot be obtained from a specific set of integral or rounded fractional tax rates increasing in orderly intervals, but rather this principle of self-support should be aimed at as closely as possible.

The contribution schedules contained in the present law and in the bill are the same, as is also the annual maximum earnings base to which these tax rates are applied, namely, \$4,800. These schedules are as follows:

Calendar year	Employee rate (same for employer)	Self-employed rate
	<i>Percent</i>	<i>Percent</i>
1960 to 1962.....	3	4½
1963 to 1965.....	3½	5½
1966 to 1968.....	4	6
1969 and after.....	4½	6¾

A change made by the bill that has the effect of increasing the income to the system is the revised basis for determining the interest rate on public-debt obligations issued for purchase by the trust funds (special issues), which constitute a major portion of the investments of the trust funds. This basis has previously been discussed in detail. It would have the immediate effect of gradually increasing the interest income of the trust funds as compared with the present basis. The ultimate effect of the new basis would probably be only a slight increase in the interest income of the system since, over the long run, the market rates and the coupon rates on long-term Government obligations tend to be about the same.

The gain over the immediate-future years and the small possible long-run advantage of the new interest basis are reflected in the cost estimates for the bill by using a level interest rate of 3.02 percent for the level-premium calculations. This rate is the overall equivalent of the varying interest rates, developed on a year-by-year basis, used in the development of the progress of the trust funds. These varying interest rates have been estimated from the existing maturity schedule of special issues and from assumed average market rates on long-term Government obligations, running from their present level of about 4 percent down to about 3 percent ultimately. The interest rate used in the cost estimates for the 1958 act was 3 percent (except that in developing the progress of the trust funds, a slightly lower rate was used for the first few years).

Table 1 has shown that the bill would increase the lack of actuarial balance of the old-age and survivors insurance system, from 0.20 percent of payroll to 0.44 percent of payroll. The disability insurance system would have a lack of actuarial balance of 0.06 percent of payroll under the bill, as compared with the 0.15 percent actuarial surplus under the provisions of the 1958 act. The effect of the bill on the combined old-age, survivors, and disability insurance system would be an actuarial deficit of 0.50 percent of payroll. If the cost estimates had been based on a higher interest rate than 3.02 percent (which is somewhat above the current level being earned by the trust funds although considerably below the prevailing market rate of interest on long-term Government obligations), the lack of actuarial balance would have been considerably less than 0.50 percent of payroll. In fact, if an interest rate of 3½ percent had been hypothesized, the cost estimates would show an actuarial deficit of 0.28 percent of payroll).

Table 2 traces through the change in the actuarial balance of the system from its situation under the 1958 act, according to the latest estimate, to that under the bill, by type of the major changes proposed.

TABLE 2.—Changes in estimated level-premium cost of benefit payments as percentage of taxable payroll, by type of change, intermediate-cost estimate, 1958 act and 1960 committee-approved bill

[Percent]

Item	Old-age and survivors insurance	Disability insurance
Lack of balance (–) or surplus (+) under 1958 act.....	–0.20	+0.15
Elimination of age 50 requirement for disability benefits.....		–.20
Other disability benefit changes ¹		–.01
Increase in child survivor benefits.....	–.02	
Increase in exempt amount in retirement test to \$1,800.....	–.19	
Reduction in retirement age for men (to 62) ²	–.05	
Improved yield of trust fund investments.....	+.02	
Lack of balance (–) under bill.....	–.44	–.06

¹ Elimination of 2d waiting period for recurrence of disability and liberalization of trial-work period.

² The increase in cost arises from the fact that, regardless of age at retirement, insured status and average monthly wage are determined at age 62, instead of at age 65.

It should be emphasized that in 1950 and in subsequent amendments, the Congress did not recommend that the old-age and survivors insurance 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 the level-premium rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will develop, although not as large as would arise under a level-premium tax rate. This fund 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.

The level-premium cost of the old-age and survivors insurance benefits (without considering administrative expenses and the effect of interest earnings on the existing trust fund) under the 1958 act, according to the latest intermediate-cost estimate, is about 8.5 percent of payroll, and the corresponding figure for the bill is about 8.7 percent of payroll. Similarly, the corresponding figures for the disability benefits are 0.35 percent for the 1958 act and 0.56 percent for the bill.

Table 3 presents the benefit costs under the bill separately for each of the various types of benefits.

TABLE 3.—*Estimated level-premium cost of benefit payments, administrative expenses, and interest earnings on existing trust fund under committee-approved bill as percentage of taxable payroll,¹ by type of benefit, intermediate-cost estimate at 3.02 percent interest*

[Percent]

Item	Old-age and survivors insurance	Disability insurance
Primary benefits.....	6.15	0.44
Wife's benefits.....	.61	.65
Widow's benefits.....	1.25	(?)
Parent's benefits.....	.02	(?)
Child's benefits.....	.45	.07
Mother's benefits.....	.11	(?)
Lump-sum death payments.....	.12	(?)
Total benefits.....	8.71	.56
Administrative expenses.....	.10	.02
Interest on existing trust fund ³	-.19	-.02
Net total level-percentage cost.....	8.62	.56

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

² This type of benefit not payable under this program.

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

The level-premium contribution rates equivalent to the graded schedules in the 1958 act and in the bill may be computed in the same manner as level-premium benefit costs. These are shown in table 1 for income and disbursements after 1959. Figures for the net actuarial balances are also shown in table 1.

If the bill were to become law, old-age and survivors insurance benefit disbursements for the calendar year 1960 would not be increased significantly (by about \$20 to \$40 million) since the effective date for the increased child survivor benefits is the third month after the month of enactment, that for the reduction in the retirement age for men is November 1960 (with first benefit payments being made in December), and that for the liberalization of the retirement test is January 1961 (other than in certain unusual cases). There would, of course, be virtually no additional income during 1960 since the coverage extensions are generally effective on January 1, 1961.

In calendar year 1961, old-age and survivors insurance benefit disbursements under the committee-approved bill would total about \$12.4 billion, or an increase of about \$1.0 billion over present law and of about \$700 million over the House-approved bill. At the same time, contribution income for old-age and survivors insurance for 1961 would amount to about \$11.5 billion under the committee-approved bill, the same as under present law. Thus, the excess of benefit outgo over contribution income would be about \$900 million under the committee-approved bill, as compared with a corresponding figure of \$100 million under the House-approved bill and an excess of contribution income over benefit outgo of about \$50 million under present law. The old-age and survivors insurance trust fund, on the basis of this estimate, would change by about this amount since the interest receipts would approximately equal the outgo for administrative expenses and for transfers to the railroad retirement account.

In 1962, old-age and survivors insurance benefit disbursements under the committee-approved bill would, according to the intermediate-cost estimate, be \$13.1 billion, or an increase of \$1.1 billion over the present law. At the same time, contribution income for old-age and survivors insurance for 1962 would be \$11.8 billion under

the bill. Accordingly, in 1962, there would be an excess of benefit outgo over contribution income of about \$1.3 billion under the bill, whereas under present law there would be a corresponding figure of \$200 million. Under the bill, the situation would reverse in 1963 (as a result of the scheduled increase in the tax rate), and there would be an excess of contributions over benefit outgo of \$150 million in 1963 and about \$400 million in 1964.

Under the committee-approved bill, the old-age and survivors insurance trust fund will thus decrease in 1961-62 from its size of \$20.1 billion at the end of 1960, declining to \$19.3 billion at the end of 1961 and to \$17.9 billion at the end of 1962. At the end of 1963, however, it is estimated to rise to \$18.1 billion.

Estimates of the increased benefit expenditures under the committee-approved bill, in connection with lowering the minimum retirement age for men from 65 to 62 and the corresponding actuarial reduction in benefits, are very difficult to make because of the uncertainty as to how many men will make use of this option. The long-range cost effects are, however, relatively negligible because of the actuarial-reduction factors. Accordingly, even though benefit disbursements would be increased in the early years of operation, there would be corresponding offsetting reductions in later years. (The provision for earlier retirement for men does, however, have a small cost effect since, as a result, the determination of fully insured status and the computation of average monthly wage for benefit purposes are based on a period that is 3 years shorter—namely, only up to age 62 instead of to age 65 as under present law.)

The cost estimates discussed previously include a rather conservative assumption in regard to the number of men who may elect the early retirement provision. Accordingly, it is possible that the benefit outgo in 1961 and the next few succeeding years may not be as high as previously stated. In other words, it is possible that these estimates of benefit disbursements are \$200 to \$400 million on the high side. If this is the case, then the decreases in the trust fund would be somewhat smaller than as indicated previously so that the fund at the end of 1962 might be as much as \$18.5 billion, but still less than the \$20.1 billion at the end of 1960.

As to the disability insurance system, benefit disbursements for the calendar year 1960 would be increased under both the House-approved and the committee-approved bills by about \$20 million since the elimination of the age-50 limitation would be effective for benefits for the second month after the month of enactment. There would be virtually no additional contribution income to the trust fund during the year. In calendar year 1961, such benefit disbursements under the bill would total about \$800 million, or an increase of about \$200 million over present law. Nonetheless, in 1961 there would be an excess of contribution income over benefit outgo of about \$240 million. Similarly, in 1962 and the years immediately following, contribution income would be well in excess of benefit outgo.

Table 4 gives the estimated operation of the old-age and survivors insurance trust fund under the committee-approved 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 fur-

ther into the future, there is, of course, much more uncertainty—if for no reason other than the relative difficulty in predicting future birth trends—but it is desirable and necessary nonetheless to consider these long-range possibilities under a social-insurance program that is intended to operate in perpetuity.

TABLE 4.—*Progress of old-age and survivors insurance trust fund under committee-approved bill, high-employment assumptions, intermediate cost estimate at 3.02 percent interest*¹

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange ²	Interest on fund ¹	Balance in fund ³
Actual data:						
1951.....	\$3,367	\$1,885	\$81	-----	\$417	\$15,540
1952.....	3,819	2,194	88	-----	365	17,442
1953.....	3,945	3,006	88	-----	414	18,707
1954.....	5,163	3,670	92	-----	468	20,576
1955.....	5,713	4,968	119	-----	461	21,663
1956.....	6,172	5,715	132	-----	531	22,519
1957.....	6,825	7,347	⁴ 162	-----	557	22,393
1958.....	7,566	8,327	⁴ 194	-\$121	549	21,864
1959.....	8,052	9,842	184	-275	525	20,141
Estimated data (short-range estimate):						
1960.....	10,747	10,756	202	-308	503	20,125
1961.....	11,486	12,363	230	-270	506	19,254
1962.....	11,790	13,144	221	-250	487	17,916
1963.....	13,882	13,726	223	-270	481	18,060
1964.....	14,609	14,217	225	-265	512	18,474
1965.....	14,925	14,601	229	-250	555	18,874
Estimated data (long-range estimate):						
1970.....	20,006	16,608	245	-160	1,132	36,214
1975.....	21,673	19,555	260	-91	1,598	54,699
1980.....	23,327	22,618	270	1	2,010	68,792
2000.....	31,477	31,467	356	86	2,922	99,562
2020.....	38,291	43,073	456	86	4,947	166,163

¹ An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

² A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse. Interest payment adjustments between the 2 systems are included in the "Interest" column.

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

⁴ These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

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

In every year after 1962 for the next 20 years, contribution income 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, reaching \$36 billion in 1970, \$69 billion in 1980, and \$100 billion at the end of this century. In the very far distant future, namely, in about the year 2020, the trust fund is estimated to reach a maximum of about \$165 billion, and then decrease. The old-age and survivors insurance trust fund would, according to this estimate, not become exhausted until about a century hence.

The disability insurance trust fund grows steadily for about the next 10 years and then decreases slowly, according to the inter-

mediate-cost estimate, as shown by table 5. In 1970, it is shown as being \$3.4 billion, while in 1980, the corresponding figure is \$2.4 billion, respectively. There is an excess of contribution income over benefit disbursements for every year up to about 1966, and even thereafter the trust fund continues to grow because of its interest earnings. This trust fund is shown to decline after 1970, which is to be expected since the level-premium cost of the disability benefits according to the intermediate-cost estimate is slightly higher than the level-premium income, 0.50 percent of payroll. As the experience develops, it will be necessary to study it very carefully to determine whether the actuarial cost factors used are appropriate or if the financing basis needs to be modified. The use of slightly less conservative cost factors would result in the cost estimates for the disability insurance system probably showing it to be completely in actuarial balance, with a trust fund that would grow steadily and level off rather than declining.

TABLE 5.—Progress of disability insurance trust fund under committee-approved bill, high-employment assumptions, intermediate-cost estimate at 3.02 percent interest ¹

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund ¹	Balance in fund
Actual data					
1957.....	\$702	\$57	² \$3	\$7	\$649
1958.....	966	249	² 12	25	1,379
1959.....	891	457	50	41	1,825
Estimated data (short-range estimate)					
1960.....	\$1,012	\$570	\$44	\$53	\$2,276
1961.....	1,040	802	52	65	2,527
1962.....	1,066	864	51	76	2,754
1963.....	1,092	924	53	88	2,957
1964.....	1,126	978	55	98	3,148
1965.....	1,154	1,029	57	107	3,323
Estimated data (long-range estimate)					
1970.....	\$1,177	\$1,229	\$53	\$111	\$3,354
1975.....	1,275	1,401	58	95	3,108
1980.....	1,372	1,550	62	75	2,438
2000.....	1,852	2,048	80	(³)	(³)
2020.....	2,252	2,701	103	(³)	(³)

¹ An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

² These figures are artificially low because of the method of reimbursements between this trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

³ Fund exhausted in 1993.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service and transfers to or from the railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

(5) Results of cost estimates on range basis

Table 6 shows the estimated operations of the old-age and survivors insurance trust fund for the low- and high-cost estimates, while table 7 gives corresponding figures for the disability insurance trust fund. Under the low-cost estimate, the old-age and survivors insurance trust fund builds up quite rapidly and in the year 2000 is shown as being about \$220 billion and is then growing at a rate of about \$11

billion a year. Likewise, the disability insurance trust fund grows steadily under the low-cost estimate, reaching about \$10 billion in 1980 and \$26 billion in the year 2000, at which time its annual rate of growth is about \$1 billion. For both trust funds, under these estimates, after 1962, benefit disbursements do not exceed contribution income in any year in the foreseeable future.

TABLE 6.—Estimated progress of old-age and survivors insurance trust fund under committee-approved bill, high-employment assumptions, low- and high-cost estimates

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange ¹	Interest on fund	Balance in fund
Low-cost estimate						
1970.....	\$20,061	\$16,268	\$230	-\$100	\$1,262	\$40,451
1975.....	21,873	19,075	240	-41	1,836	63,092
1980.....	23,821	21,706	250	126	2,466	85,115
2000.....	34,065	28,633	332	126	6,313	217,955
High-cost estimate						
1970.....	\$19,951	\$16,951	\$260	-\$220	\$1,003	\$32,037
1975.....	21,474	20,100	280	-141	1,357	46,166
1980.....	22,833	23,527	290	-39	1,552	52,446
2000.....	28,888	34,302	379	46	(²)	(²)

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

² Fund exhausted in 1997.

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

TABLE 7.—Estimated progress of disability insurance trust fund under committee-approved bill, high-employment assumptions, low- and high-cost estimates

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund
Low-cost estimate					
1970.....	\$1,180	\$934	\$51	\$180	\$5,622
1975.....	1,287	1,049	55	223	7,599
1980.....	1,401	1,160	58	285	9,805
2000.....	2,004	1,573	78	743	25,537
High-cost estimate					
1970.....	\$1,174	\$1,525	\$55	\$40	\$1,028
1975.....	1,263	1,752	62	(¹)	(¹)
1980.....	1,343	1,943	66	(¹)	(¹)
2000.....	1,699	2,522	82	(¹)	(¹)

¹ Fund exhausted in 1973.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service and transfers to or from the railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

On the other hand, under the high-cost estimate, the old-age and survivors insurance trust fund builds up to a maximum of about \$55 billion in about 20 to 25 years, but decreases thereafter until it is exhausted in 1997. Under this estimate, benefit disbursements from the old-age and survivors insurance trust fund are less than contribution income during all years after 1962 and before about 1978.

As to the disability insurance trust fund, under the high-cost estimate, in the early years of operation the contribution income is about the same as the benefit outgo. Accordingly, the disability insurance trust fund, as shown by this estimate, would be about \$2.5 billion during 1961-64 and would then slowly decrease until being exhausted in 1973.

The foregoing results are consistent and reasonable, since the system on an intermediate-cost-estimate basis is intended to be approximately self-supporting, as indicated previously. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice, under the philosophy in the 1950 and subsequent acts, as set forth in the committee reports therefor, the tax schedule would be adjusted in future years so that none of the developments of the trust funds shown in tables 6 and 7 would ever eventuate. Thus, if experience followed the low-cost estimate, and if the benefit provisions were not changed, the contribution rates would probably be adjusted downward—or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled. At any rate, the high-cost estimate does indicate that, under the tax schedule adopted, there would be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience.

Table 8 shows the estimated costs of the old-age and survivors insurance benefits and of the disability insurance benefits under the bill as a percentage of payroll through the year 2050 and also the level-premium cost of the two programs for the low-, high-, and intermediate-cost estimates (as was previously shown in tables 1 and 3 for the intermediate-cost estimate).

TABLE 8.—*Estimated cost of benefits of old-age, survivors, and disability insurance system as percent of payroll,¹ under committee-approved bill*

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermedi-ate-cost estimate ²
Old-age and survivors insurance benefits			
1970.....	6.89	7.22	7.06
1980.....	7.75	8.76	8.24
1990.....	7.94	9.99	8.91
2000.....	7.14	10.09	8.50
2025.....	8.02	13.22	10.18
2050.....	10.11	15.06	12.02
Level-premium cost ³	7.61	9.85	8.62
Disability insurance benefits			
1970.....	0.40	0.65	0.52
1980.....	.41	.72	.56
1990.....	.39	.71	.54
2000.....	.39	.74	.55
2025.....	.45	.82	.60
2050.....	.49	.85	.63
Level-premium cost ³.....	.42	.73	.56

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

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

³ Level-premium contribution rate, at 3.02 percent interest rate, for benefits after 1959, taking into account interest on the Dec. 31, 1959, trust fund, future administrative expenses, and the lower contribution rates payable by the self-employed.

VI. AID TO THE BLIND PROGRAM OF PUBLIC ASSISTANCE

1. *Exemption of earned income*

The committee was impressed with the evidence presented during its hearings that people receiving assistance through aid-to-the-blind programs desire an increase in the present earnings exemption so that they will have a greater opportunity to work toward self-support. Accordingly, the committee added to the House bill a provision which liberalizes this provision of present law by providing that the first \$1,000 of earnings in a year would be disregarded, and then half of all subsequent earnings in the year would also be disregarded. This exemption would be optional with the States beginning with the calendar quarter that starts after the date of enactment and would be compulsory beginning July 1, 1961.

2. *Extension of time with respect to Missouri and Pennsylvania*

Special legislation providing for the approval of certain State plans under title X that do not meet the requirements of section 1002(a)(8) of the Social Security Act would expire June 30, 1961. Your committee has concluded that this temporary provision should be extended. It has incorporated in the bill an extension to June 30, 1964.

VII. MATERNAL AND CHILD HEALTH AND WELFARE PROVISIONS

The committee's bill would—

1. Increase the amounts authorized to be appropriated for maternal and child health services, crippled children's services, and child welfare services under title V of the Social Security Act;
2. Improve the maternal and child health and crippled children's provisions of the present law by providing that grants may be made to public or other nonprofit institutions of higher learning for special projects of regional or national significance; and
3. Encourage experimentation and research directed toward new or improved methods in child welfare, through providing that grants may be made for research and demonstration projects in the field of child welfare.

The committee has reviewed developments in the three programs under title V of the Social Security Act, namely, maternal and child health services, crippled children's services, and child welfare services. The continued high birth rate and the increase in the child population, the rising costs of providing services, and the inequality of distribution of the basic child health and child welfare services indicate, in the judgment of your committee, the desirability of further expansion of all three of these programs.

The committee is recommending an increase in the amounts authorized for annual appropriation for each of these programs as follows:

	Current authorization	Recommended authorization
Maternal and child health services.....	\$21, 500, 000	\$25, 000, 000
Crippled children's services.....	20, 000, 000	25, 000, 000
Child welfare services.....	17, 000, 000	25, 000, 000

The House bill provided an increase in the authorization for child welfare services to \$20 million. But the committee believes that the \$25 million figure is fully justified.

The committee's attention has been called to large areas of unmet needs in child welfare services. Half of the Nation's counties do not have any services from a public child welfare worker. While the number of children served has risen steadily, the rise has not kept pace with the growth in the child population. In fact the trend in the rate of children served by public welfare service agencies has been downward in recent years.

Many serious problems are being referred to public welfare agencies today such as increasing numbers of children neglected or abused by their parents, children of unmarried mothers and mentally retarded children. Legislation in previous years made more funds available for health services for mentally retarded children. These have been used mainly for diagnostic and evaluative services. The need is now apparent for followup or other child welfare services to meet the special needs of these mentally retarded children. The increase of the Federal funds from \$20 to \$25 million would assure services to more counties by providing for more child welfare workers and equipping these

workers through special training to provide better services for these mentally retarded children.

Not to exceed 25 percent of the amounts appropriated under section 502(b) and section 512(b) are currently reserved each year for special project grants to State agencies administering grants for maternal and child health and crippled children's services. While the present statute does not permit making grants directly to institutions of higher learning, State agencies are in some instances contracting with them for special projects. In order to simplify and improve the present procedures the committee's bill authorizes making such grants directly to public and nonprofit institutions of higher learning as well as to the State agencies, on such conditions as the Secretary finds necessary for carrying out the purposes of the grants.

The committee has considered the report of the Advisory Council on Child Welfare Services, submitted pursuant to the Social Security Amendments of 1958. One of the recommendations made by the Council was that—

Federal legislation provide for grants to research organizations, institutions of higher learning, and public and voluntary social agencies for demonstration and research projects in child welfare.

The committee believes that grants for these projects would encourage discovery of the fundamental factors that contribute to the incidence of family disruption, neglect, and emotional instability of children. These grants would also stimulate experimentation and research focused on new and improved methods for child welfare programs, and give direction to the effective use of public and voluntary agency resources. Effective demonstration of improved program methods will help States to strengthen their child welfare programs in ways most suited to the changing needs of today's society.

Accordingly, the bill reported provides for a new section under the child welfare provisions of the act which would permit implementation of the recommendation of the Advisory Council on Child Welfare Services through authorizing grants for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare.

VIII. THE UNEMPLOYMENT COMPENSATION PROGRAM

A. PURPOSE AND SUMMARY

The House bill contained a number of amendments affecting the Federal-State program of employment security. These included: (1) a raise in the Federal unemployment tax rate from 3.0 percent to 3.1 percent; (2) provisions governing financing of the administrative expenses of the Federal-State employment security program; (3) improvements in the operation of the Federal unemployment account (George-Reed loan fund) by tightening the conditions pertaining to eligibility for and repayment of advances to States with depleted reserve accounts; (4) extension of coverage of the unemployment compensation program to several groups of workers; and (5) treating

Puerto Rico as a State for the purposes of the unemployment compensation program.

The committee's bill adopts only one of these changes—the one relating to eligibility for and repayment of advances. In addition, the committee's bill provides for a larger "George-Reed" loan fund by increasing the amount authorized to be built up in the Federal unemployment account from \$200 million to \$500 million.

The committee does not believe that the unemployment tax needs to be increased at the present time. It is anticipated that a continually rising level of covered employment will provide sufficient revenue to pay for administrative expenses and to build up the loan fund to the amount authorized by the committee's bill. Moreover, if a rise in the level of covered payroll sufficient to accomplish these purposes fails to materialize, the Congress will reconvene in a few months and will have an opportunity to conduct a more thorough examination concerning the adequacy of unemployment tax revenues and take any steps thought necessary at that time.

The committee did not approve of the remaining provisions of the House bill because during the limited time afforded the committee to consider the bill as a whole we did not feel we had sufficient time, nor was any testimony received, concerning the amendments relating to administrative financing, extending coverage to new groups of workers, and incorporating Puerto Rico into the unemployment compensation system. These changes raise many complicated problems which should be studied more thoroughly than the committee was able to in considering the present bill.

B. GENERAL EXPLANATION

1. Increase in the loan fund

Under present law, any excess of Federal unemployment tax receipts over administrative expenses is allocated to the Federal unemployment account to bring it up to \$200 million in cash, but repayments of advances by the States can increase the account to an amount over \$200 million. After the Federal unemployment account is built up to its statutory limit any remaining excess Federal unemployment tax receipts are distributed to the State accounts in proportion to their respective covered payrolls.

The committee's bill would raise the statutory limit of the Federal unemployment account from \$200 to \$500 million. The bill also provides that if at the time a distribution of excess Federal unemployment taxes is made to the State accounts a State has outstanding advances under title XII, that State's share of the excess funds will first be used to reduce these outstanding advances.

2. Eligibility for and repayment of advances

The bill amends title XII of the Social Security Act, the title that provides for advances to State unemployment funds. Under present law a State may apply for an advance if its reserve at the end of a calendar quarter is less than the total compensation paid out during the preceding four quarters. The committee found that this was not a sufficient test of a State's need for additional funds. Two States were eligible for and received advances under the present law which they have never used.

The bill, therefore, permits a State's eligibility for advances to be determined at any time. Advances will be made in amounts which the Secretary of Labor estimates will be required to pay compensation during the current or following month, after taking into account available reserves and income to be received during the month in the State unemployment fund. In making such estimates, the Secretary may include an additional amount to cover unexpected contingencies such as decreases in tax receipts due to delinquencies, increases in benefit payments due to unusual weather conditions or an unannounced layoff by a large firm, or other factors. The aggregate amount that the Secretary of Labor may certify in any month may not exceed the amount in the Federal unemployment account.

Advances made to a State before enactment of your committee's bill will, in general, be repaid under the present provisions of law. Also, any State that has not received the full amount certified by the Secretary of Labor to the Secretary of the Treasury before enactment of the committee's bill may, through its Governor, request the Secretary of the Treasury to transfer to the State's account all or part of the remainder of such amount. Upon receipt of such a request the Secretary of the Treasury shall transfer the amount requested or so much of such amount as is available at the time of the transfer. No such amount will be transferred, however, after the 1-year period beginning on the date of the enactment of your committee's bill. The present provisions for repayment will apply to any amount so transferred to a State.

Advances made to a State after the enactment of your committee's bill, if not repaid by the State within the specified period of time, will be repaid under newly added provisions to the section providing for repayment of an advance through reduction in employers' credits against the Federal unemployment tax. Reductions in credit to repay an advance after the enactment of your committee's bill will be made with respect to the taxable year beginning with the second January 1 after the advance is made (rather than as now the fourth January 1). The reduction in credit will also be at a rate double that now provided. Thus, for the taxable year beginning with the second January after an advance is made, the credit will be reduced by 10 percent. For the following taxable year the credit will be reduced by 20 percent, and so on. The committee believes that these changes are desirable. Economic indexes since World War II show that recessions have not lasted more than about 1½ years. Thus, earlier repayment is economically feasible. Such indexes also show that recessions have recurred at approximately 4-year intervals. Thus, under the present law, the repayment of advances through reduction in tax credits might commence during the recession following that in which an advance is made. The increased rate of repayment proposed will result generally in the repayment of an advance before another recession occurs. It will also replenish the Federal unemployment account so that subsequent requests for advances can be financed without the necessity of securing advances from general funds for this purpose.

In the case of the third and fourth consecutive taxable year for which there has been an outstanding balance of advances as of January 1, if the State has (for the calendar year preceding such taxable year) collected as contributions from employers on remuneration subject to the State law less than an amount equal to 2.7 percent of the total remuneration subject to contributions under the State law (as determined by the State by April 30 of the taxable year, using a

March 31 cutoff date), the tax credit against the Federal tax due on wages paid in such taxable year will be further reduced by the amount (rounded to the nearest 0.1 percent) by which the average employer contribution rate is less than 2.7 percent.

In the case of the fifth and succeeding consecutive taxable years for which there has been an outstanding balance of advances as of January 1, if the State has collected (for the calendar year immediately preceding the taxable year) in employer taxes less than an amount equal to one-fifth of the aggregate benefits paid in the first 5 of the last 6 years preceding the taxable year (as determined by the State by the following April 30, using a March 31 cutoff date) or an amount equal to 2.7 percent of the State taxable remuneration (for the calendar year immediately preceding the taxable year), whichever is higher, then the tax credit against the Federal tax will be further reduced. The reduction will be a rate, rounded to the nearest 0.1 percent, which, when applied to the State's taxable wages for such immediately preceding calendar year, would have produced the revenue necessary to make up the difference between the contributions actually paid and the average benefit cost rate (or 2.7 percent if higher). In determining the amount collected by the State, employee contributions may be included, if employer contributions average 2.7 percent or more.

The committee believes that these provisions will encourage a State that has an outstanding balance of advances to so increase its contribution rates that these further tax credit reductions will not become applicable. Such increased rates should strengthen the State's benefit financing so that its need for further advances would be minimized.

IX. SECTION-BY-SECTION ANALYSIS

The first section of the bill contains a short title (the "Social Security Amendments of 1960") and a table of contents. The remainder of the bill is divided into seven titles as follows:

- Title I—Coverage.
- Title II—Eligibility for benefits.
- Title III—Benefit amounts.
- Title IV—Disability insurance benefits and the disability freeze.
- Title V—Employment security.
- Title VI—Medical services for the aged.
- Title VII—Miscellaneous.

TITLE I—COVERAGE

SECTION 101. EXTENSION OF TIME FOR MINISTERS TO ELECT COVERAGE

Additional period for filing certificate

Section 101(a) of the bill amends clause (B) of section 1402(e) (2) of the Internal Revenue Code of 1954 to provide an additional period (somewhat less than 2 years from the date of enactment of the bill) within which certain ministers, members of religious orders (other than persons who have taken a vow of poverty as members of such an order), and Christian Science practitioners may file a certificate electing to be covered under title II of the Social Security Act. Under present law, any member of one of these professions who has had net earnings from self-employment of \$400 or more, any part of which was derived from services in such profession, in two or more taxable years

beginning after 1954, but who failed to file a certificate within the time prescribed by the present section 1402(e) (2), no longer has an opportunity to elect the coverage. Under the bill, every such individual is afforded a further opportunity to make the election. Such election may be made by filing a certificate on or before the due date of the return (including any extension thereof) for the individual's second taxable year ending after 1959 (generally April 15, 1962).

Effective date of certificate

Section 101(b) of the bill amends section 1402(e) (3) of the Internal Revenue Code of 1954 to eliminate those portions of it which have ceased to have any effect and by redesignating paragraph (3) to (3)(A) and adding a new subparagraph (B). As amended by section 101(b) of the bill, section 1402(e)(3)(A) continues to provide, to the same effect as at present, that a certificate filed under section 1402(e) of the code shall be effective for the taxable year immediately preceding the earliest taxable year for which, at the time the certificate is filed, the period for filing a return (including any extension thereof) has not expired, and for all succeeding taxable years. Thus, under present section 1402(e)(3) and under section 1402(e)(3)(A) as amended by section 101(b) of the bill, where the taxable year is a calendar year and there is no extension of time for the filing of the tax return, a certificate filed on or before April 15 of the year following such taxable year is effective for the 2 taxable years preceding the year in which the certificate is filed, and for all years following such 2 taxable years. If the certificate in such case is filed after April 15, it is effective only for the immediately preceding taxable year and for all years thereafter. However, under the conditions prescribed in section 1402(e)(5) of the code, as added by section 101(c) of the bill (discussed below), a certificate filed under section 1402(e) of the code by April 15, 1962, may be made effective for years earlier than those for which the certificate would be effective under the general rule stated in section 1402(e)(3)(A).

The new subparagraph (B) would modify the general rule stated in subparagraph (A) with respect to certain ministers who filed certificates before enactment of the amendment which were effective only for taxable years ending after 1956. Under subparagraph (B) such certificates will be effective for taxable years ending after 1955 if such individual files a supplemental certificate before April 15, 1962, if any tax in respect of self-employment income for his first taxable year after 1955 is paid on or before April 15, 1962, and any refund made of any such tax which, but for the new subparagraph (B) would be an overpayment, is repaid on or before April 15, 1962. Any such tax which is paid or repaid for a year with respect to which the period of limitation on assessment or collection has expired will not be regarded as an overpayment solely because such period has expired.

Optional provision for certain certificates filed on or before April 15, 1962

Section 101(c) of the bill amends section 1402(e) of the Internal Revenue Code of 1954 by adding a new paragraph (5). Pursuant to the new paragraph (5), any individual who has filed a timely return reporting earnings derived by him in any taxable year ending after 1954 and before 1960 from the performance of service as a minister, a member of a religious order (other than one who has taken a vow of poverty as a member of such order), or a Christian Science practitioner, but who does not have self-employment coverage for

the first year for which such a return was filed because a certificate under section 1402(e) is not in effect with respect to such year, may, if he wishes, elect to have his self-employment coverage as a minister, member of a religious order, or Christian Science practitioner begin with such first year. The election (which may be made by the individual, by a fiduciary acting for him or his estate, or by any survivor who is or may become entitled to monthly benefits under title II of the Social Security Act on his earnings record) may be made in one of two ways:

(1) If the individual has not filed a valid certificate on or before the date of the enactment of the bill, he (or such fiduciary or survivor) may file such a certificate and indicate thereon an election to have the certificate made effective for the first taxable year ending after 1954 and before 1960 for which such individual filed such a return, and for all succeeding taxable years.

(2) If the individual has filed a valid certificate on or before the date of the enactment of the bill, he (or such fiduciary or survivor) may file a supplemental certificate and indicate thereon an election to have the certificate previously filed by such individual made effective for the first taxable year ending after 1954 and before 1959 for which he filed such a return, and for all succeeding taxable years.

In either case, if the election is to be valid, it must be made on or before April 15, 1962, and all self-employment tax (whether or not attributable to earnings as a minister, member of a religious order, or Christian Science practitioner) due for each taxable year for which the certificate is effective under the new paragraph (5) (but would be ineffective under par. (3)) must be paid on or before April 15, 1962. Moreover, any such tax previously refunded as an overpayment because no valid certificate was then in effect with respect to the year for which paid must be repaid to the United States, together with the interest allowed on the refund, on or before such date. However, any underpayment of the tax which is attributable to an error made in good faith will not invalidate an election which is otherwise valid. Any such tax which is paid or repaid for a year with respect to which the period of limitation on assessment or collection has expired will not be regarded as an overpayment solely because such period has expired. It should be noted that April 15, 1962, falls on a Sunday, and section 7503 of the code provides that an act required to be performed on a Saturday, Sunday, or legal holiday is timely if performed on the next day which is not a Saturday, Sunday, or legal holiday.

Administrative provisions

Pursuant to section 101(d) of the bill, no interest or penalty will be imposed in respect of self-employment tax paid on or before April 15, 1962, on earnings derived from the performance of service as a minister, member of a religious order, or Christian Science practitioner for taxable years as to which a certificate is effective under the new paragraph (5), or under the new subparagraph (B) of paragraph 3, (but would not be effective under the existing par. (3)) of section 1402(e). If such tax is not fully paid (except for underpayments due to errors made in good faith) on or before April 15, 1962, the question of interest does not arise since the certificate in such cases is effective only for the taxable years prescribed in the existing paragraph (3) and not for the earlier years prescribed in such paragraph (5)

or such subparagraph (B). However, in the case of an underpayment attributable to an error made in good faith, the additional tax due for any such earlier year must be paid with interest accruing from April 15, 1962, to the date of payment. Moreover, the statutory period for assessing any such underpayment will expire not earlier than 3 years from April 15, 1962.

Sections 101(c) and 101(d) of the bill are relief measures for the benefit of ministers, members of religious orders, and Christian Science practitioners who filed returns of self-employment tax on their earnings as such for years with respect to which they have no self-employment coverage because no certificate under section 1402(e) of the code is in effect for such years or whose certificates were not made effective as early as was permitted under the law in effect at the time of filing. However, your committee does not intend that the amendments made by such section 101(c) should be regarded as invalidating the effect of Revenue Ruling 57-139 (Cumulative Bulletin 1957-1, p. 284) and Revenue Ruling 57-401 (Cumulative Bulletin 1957-2, p. 604) on any certificate under section 1402(e) which is filed on or before the date of the enactment of the bill.

Inclusion of earnings in social security records

Section 101(e) of the bill provides that the time limitation relating to the inclusion of self-employment income in social security records (sec. 205(c)(5)(F) of the Social Security Act) shall not be applicable to earnings derived in any taxable year ending before 1960 which constitute self-employment income solely by reason of the filing of a certificate which is effective under section 1402(e)(3)(B) or (5).

Effective dates

Section 101(f) of the bill provides that the amendments made by section 101 of the bill shall be applicable only with respect to certificates (and supplemental certificates) filed after the date of the enactment of the bill. However, no monthly benefits under title II of the Social Security Act will be increased or payable by reason of such amendments for any month earlier than the month after the month of enactment of the bill and no lump-sum death payments under that title in the case of deaths prior to the date of the enactment of the bill will be payable or increased by reason of such amendments.

SECTION 102. STATE AND LOCAL GOVERNMENTAL EMPLOYEES

Delegation by governor of certification functions

Under section 218(d) of the Social Security Act, the effectiveness of certain actions by a State in seeking to secure coverage under the old-age, survivors, and disability insurance program for employees in positions covered by a State or local retirement system is contingent upon certification by the Governor to the Secretary of Health, Education, and Welfare as to the use of specified procedures relating to voting by the members of that system.

Paragraph (1) of section 102(a) of the bill amends section 218(d)(3) of the Social Security Act to provide that these certifications (that the referendum procedure has been conducted in accordance with the requirements of that section) may be made by a person designated by the Governor, as well as by the Governor himself.

Paragraph (2) of section 102(a) amends section 218(d)(7) of the act to provide that the certifications that the specified procedures

required by that section have been followed (when coverage is extended without an additional referendum under the provisions of the act permitting a retirement system to be divided, after a vote on the division, into two divisions or parts for old-age, survivors, and disability insurance purposes) may be made by a person designated by the Governor as well as by the Governor himself.

Employees transferred from one retirement system to another

Paragraph (1) of section 102(b) of the bill amends the provisions of the Social Security Act permitting retirement systems in specified States to be divided into two divisions or parts for coverage purposes, one division or part consisting of those desiring coverage and the other consisting of those who do not (sec. 218(d)(6)(C) of the act). This amendment deals with situations where individuals who are members of one retirement system group and (under the divided retirement system provision) have chosen not to be covered become members of a different retirement system group by reason of action taken by a political subdivision. It applies only where action under the divided retirement system provision has also been taken to divide the second retirement system group. The bill provides that such individuals will continue to be excluded from coverage, as members of the division or part of the second retirement system group composed of positions of members who do not desire such coverage, if (1) on the day before they become members of such retirement system group they were in the division or part of a retirement system group composed of the positions of members who do not desire coverage and if (2) the positions covered by both retirement system groups are in reality part of a single retirement system which has, under the provisions of section 218(d)(6)(A) of the act, been treated as separate systems; under existing law they would be compulsorily covered as "new" employees of the second group. (The provisions of sec. 218(d)(6)(A) permit positions of employees of a political subdivision or subdivisions or of the State which are covered by a single retirement system to be split off and regarded as a separate system (referred to in this discussion as a "retirement system group") for coverage purposes.)

Paragraph (2) provides that this amendment shall be effective for transfers into a different retirement system group which occur on or after the date of enactment. Also, upon a request of the Governor (or other official designated by him for the purpose) filed with the Secretary of Health, Education, and Welfare before July 1, 1961, the amendment would apply to transfers which occur before the date of enactment, but only with respect to wages paid on and after the date on which the request is filed.

Retroactive coverage

Paragraph (1) of section 102(c) of the bill amends section 218(f)(1) of the Social Security Act to permit State and local coverage provided under an agreement or modification which is agreed to after 1959 to become effective with respect to services performed on and after the first day of the fifth calendar year preceding the year in which the agreement or modification is approved, or on and after any later date specified in the agreement or modification. (Par. (3) of this section of the bill provides, however, that such an agreement or modification may not be effective earlier than January 1, 1956.) Under

present law, State and local coverage (if agreed to after December 31, 1959) may be retroactive only to the first day of the year in which an agreement or modification is agreed to.

Paragraph (2) provides that where a retirement system is covered as a single retirement system, without having been divided or treated as several retirement systems pursuant to section 218(d)(6)(A), the State may, if it desires, divide the system into separate retirement systems with respect to the employees of any one or more of the political subdivisions, or the employees of the State (or of the State and one or more political subdivisions), for purposes of selecting the beginning dates for coverage, so that a different beginning date (within the limits discussed under par. (1)) could be selected for the employees in each of the groups into which the system is so divided. Under present law, all persons in a retirement system which is not separated for other reasons must be covered on the same date.

Paragraph (3) provides that the amendment made by paragraph (1) shall apply in the case of any agreement or modification of an agreement which is agreed to on or after January 1, 1960, except that an agreement or modification which is agreed to before 1961 may not be effective with respect to services performed before January 1, 1956. Paragraph (3) also provides that the amendment made by paragraph (2) shall apply in the case of any agreement or modification which is agreed to on or after the date of enactment.

Policemen and firemen

Section 102(d) of the bill amends section 218(p) of the Social Security Act to add the State of Virginia to the list of States in which coverage under the old-age, survivors, and disability insurance program is available (at the request of the State and subject to the referendum requirements of sec. 218(d)(3)) to policemen and firemen in positions covered under retirement systems.

Limitation on States' liability for employer (and employee) contributions in certain cases

Paragraph (1) of section 102(e) of the bill adds to section 218(e) of the Social Security Act a new paragraph (2), permitting a social security coverage agreement between the Secretary and a State to provide for treating the wages of an individual who is an employee both of the State and a political subdivision or subdivisions, or of more than one subdivision, as though paid to him by a single employer. This provision is significant for purposes of determining whether employer contributions are due on such an individual's wages during a year in excess of the maximum amount otherwise counted for old-age, survivors, and disability insurance purposes. The amendment provides this treatment where the State bears the entire cost of the employer share of the contributions (that is, the amount referred to in sec. 218(e) of the act which is equivalent to the tax imposed by sec. 3111 of the Internal Revenue Code of 1954) and is not reimbursed by any political subdivision. The provisions of the new paragraph would be applicable only to the extent that the State complies with such regulations as the Secretary may prescribe to carry out its purposes.

The provisions of this new paragraph could be made applicable with respect to wages paid after an effective date specified in the agreement or modification but not before the first day of the third

year before the year in which the agreement or modification is mailed or by other means delivered to the Secretary; in no event could the provisions of the new paragraph be made applicable to wages paid prior to January 1, 1957.

Paragraph (2) of section 102(e) of the bill amends section 218(f) of the act to make the general rules governing the retroactivity of coverage agreement modifications inapplicable to modifications under the new section 218(e) (2) described above.

Statute of limitations for State and local coverage

Section 102(f) (1) of the bill adds four new subsections ((q), (r), (s), and (t)) to section 218 of the Social Security Act. The new subsection (q) provides a time limitation on the period within which a State may be held liable by the Secretary of Health, Education, and Welfare for amounts due under its social security coverage agreement. The new subsection (r) provides a time limitation on the period within which a State may be allowed a credit (or refund) for amounts which it has erroneously paid. The new subsections (s) and (t) provide a specific procedure under which the States can seek review by the Secretary of determinations made by him, and judicial review of such determinations when they result in the assessment of contributions or the denial of a State's claim for credit (or refund).

Time limitation on assessments.—Paragraph (1) of the new subsection (q) of section 218 provides that a State shall be liable for contributions (and interest thereon) due under its coverage agreement until the Secretary is satisfied that the amount due has been paid to the Secretary of the Treasury.

Paragraph (2) of the new subsection (q) provides that, notwithstanding paragraph (1) of the new subsection, a State shall not be liable for contributions (or interest thereon) after the expiration of the time limitation established by the paragraph unless an "assessment" of the amount due is made by the Secretary before the expiration of that time limitation. This time limitation would end with whichever of the following periods expires the latest: 3 years, 3 months, and 15 days after the year in which the wages were paid or after the year following the year in which this new subsection is enacted, or 3 years after the date on which the contributions became due.

Paragraph (3) of the new subsection (q) provides that for purposes of the subsection an "assessment" is made when a State is sent a notice stating the amount of the contributions (or interest) due and the basis for the determination.

Paragraph (4) of the new subsection (q) provides that an assessment of an amount due shall be deemed to have been timely made even though it is not made until after the expiration of the time limitation (referred to in the new subsec. (q) (2)), in certain situations which are described in subparagraphs (A), (B), and (C) of the paragraph. Under subparagraph (A) the time limitation would be extended if, before the expiration of the time limitation (or the time limitation as extended), the Secretary and the State agree in writing to extend the time limitation and if, subject to the conditions specified in the agreement, the Secretary makes an assessment within the extended period. Subparagraph (B) provides that where within the 365-day period ending with the expiration of the time limitation (or the time

limitation as extended), a State pays an amount which is less than the correct amount of contributions due with respect to the wages paid to individuals in any calendar quarters as members of a coverage group, the time limitation relating to the individuals, calendar quarters, and coverage group for which the contributions were paid will not expire before the 365th day following the day on which such contributions are paid. Under subparagraph (C), the time limitation would be extended for an assessment with respect to wages which are credited to the Secretary's records under subparagraphs (A) and (B) of section 205(c)(5) of the act, but only if the assessment is made within the period during which such entry may be made pursuant to those subparagraphs of existing law. (Subpars. (A) and (B) of sec. 205(c)(5) of the act permit crediting of wages to an earnings record after the expiration of the period for making earnings record corrections, in situations where final action has not been taken on a benefit application or earnings record discrepancy action which involves such earnings record and the application or request for such action is filed before the expiration of the correction period.)

Paragraph (5) of the new subsection (q) provides that a State will be liable, after the expiration of the time limitation, for contributions that become due as a result of an allowance of a claim for credit, if an assessment of such contributions is made at the time (or before) the claim for credit is allowed. No interest would be charged in these cases. This provision applies to situations where an allowance of a claim for credit would reduce an individual's wage credits for a year to less than the maximum (presently \$4,800 per year), thereby opening the way to crediting other wages which were not previously reported because of such maximum.

Paragraph (6) of the new subsection (q) authorizes the Secretary to accept wage reports which are filed after the time limitation has expired where the State pays the amount of contributions due with respect to the wages so reported and agrees to be liable, until notified by the Secretary of the acceptance of the report, for any additional contributions which are due with respect to the coverage group and calendar quarters for which the report is filed. No interest would be charged in these cases.

Paragraph (7) of the new subsection (q) provides that a State will be liable for contributions (and interest thereon) without regard to the time limitation where there has been a fraudulent attempt by an officer of the State or of a political subdivision to defeat or evade payment of the contributions.

Time limitation on credits and refunds.—Paragraph (1) of the new subsection (r) of section 218 provides that no credit (or refund) for an overpayment of contributions (or interest thereon) made by a State with respect to any wages paid an individual as a member of a coverage group in a calendar quarter, may be allowed after the expiration of the time limitation established by the paragraph unless a claim for credit or refund is filed by the State before the time limitation expires. The time limitation provided by the new subsection (r) would end with whichever of the following periods expires the latest: (A) 3 years, 3 months, and 15 days after the year in which the wages were paid or after the year following the year in which this new subsection is enacted, (B) 3 years after the due date for the payment

which included the overpayment with respect to the wages paid the individual as a member of the coverage group in the calendar quarter involved, or (C) 2 years after the overpayment was made.

Paragraph (2) of the new subsection (r) provides that a claim for credit (or refund) which is filed after the expiration of the time limitation (referred to in the new subsection (r) (1)) shall, nevertheless, be deemed to have been filed before such expiration in the situations described in subparagraphs (A) and (B) of the paragraph. Subparagraph (A) provides that a State and the Secretary could agree in writing before such expiration to extend (or to further extend) the time limitation for an agreed upon period, and that a claim for credit or refund which is filed before the end of the extended period would, subject to the conditions specified in the agreement, be deemed to have been filed before the expiration of the time limitation. Under subparagraph (B), claims for credit or refund which relate to wages which are deleted from the Secretary's records under subparagraph (A), (B), or (E) of section 205(c)(5) of the Social Security Act would be deemed to have been filed before the expiration of the time limitation. (Subpars. (A) and (B) of sec. 205(c)(5) of the act permit the deletion of wage entries from an earnings record after the expiration of the period for making earnings record corrections, in situations where final action has not been taken on a benefit application or request for an earnings record discrepancy action involving such earnings record, if such application or request was filed before the expiration of that correction period. Sec. 205(c)(5)(E) permits the deletion of wage entries after the expiration of the correction period where the entry is erroneous as the result of fraud.)

Review by the Secretary.—The new subsection (s) of section 218 provides that the Secretary shall review (and affirm, modify, or reverse) an assessment, the disallowance of a claim for credit (or refund), or the allowance of a credit (or refund), if a written request for such a review is filed with him by a State within 90 days (or within such further time as he may allow) after the day on which notification is sent to such State of the assessment, disallowance, or allowance. The State would be notified of the decision arising out of the Secretary's review and the basis for the decision.

Review by court.—Paragraph (1) of the new subsection (t) of section 218 provides that a State may file a civil action against the Secretary, without regard to the amount in controversy, for a redetermination of the correctness of an assessment, disallowance, or allowance with respect to which the Secretary has rendered a decision pursuant to the new subsection (s) if the civil action is filed within 2 years (or such further time as the Secretary may allow) after the notification of the decision was mailed to the State. These civil actions would be brought in the United States district court for the judicial district in which the State capital is located. Where the action is brought by an interstate instrumentality, however, it would be commenced in the judicial district where the instrumentality's principal office is located. Actions under this new paragraph would survive notwithstanding any change in the person occupying the office of the Secretary or any vacancy in that office. The judgment of the court would be final except that it would be subject to review in the same manner as judgments of district courts in other civil actions.

Paragraph (2) of the new subsection (t) provides that no interest shall accrue, after final judgment with respect to a State's overpayment, pursuant to section 2411 of title 28 of the United States Code. This section of title 28 provides, in part, for the payment of interest at the rate of 4 percent per annum from the date of a final judgment rendered against the United States.

Paragraph (3) of the new subsection (t) provides that the payment of amounts due to a State pursuant to a final judgment rendered by a district court in an action brought under the new subsection shall be adjusted in accordance with the provisions of section 218 of the Social Security Act and regulations thereunder rather than section 2414 of title 28 of the United States Code. This section of title 28 provides for the payment by the General Accounting Office of final judgments rendered against the United States.

Earnings record corrections.—Section 102(f)(2) of the bill amends subparagraph (F) of section 205(c)(5) of the act to authorize the Secretary to add, change, or delete any entry of wages in his records of an individual's covered earnings after the expiration of the time limitation which (under that section) is applicable to such addition, change, or deletion, in order to conform his records to an assessment or the allowance of a credit or refund pursuant to the new provisions of section 218 of the act described above.

Effective date.—Subparagraph (A) of section 102(f)(3) of the bill provides that the effective date of the new subsections (q), (r), (s), and (t) of section 218 of the act shall be the first day of the second calendar year after the year of enactment.

Subparagraph (B) of section 102(f)(3) of the bill provides that where the Secretary has notified the State of an underpayment, disallowed a State's claim for credit (or refund), or allowed a State a credit (or refund) before this effective date, then the Secretary will be deemed to have made an assessment, or to have notified the State of the disallowance or allowance on that date. The State could request the Secretary to review these deemed assessments, disallowances, and allowances without regard to the 90-day time limitation for requesting a review under the new subsection (s). However, these special transitional provisions would not apply if the Secretary actually makes the assessment, or sends the State a followup notification of the disallowance or allowance, within the appropriate time limitation provided under the new subsections (q) and (r). In these cases, the 90-day period for requesting a review would begin with the day following the day on which the assessment or followup notification is sent to the State.

Municipal and county hospitals

Section 102(g) of the bill amends subparagraph (B) of section 218(d)(6) of the Social Security Act to provide that, where a hospital is an integral part of a political subdivision of a State; positions of employees of such hospital which are covered under a retirement system together with the positions of other State or local employees may be treated by the State as being under a separate retirement system for purposes of coverage under old-age, survivors, and disability insurance. Subparagraph (B) of section 218(d)(6) now provides for the similar treatment of the positions of employees of institutions of higher learning.

Validation of coverage for certain Mississippi teachers

Section 102(h) of the bill provides that, for purposes of section 218 of the Social Security Act, services performed by certain teachers and other school employees in the State of Mississippi after February 28, 1951, and before October 1, 1959, shall be deemed to have been performed by them as employees of the State. This provision has the effect of validating old-age, survivors, and disability wage credits of such teachers and other school employees for the period during which they were reported as State employees although (as was subsequently found) they were employees of political subdivisions of the State.

Justices of the peace and constables in the State of Nebraska

Section 102(i) of the bill provides that the State of Nebraska may modify its agreement made under section 218 of the Social Security Act so as to exclude services performed by justices of the peace or constables, if they are compensated on a fee basis. Such a modification could be made effective for services performed after an effective date specified in the modification, but not before the date of enactment of the bill.

Teachers in the State of Maine

Section 102(j) of the bill amends section 316 of the Social Security Amendments of 1958 so as to extend from July 1, 1960 to July 1, 1961 the time during which the State of Maine may modify its existing agreement under section 218 of the Social Security Act to provide that a retirement system covering positions of teachers and positions of other employees will be a "separate retirement system" for purposes of section 218 of the Social Security Act.

SECTION 103. EMPLOYEES OF NONPROFIT ORGANIZATIONS

Elimination of requirement that religious, charitable, etc., organization may file waiver certificate only if two-thirds of its employees concur

Section 103(a) of the bill amends section 3121(k)(1)(A) of the Internal Revenue Code of 1954, relating to waivers of tax exemption which may be filed by certain religious, charitable, etc., organizations. Pursuant to present law, such an organization may file a certificate electing to have old-age, survivors, and disability insurance coverage extended to services performed in its employ only if two-thirds or more of its employees concur in the filing of such certificate, and such certificate is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs. Section 103(a) of the bill eliminates the requirement that two-thirds or more of such employees must concur before the certificate can be filed. This amendment has the effect of permitting the organization to elect coverage in respect of all employees of the organization hired after the quarter in which a certificate is filed by the organization even though less than two-thirds, or none, of the employees in its employ in such quarter concur in the filing of the certificate. As under present law, a list showing the names, addresses, and social security account numbers of all concurring employees must accompany the certificate, and, in general, only the services of those employees (if any) whose names appear on such list will be covered when the

certificate takes effect. However, the 24-month period prescribed in present law for signing a supplemental list of concurring employees is continued, and employees who decline the coverage at the time the certificate is filed but later desire to have it may acquire such coverage prospectively by signing a supplemental list within the prescribed period.

Section 103(a) of the bill also amends section 3121(k)(1)(E) of the code, relating to the filing of waiver certificates by organizations some of whose employees are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or political subdivision thereof and some of whose employees are not in such positions. Under present law such organization must divide its employees who are in such positions and its employees who are not in such positions into separate coverage groups, and a waiver certificate in respect of either group may be filed only if two-thirds of the employees in the group concur in the filing of the certificate. Section 103(a) of the bill eliminates the requirement that two-thirds or more of the employees in such group must concur before a certificate can be filed in respect of such group. Under the amendment made by section 103(a), a certificate may be filed in respect of either group, or separate certificates may be filed in respect of each group, even though less than two-thirds, or none, of the employees in the group concur in the filing of the certificate.

Validation of remuneration erroneously reported as wages by non-profit organizations

Section 103(b) of the bill relates to service performed after 1950 which is excepted from covered "employment" solely because the service is performed for an organization, described in section 501(c)(3) of the Internal Revenue Code of 1954 (or sec. 101(6) of the Internal Revenue Code of 1939) and exempt from income tax, which does not have a waiver certificate under section 3121(k) of the Internal Revenue Code of 1954 (or sec. 1426(1) of the Internal Revenue Code of 1939) in effect with respect to such service. The service may be excepted from employment because no such certificate was filed by the organization or, if a certificate was filed, because the person performing the service could acquire coverage only by signing the list of employees concurring in the filing of the certificate and he failed to do so.

Section 103(b) of the bill makes provision whereby the remuneration paid by an organization to an individual before July 1, 1960, for such service may be deemed to constitute remuneration for employment for purposes of title II of the Social Security Act, to the extent that an amount has been paid before August 11, 1960, as taxes under the Federal Insurance Contributions Act with respect to such remuneration. Such remuneration will be deemed to constitute remuneration for employment for purposes of such title II if the following conditions are met:

(1) The person who performed the service (or a fiduciary acting for him or his estate, or a survivor of such individual who is or may become entitled to monthly benefits under title II of the Social Security Act on his earnings record) makes a request (in such form and manner, and with such official as the Secretary of Health, Education, and Welfare may by regulations prescribe) that such remuneration

be deemed to constitute remuneration for employment for purposes of title II of the Social Security Act.

(2) If any part of the amount paid as taxes before August 11, 1960, with respect to such remuneration paid to an individual is credited or refunded, the amount credited or refunded, plus any interest allowed, is repaid before January 1, 1963.

(3) A certificate under section 3121(k) of the Internal Revenue Code of 1954 is filed by the organization not later than the date on which the request is made, unless the organization has previously filed a certificate under that section or section 1426(1) of the Internal Revenue Code of 1939, or the organization no longer has any individual in its employ for remuneration at the time the request is made.

(4) In the case of an organization which has filed a certificate on or before the date on which the individual's request is made, amounts are paid as taxes with respect to some portion of the remuneration paid by the organization to the individual during the 24-month period following the calendar quarter in which the certificate is filed, if the individual is in the employ of the organization at any time during such 24-month period.

Pursuant to section 103(b)(5) of the bill, an organization's certificate is made applicable in the future to an individual if remuneration paid by such organization to the individual before July 1, 1960, is deemed, pursuant to a request made under section 103(b), to constitute remuneration for employment, and if the individual performs service in the employ of the organization on or after the date on which the request is made. If the certificate is not effective with respect to service performed by such individual before the first day of the calendar quarter following the quarter in which the request is made, the effect of paragraph (5) is to make the certificate applicable to service performed by the individual on and after such first day.

After the date of enactment of the bill, section 103(b) will supersede provisions of section 403(a) of the Social Security Amendments of 1954 which permit certain remuneration paid for service performed before 1957 to be deemed remuneration for employment. Section 403(a) will continue to apply to requests made pursuant to such section on or before the enactment of this bill, but not to requests made after the date of enactment.

Remuneration erroneously reported as self-employment income by certain employees of charitable, religious, etc., organizations

Section 103(c)(1) of the bill amends section 1402 of the Internal Revenue Code of 1954 by adding a new subsection (g). Pursuant to the new subsection (g), any individual who, for any taxable year ending after 1954 and before 1962, erroneously reported as self-employment income (and paid self-employment tax on) remuneration received by him for services performed in the employ of an organization which is exempt from income tax as an organization described in section 501(c)(3) may request (or a fiduciary acting for such individual or for his estate, or a survivor of such individual who is or may become entitled to monthly benefits under title II of the Social Security Act on his wage record may request) that such remuneration reported for such taxable year (other than remuneration for services performed by the individual as a duly ordained, commissioned, or licensed minister of a church or as a member of a religious order)

be deemed to constitute net earnings from self-employment. The request will be effective if—

(1) it is made after the date of enactment of the new section 1402(g) of the code and on or before April 15, 1962;

(2) the return on which the remuneration was reported was timely filed;

(3) a certificate under section 3121(k) of the code is filed by the organization on or before the date the request is made; and

(4) no credit or refund of any part of the amount erroneously paid for such taxable year as self-employment tax on such remuneration is obtained before the date on which the request is filed, or, if obtained, is repaid on or before the date of the request;

but only to the extent that such remuneration was paid to the individual before the calendar quarter in which the request was filed (or, in some cases, before the next calendar quarter), and no employment tax under chapter 21 has been paid on such remuneration.

In any case where remuneration paid to an individual by a religious, charitable, etc., organization is deemed to be net earnings from self-employment by reason of a request filed pursuant to the new section 1402(g), the certificate filed by the organization, if it is not effective with respect to services performed by the individual on or before the first day of the calendar quarter in which the request is filed, shall be effective with respect to services (if any) performed by the individual for the organization on and after the first day of the next calendar quarter.

Section 103(c)(2) of the bill contains complementary provisions for purposes of title II of the Social Security Act.

Effective dates

Section 103(d) of the bill provides effective dates for the amendments relating to employees of nonprofit organizations.

Paragraph (1) provides that the amendments made by subsection (a) shall be effective with respect to certificates filed under section 3121(k)(1) of the Internal Revenue Code of 1954 after the date of the enactment of the bill.

Paragraph (2) provides that no monthly benefits shall be payable or increased for the month of enactment or prior months by reason of the provisions of or amendments made by subsections (b) and (c), relating to validation of remuneration erroneously reported as wages by nonprofit organizations and as net earnings from self-employment by certain employees of nonprofit organizations. No lump-sum death payment under such title II would be payable or increased by reason of such provisions or amendments in the case of any individual who died prior to the date of enactment of the bill.

SECTION 104. AMERICAN CITIZEN EMPLOYEES OF FOREIGN GOVERNMENTS

Self-employment coverage for benefit purposes

Section 211(c)(2) of the Social Security Act now provides three exceptions to the general rule that services performed as an employee are excluded from the definition of "trade or business," and thus from self-employment coverage. The effect of these exceptions is to include the services excepted in the definition of "trade or business," and thus to extend self-employment coverage to such services. These services

are (1) services performed by certain news vendors, (2) certain services performed by an individual under share-farming arrangements, and (3) services performed by an individual in the exercise of his ministry or as a member of a religious order. Section 104(a) of the bill amends section 211(c)(2) so as to include a fourth category of employee services in the term "trade or business." The services thus included under the amendment are those performed in the United States (including the Virgin Islands and Puerto Rico) by a citizen of the United States in the employ of a foreign government or in the employ of an instrumentality wholly owned by a foreign government to the extent that such services are excluded from "employment" by section 210(a)(11) or 210(a)(12) of the Social Security Act. In effect, this change extends self-employment coverage under title II of the Act to such services.

Coverage for self-employment tax purposes

Section 104(b) of the bill makes corresponding amendments to section 1402(c)(2) of the Internal Revenue Code of 1954. The effect of these amendments is to require that income derived by a United States citizen from service performed in the United States (including the Virgin Islands and Puerto Rico) as an employee of a foreign government or an instrumentality wholly owned by a foreign government, must be taken into account in determining liability for the self-employment tax, to the extent that such service is excepted from the definition of "employment" by section 3121(b)(11) or 3121(b)(12) of the code.

Effective dates

Section 104(c) of the bill provides that the amendments made by section 104 with respect to services in the employ of foreign governments or instrumentalities wholly owned by foreign governments shall be effective for taxable years ending on or after December 31, 1960. For purposes of section 203(b) of the Social Security Act, relating to the "retirement test" under the old-age, survivors, and disability insurance program, earnings derived by an individual which are covered as net earnings from self-employment pursuant to the amendments made by section 104 of the bill will be treated as "wages" for taxable years beginning on or before the date of enactment of the bill, but as "net earnings from self-employment" for taxable years beginning after the date of enactment.

SECTION 105. DOMESTIC SERVICE AND CASUAL LABOR

Exclusion of service performed by individual under 16

Section 105(a) of the bill amends section 210(a) of the Social Security Act by adding a new paragraph (18) to provide for the exclusion from employment for purposes of old-age, survivors, and disability insurance of service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual under the age of 16. Under present law such service is not excluded from employment and the definition of wages determines whether remuneration for the employment is covered by old-age, survivors, and disability insurance.

Conforming amendments in Internal Revenue Code of 1954

Section 105(b) (relating to the definition of employment) of the bill makes conforming amendments in the Internal Revenue Code of 1954.

Effective dates

Section 105(c) of the bill provides that the amendments made by subsections (a) and (b), relating to the definition of employment, are effective with respect to service performed after 1960.

TITLE II—ELIGIBILITY FOR BENEFITS

SECTION 201. CHILDREN BORN OR ADOPTED AFTER ONSET OF PARENT'S DISABILITY

Section 201(a) of the bill amends section 202(d) of the Social Security Act to provide for the payment of child's insurance benefits to a child who is adopted by or born to an individual, or a stepchild of an individual by a marriage which is contracted, after the individual becomes entitled to disability insurance benefits. Under present law such a child cannot become entitled to child's insurance benefits because the law provides that such benefits may be paid only to a child who is dependent on the insured individual at one of a number of times specified in the law, and those times do not include a time for establishing the dependency of a child who is born to, or who becomes the adopted child or stepchild of, a person after that person becomes entitled to disability insurance benefits. This amendment provides that these children could establish their dependency as of the time at which an application for child's insurance benefits is filed. The provision, except as specified in subsection (b), is similar to the provision in present law that applies to the child of an old-age insurance beneficiary.

Section 201(b) of the bill provides an exception to the amendment included in subsection (a). Under this exception, a child who is adopted after the individual becomes disabled cannot become entitled to child's benefits unless he is the natural child or stepchild of the individual, or he is adopted within 2 years after the month in which the individual becomes entitled to disability insurance benefits and either the adoption proceedings are instituted in or prior to the month in which the parent's period of disability began or the child was living with the parent in such month.

Section 201(c) of the bill makes these amendments effective as though they had been enacted on August 28, 1958 (the date when the Social Security Amendments of 1958 were enacted), and with respect to monthly benefits for months after August 1958 based on applications filed on or after August 28, 1958.

SECTION 202. CONTINUED DEPENDENCY OF STEPCHILD ON NATURAL FATHER

Section 202(a) of the bill amends section 202(d) of the Social Security Act to provide for the payment of child's insurance benefits based on the earnings of the child's father even though the child was living with and receiving more than one-half of his support from his **stepfather**.

Section 202(b) of the bill makes section 202(a) effective for monthly benefits for months beginning with the month in which the bill is enacted based on applications filed in or after the month of enactment.

SECTION 203. PAYMENT OF BURIAL EXPENSES

Section 203(a) of the bill amends section 202(i) of the Social Security Act to change the provisions governing the payment of the lump-sum death payment in cases where the insured individual is not survived by a spouse who was living in the same household with him at the time of his death (or where such a spouse dies before receiving the payment). In such a case the amended provisions provide for the lump-sum death payment to be made as follows:

(1) The lump sum would first be applied to all or any part of the unpaid burial expenses of the insured individual that were incurred by or through a funeral home. The payment would be made directly to the funeral home if an application, requesting payment to the home, is filed within 2 years after the date of death of the insured individual by a person who assumes responsibility for the payment of all or a part of the burial expenses, or if no one assumes that responsibility within 90 days after the date of the insured individual's death.

(2) If all of the expenses incurred through the funeral home have been paid (including payments made as provided above), any of the lump sum that remains would be paid to any person or persons equitably entitled thereto to the extent and in the proportion that he or they shall have paid the funeral-home expenses.

(3) After all payments provided by (1) and (2) above have been made, any of the lump sum that remains would be paid to anyone equitably entitled thereto, to the extent and in the proportion that he has paid any burial expenses not incurred through the funeral home, in the following order of priority: The expenses of opening and closing of the grave, the expense of the burial plot, and any remaining expenses.

The amendment also continues the provision in present law that no payment will be made to any person unless an application for the payment is filed by or on behalf of such person within 2 years after the date of the death of the insured individual unless such person was entitled to wife's or husband's benefits on the earnings record of the insured individual for the month preceding the month in which such individual died.

Section 203(b) of the bill provides that the amendment made by subsection (a) shall be applicable in the case of deaths on or after the date of enactment of the bill, and in the case of deaths prior to enactment but only if no application for the lump-sum death payment (on the basis of the earnings record involved) is filed before the third month after the month of enactment.

SECTION 204. TECHNICAL AMENDMENTS WITH RESPECT TO FULLY INSURED STATUS

Section 204(a) of the bill amends section 214(a) of the Social Security Act to effect several changes of a primarily technical nature. The amended section 214(a) would provide that to be fully insured a person will need one quarter of coverage (no matter when acquired) for every two calendar quarters elapsing after 1950, or after the *calendar year* in which he attained the age of 21 if that was later, and up to the beginning of the *calendar year* in which he attained retirement age (65 for men, 62 for women) or died, whichever occurred first. To be fully insured under present law, a person must have one quarter of coverage for every two quarters elapsing after 1950, or after the *calendar quarter* in which he attained the age of 21, if that was later, and up to the beginning of the *calendar quarter* in which he attained retirement age or died, whichever first occurred. Under the amendment, as under present law, the minimum requirement for a person to be fully insured would be 6 quarters of coverage and the maximum requirement would be 40 quarters of coverage.

As under present law, any calendar quarter any part of which was included in a period of disability would not count as an elapsed quarter unless it was a quarter of coverage. Also retained without change is the provision that where (after subtraction of quarters occurring in a period of disability) the number of elapsed quarters is not a multiple of 2, the number would be reduced to the next lower multiple of 2 for the purpose of determining whether the individual met the requirement for fully insured status.

Under the amendment, any person who died or attained retirement age before 1951 and had at least six quarters of coverage would be fully insured. Under the present law, people who died before September 1950 could not be fully insured unless at least one-half of the quarters elapsing after 1936 were quarters of coverage. People who did not meet this requirement and who died after 1939 and before September 1950 but had at least six quarters of coverage were given a limited "deemed" fully insured status by the Social Security Amendments of 1954. The deemed fully insured status was limited in that it did not permit payments to a former wife divorced; in such cases the worker must have been fully insured under the regular provisions. The amendment would make that deemed insured status provision unnecessary, and it would be made inoperative, as indicated below.

Section 204(b) of the bill provides that the average monthly wage of an individual who died after 1939 and before 1951 shall be computed in the same general manner as is provided in present law for people whose benefits are computed on the basis of earnings after 1936. Where a primary insurance benefit had already been computed for a deceased individual who was currently insured but not fully insured at the time of his death (a lump-sum death payment, monthly benefits for his children under age 18, and monthly benefits for his widow with children in her care would have been payable if he had been only currently insured) that amount would be converted, through the benefit table in the law, to the appropriate primary insurance amount being paid at the present time.

Section 204(c) of the bill amends section 109(b) of the Social Security Amendments of 1954, which provides a "deemed" fully in-

sured status for certain individuals who died before September 1950, to make the section inapplicable in the case of applications filed after the month of enactment of the bill (except for purposes of benefits for the month of enactment and earlier months—see description of sec. 204(d)(2) of the bill, below). The provisions of section 109(b) will no longer be needed, since people who now are deemed to be fully insured under that section will be fully insured under the amendment made by 204(a) of the bill. Section 109(b) of the 1954 amendments specifically excludes former wives divorced from entitlement to benefits in cases involving the “deemed” fully insured status provided by that section. Thus, under present law, monthly benefits are provided for the other survivors of an individual who died before September 1950 if he had at least six quarters of coverage even if he had not been insured at the time he died, but the former wife divorced can qualify only if the deceased individual was insured under the regular provisions of the law when he died. The amendment to section 109, together with the other changes made by this section of the bill, will provide benefits for the former wife divorced of an individual who died after 1939 and before September 1950, who was not insured at the time he died, but who had at least six quarters of coverage.

Section 204(d)(1) of the bill provides that the amendments made by subsections (a) and (b) shall be effective for (1) monthly benefits for months after the month in which the bill is enacted on the basis of applications filed in or after the month of enactment; (2) lump-sum death payments in the case of deaths occurring after the month of enactment; and (3) disability determinations with respect to periods of disability based on applications filed after the month of enactment.

Section 204(d)(2) of the bill provides that the requirements for fully insured status, as contained in section 214(a) of the present law and section 109 of the Social Security Amendments of 1954, will govern in determining whether an individual was entitled, on the basis of an application filed in or after the month in which the bill was enacted, to retroactive payment of benefits for the month of enactment and for prior months. He could not get benefits for any prior month unless he met the requirements for receipt of a benefit for that month under existing provisions of law. The present provisions would also govern the determination of the individual’s “first eligibility closing date” (one of the points as of which the average monthly wage is computed under the present law) in years before 1960. This closing date would be the first day of the first year in which he both was fully insured under the present provisions of the law and had attained retirement age.

Where an application is filed in or after the month of enactment by a surviving dependent of an individual who died before September 1, 1950, and who was given a “deemed” insured status under section 109 of the Social Security Amendments of 1954 (as in effect prior to enactment of the bill) and an actual insured status by subsection (a)(3) of section 214 of the Social Security Act as amended by the bill, the entitlement of such surviving dependent to monthly benefits for the month of enactment and prior months would be determined under the provisions of section 109 of the Social Security Amendments of 1954 as in effect prior to enactment of the bill.

SECTION 205. SURVIVORS OF INDIVIDUALS WHO DIED PRIOR TO 1940 AND CERTAIN OTHER INDIVIDUALS

Section 205(a) of the bill amends subsections (d)(1), (e)(1), (g)(1), and (h)(1) of section 202 of the Social Security Act to provide for the payment of child's widow's, mother's, and parent's insurance benefits to survivors of workers who died prior to 1940. Under present law monthly benefits are provided only for the survivors of workers who died after 1939.

Section 205(b) of the bill amends section 202(f)(1) of the act to provide for the payment of benefits to the widower of a fully and currently insured worker who died before September 1950. Under present law monthly benefits are provided only for the widowers of working women who died after August 1950.

Section 205(c) of the bill provides a method of computing the primary insurance amount of individuals who died before January 1940 and who had not less than six quarters of coverage. Benefits for survivors of these people would be computed under the provisions of the law in effect before 1950 and converted to current amounts through the benefit table contained in the present law.

Section 205(d) of the bill provides that the amendments made by this section will be effective with respect to monthly benefits for months after the month in which the bill is enacted if an application for benefits is filed in or after such month.

SECTION 206. CREDITING OF QUARTERS OF COVERAGE FOR YEARS BEFORE 1951

Section 206(a) of the bill amends section 213(a)(2) of the Social Security Act so that in any case where an individual had wages of \$3,000 or more in a year before 1951, he will be credited with four quarters of coverage for that year (subject to exceptions already in the law) regardless of when in the year he earned his first quarter of coverage.

Under present law, where a person had the maximum amount of creditable wages in any year before 1951, each quarter of the year following his first quarter of coverage is credited as a quarter of coverage. For example, a person who had wages of \$3,000 in 1949, all paid in the fourth calendar quarter, is credited with only one quarter of coverage for that year. For years after 1950, on the other hand, a person whose earnings are at the maximum creditable amount is credited with four quarters of coverage for the year regardless of when he received his first quarter of coverage for that year. The bill would put the provisions for crediting quarters of coverage in the case of maximum creditable earnings before 1951 on the same basis as those for crediting quarters of coverage in such cases after 1950.

Section 206(b)(1) of the bill provides that the changes made by subsection (a) shall be effective generally in cases where people qualify, in or after the month of enactment, for benefits, for specified benefit recomputations, and for disability determinations. Specifically, the changes would be effective with respect to old-age, survivors, and disability insurance benefits and lump-sum death payments based on the wages and self-employment income of an individual who—

(1) becomes entitled to old-age or disability insurance benefits on the basis of an application filed in or after the month in which the bill is enacted; or

(2) becomes entitled to a work recomputation under section 215(f) (2) (A) of the Act based on an application filed in or after the month of enactment (or would be entitled to such a recomputation but for the provision in section 215(f) (6) that a higher primary insurance amount must result therefrom); or

(3) dies without becoming entitled to old-age or disability insurance benefits and, unless the person dies currently insured but not fully insured (in the absence of this exception people who happened to be currently insured at death could not become fully insured as a result of the change, but people who are uninsured could become fully insured), there is no one entitled to survivors' benefits or a lump-sum death payment based on an application filed prior to the month of enactment; or

(4) dies in or after the month of enactment, and whose survivors are (or, but for the provisions of section 215(f) (6), would be) entitled to a survivor's work recomputation under section 215(f) (4) (A); or

(5) dies before the month of enactment, and whose survivors are (or, but for the provisions of section 215(f) (6), would be) entitled to a survivor's work recomputation under section 215(f) (4) (A) and did not become entitled to monthly benefits or a lump-sum death payment on the basis of an application filed prior to the month of enactment; or

(6) becomes entitled (or would be entitled if it resulted in a higher primary insurance amount) to a "dropout" recomputation under section 102(f) (2) (B) of the 1954 amendments to the Social Security Act on the basis of an application filed in or after the month of enactment; or

(7) dies, and whose survivors are entitled (or would be entitled if it resulted in a higher primary insurance amount) to a "dropout" recomputation under section 102(f) (2) (B) of the 1954 amendments on the basis of an application filed in or after the month of enactment.

Section 205(b) (2) of the bill provides that the change made by subsection (a) shall also apply in the case of disability determinations under section 216(i) of the Social Security Act where the application for disability determination was filed in or after the month of enactment.

Section 206(b) (3) of the bill provides that where a person would not be fully insured except for the enactment of this section of the bill, benefits will not be payable on his earnings record for any month before the month of enactment.

SECTION 207. MARRIAGES SUBJECT TO LEGAL IMPEDIMENT

Section 207(a) of the bill amends section 216(h) of the Social Security Act (relating to family status) by adding a new subparagraph (B) to paragraph (1). The new subparagraph provides that an applicant who went through a marriage ceremony with an insured individual shall be deemed to be the wife, husband, widow, or widower

of that individual, even though there was a legal impediment to the marriage, if it is established to the satisfaction of the Secretary that the applicant went through the marriage ceremony with the insured individual in good faith, if the existence of the legal impediment was unknown to the applicant at the time of the ceremony, and if (where the insured individual is alive) he and the applicant are living in the same household at the time an application is made for spouse's benefits or (where the insured individual is dead) they were living in the same household at the time the insured individual died. An applicant who went through a marriage ceremony with an insured individual will not be deemed to be the wife, husband, widow, or widower of that individual if another person is or has been entitled to wife's, husband's, mother's, widow's, or widower's benefits based on the insured individual's earnings and the other person has the status of wife, husband, widow or widower of the insured individual at the time the application for benefits is filed; or if the Secretary determines on the basis of information brought to his attention, that the applicant entered into the marriage knowing that it was not valid. The benefits of a person who has been deemed to be a wife, husband, widow, or widower under the provisions of the new subparagraph will end if (and with the payment for the month before the month in which) the Secretary certifies that benefits are payable to a person who was validly married to the insured individual. Benefits to a person who has been deemed to be a wife or husband under the new subparagraph will also end in the month before the month in which such person enters into a valid marriage with some other person. The subparagraph defines a legal impediment to the validity of a ceremonial marriage to include only an impediment that results from the lack of dissolution of a previous marriage or that otherwise arises out of a previous marriage or its dissolution, or results from a defect in the procedure followed in connection with the ceremonial marriage such as failure to comply in one or more respects with any provision of State law relating to the performance of a marriage ceremony or to the kind of ceremony required.

Section 207(b) of the bill amends section 216(h)(2) of the Social Security Act to include in the definition of "child" the child of an individual (so that the child will qualify for benefits on the latter's earnings record) if the child is that individual's son or daughter and the child's parents entered into a ceremonial marriage which, but for a legal impediment of the type described above, would have been valid.

Section 207(c) of the bill amends section 216(e) of the Social Security Act to include as the stepchild of an individual, for benefit purposes, a child whose parent entered into a ceremonial marriage with that individual which, but for a legal impediment of the type described above, would have been valid.

Section 207(d) of the bill amends section 202(d)(3) of the Social Security Act (relating to the payment of child's insurance benefits) to provide that a child deemed pursuant to section 216(h)(2) of the act (as amended by section 207(b) of the bill) to be the insured individual's child shall be deemed to be his legitimate child. Under the law as amended by section 202(a) of the bill, a legitimate or adopted

child would be deemed dependent on his father unless the father was not living with nor contributing to the support of the child and the child had been adopted by some other person. By providing that the child will be deemed to be the legitimate child of the insured individual, the section has the result of treating the child as dependent on the insured individual unless the child had been adopted by some other person and the insured individual was neither living with nor contributing to the support of the child.

Section 207(e) of the bill is a saving clause providing that the benefits of any person on the old-age, survivors, and disability insurance benefit rolls for the month before the bill is enacted will not be reduced because of the benefits paid to a person who, under the amendments made by this section of the bill, is deemed to be the wife, husband, widow, widower, child, or stepchild of an insured individual. If there were no saving clause, because of the limitation on the total of the benefits that may be paid to a family on the basis of the earnings of one individual, the benefits payable to a person on the rolls when the bill is enacted might be reduced because of the payments made to some other person who would get benefits as a result of enactment of this section of the bill.

Section 207(f) of the bill provides that the amendments made by section 207 of the bill shall be effective with respect to monthly benefits for months beginning with the month in which the bill is enacted, on the basis of an application filed in or after that month. In the case of a lump-sum death payment the amendments would be effective based on the application of any person filed in or after the month in which the bill is enacted but only if no other person has filed an application for a lump-sum death payment before the date of enactment.

SECTION 208. PENALTY DEDUCTIONS UNDER FOREIGN WORK TEST

Section 208(a) of the bill amends section 203(f) of the Social Security Act to eliminate the imposition of a penalty in certain cases. Under present law, a month's benefit must be withheld from an old-age insurance beneficiary and from each of his dependents for any month in which he works in noncovered work outside the United States on more than 6 days. If the old-age insurance beneficiary fails to report such employment within a specified time, he may be penalized by the loss of an additional month's benefit, but in general his dependents will not be subject to the loss of an additional benefit. The only dependent beneficiary so penalized is the person who is the spouse of an old-age insurance beneficiary and who is getting childhood disability benefits or mother's insurance benefits. The imposition of the penalty in this sort of case is an unintended result of the Social Security Amendments of 1958. Section 208(a) of the bill amends section 203(f) of the Social Security Act to remove this additional penalty.

Section 208(b) of the bill provides that the amendment made by section 208(a) shall be effective on enactment and for penalties imposed under section 203(f) of the Social Security Act but not collected prior to enactment.

SECTION 209. EXTENSION OF FILING PERIOD FOR HUSBAND'S, WIDOWER'S,
AND PARENT'S BENEFITS IN CERTAIN CASES

Section 209 of the bill extends for 2 years after the month of enactment the period in which proof of support (required under the existing law) may be filed by persons who become entitled to husband's, widower's, or parent's insurance benefits as a result of the enactment of the bill.

SECTION 210. LOWER ELIGIBILITY AGE FOR MEN, WITH BENEFIT
AMOUNTS ADJUSTED IN ACCORDANCE WITH AGE OF BENEFICIARY

Definition of retirement age

Section 210(a) of the bill amends section 216(a) of the Social Security Act to provide that the term "retirement age" means age 62 in all cases. Under present law, "retirement age" is defined to mean age 65 for men and age 62 for women. The effect of the change is to make men, as well as women, eligible for benefits at age 62, if they are otherwise qualified.

Adjustment of benefit amounts

Section 210(b) of the bill amends subsections (q), (r), and (s) of section 202 of the act to provide for adjustments in old-age insurance benefits for men and in husband's insurance benefits in accordance with the age of the beneficiary, in the same manner as the adjustments that are provided under present law for old-age insurance benefits for women and for wife's insurance benefits.

Paragraph (1) of section 202(q) of the act is amended to provide for reducing the old-age insurance benefits of anyone (man or woman) who elects to take such benefits before age 65 by five-ninths of 1 percent for each month starting with the month of entitlement and ending with the month before the person attains age 65. This amounts to a 20-percent reduction if benefits are taken beginning at age 62. The effect of the change is to apply to the benefit of a man who elects to take his old-age insurance benefit before age 65 the same reduction that is applied under present law to the benefit of a woman who does so.

The wife's insurance benefit for a wife aged 65 or over of a husband under age 65 will be one-half of the amount of the old-age insurance benefit of her husband after his benefit has been reduced; if the wife is also under age 65 and elects to receive her wife's insurance benefit before age 65, her benefit will be based on his reduced benefit and will be further reduced under section 202(q).

Paragraph (2) is amended to provide for reducing the husband's insurance benefits of a man who elects to take such benefits before age 65 by $25/36$ of 1 percent for each month starting with the month of entitlement and ending with the month before he attains age 65. This amounts to a 25-percent reduction if benefits are taken beginning at age 62. The effect of the change is to apply to the benefits of a husband who elects to take his husband's insurance benefits before age 65 the same reduction that is applied under present law to the benefits of a wife of a man taking his benefit at or after age 65 who takes her wife's insurance benefits before age 65. In the case of a husband who elects to take his husband's insurance benefit before age 65 and whose wife has also elected to take her old-age insurance benefit before age

65, his benefit is based on the full old-age benefit of the wife, reduced only because of his age being below 65 (as under present law). The husband aged 65 or over of a woman who elects to take her old-age insurance benefit before age 65, at a reduced amount, receives one-half of her full, or unreduced, benefit.

Paragraph (3) is amended to make equally applicable to a man the present provision for determining the reduction where a woman entitled to a reduced old-age insurance benefit later (or in the same month as she became entitled to such old-age insurance benefit) becomes entitled before attaining age 65 to a wife's insurance benefit. The wife's or husband's insurance benefit will be reduced by the same amount as that by which the old-age insurance benefit is reduced; further if the unreduced wife's or husband's insurance benefit exceeds the unreduced old-age insurance benefit, the reduction factor for the wife's or husband's insurance benefit will be applied to such excess.

Paragraph (4) is amended to make equally applicable to a man the present provision for determining the reduction where a woman entitled to a reduced wife's insurance benefit later becomes entitled, before attaining age 65, to an old-age insurance benefit. The old-age insurance benefit will be reduced by the same amount as that by which the wife's or husband's insurance benefit is reduced; further, if the unreduced old-age insurance benefit exceeds the unreduced wife's or husband's insurance benefit, the reduction factor for the old-age insurance benefit will be applied to such excess.

Paragraph (5) is amended to apply to men the present provision, applicable now only to women, for recomputing old-age insurance benefits at age 65 to take account of periods between initial entitlement and attainment of age 65 during which:

- (1) benefits were withheld under the retirement test provisions; or,
- (2) where the person also was entitled to wife's (or, under the amended provision, husband's) insurance benefits, and the person's spouse was entitled to disability insurance benefits, benefits were withheld on account of the spouse's refusal to accept rehabilitation services; or,
- (3) where the person also was entitled to wife's (or, under the amended provision, husband's) insurance benefits, benefits were not payable because the person's spouse ceased to be under a disability.

In such cases the reduction factor will be redetermined at age 65 so as not to include a reduction for any such months, provided that there were at least 3 such months.

Paragraph (6) is amended to apply to men who are getting reduced husband's insurance benefits, the present provision, applicable now only to women getting reduced wife's insurance benefits, for recomputing such benefits at age 65 to take account of those periods, between initial entitlement and attainment of age 65, when benefits were affected by the various provisions of the law described in the analysis of paragraph (5), above. In such cases the reduction factor will be redetermined as under paragraph (5).

Paragraph (7) is amended to apply to men entitled at or after age 65, but not before age 65, to husband's insurance benefits, in the special case where he is entitled to an old-age insurance benefit that began before age 65, the present provision for computing the reduc-

tion that is now applicable only to women in similar circumstances. In such a case, the wife's or husband's insurance benefit will be reduced by the same amount as that by which the old-age insurance benefit is reduced.

Paragraph (8) is amended to apply to men entitled at or after age 65, but not before age 65, to old-age insurance benefits, in the special case where he is entitled to a husband's insurance benefit that began before age 65, the present provision for computing the reduction that is now applicable only to women in similar circumstances. In such case, the old-age insurance benefit will be reduced by the amount by which the wife's or husband's insurance benefit was reduced. If the person is no longer entitled to wife's or husband's insurance benefits, the amount of the reduction will be the smaller of (1) the amount by which such benefit had been reduced in the last month for which the person was entitled to such benefit, or (2) the amount by which such benefit payable for the month in which the person attained age 65 would have been reduced after the reduction factor was redetermined under paragraph (6) to take account of the fact that he did not get benefits for all months after entitlement and prior to age 65.

Paragraph (9) is amended to apply to men the provision, now applicable only to women, for applying the reduction factors, computed under paragraphs (1) to (8), to the amount determined after benefits have been reduced in accordance with the maximum limitation on family benefits and have been rounded to the next higher multiple of 10 cents. The final amount of the benefit, as so derived, will be rounded to the next higher multiple of 10 cents, as under present law.

Presumed filing of application by person eligible for old-age insurance benefits and for wife's or husband's insurance benefits

Section 202(r) of the act is amended to apply to men the provision, now applicable only to women, under which a person is considered to be entitled to both old-age insurance benefits and wife's (or, under the amended provision, husband's) insurance benefits where he is eligible for both in the same month before age 65 and where he applies for only one. The exception in present law for a wife with a child beneficiary in her care in the month of entitlement is continued.

Relationship of reduced benefits for lower eligibility age with disability insurance benefits

Paragraph (1) of section 202(s) of the act is amended to apply to men the provision, now applicable only to women, under which entitlement before age 65 to widow's or parent's (or, under the amended provision, widower's) insurance benefits, or to reduced old-age or wife's (or, under the amended provision, husband's) insurance benefits, bars later entitlement to disability insurance benefits.

Paragraph (2) of section 202(s) is amended to apply to men the provision, now applicable only to women, that in the case of simultaneous entitlement to a wife's (or, under the amended provision, husband's) insurance benefit and to a disability insurance benefit, the reduction factor is applied only to that part of the wife's (or husband's) insurance benefit that exceeds the amount of the disability insurance benefit.

Paragraph (3) of section 202(s) is amended to apply to men the provision, now applicable only to women; for the termination of disability insurance benefits with the month before the month of a person's entitlement to old-age insurance benefits. The effect of the provision is to prevent entitlement to both old-age insurance and disability insurance benefits for months before age 65 (present law as it applies to men does not provide for terminating a disability insurance benefit on entitlement to old-age insurance benefits but rather on attainment of age 65).

Section 210(c) of the bill amends clause (C) of section 201(b)(1) of the act by eliminating as a cause of termination of wife's insurance benefits the event of her becoming entitled to an old-age or disability insurance benefit based on a primary insurance amount equal to or larger than one-half of her husband's old-age or disability insurance benefit. This does not have the effect of paying overlapping benefits in such cases (which is prevented by section 202(k) of the act), but rather eliminates the necessity for a wife to become reentitled to a wife's insurance benefit in certain cases where such benefit is subsequently recomputed in accordance with paragraph (6).

Paragraph (1) of section 210(d) of the bill amends clause (D) of section 202(c)(1) of the act, relating to terminating events for husband's insurance benefits, in the same manner as subsection (c) did in regard to wife's insurance benefits.

Paragraph (2) of subsection (d) amends section 202(c)(3) of the act, which establishes the amount of a husband's insurance benefit as one-half of the primary insurance amount of his wife, to take account of the new provisions for reduction of the husband's insurance benefit where entitlement begins before age 65.

Subsection (e) amends section 202(j)(3) of the act to extend to men the right, given only to women under present law, to waive entitlement to an old-age or wife's (or, under the amended provision, husband's) insurance benefit for months between the ages of 62 and 65 and before the month in which the person applies for benefits, in order to avoid forcing him to take benefits (and the resulting extra reductions in benefits) for months in the period for which his application would be effective retroactively.

Subsection (f) amends section 3121(a)(9) of the Internal Revenue Code which governs the treatment, for old-age, survivors, and disability insurance tax purposes, of payments (other than vacation or sick pay) made to an employee who did not work for the employer in the period for which the payment is made. Under present law such payments are excluded from such taxation if they are made to a woman who has attained age 62 or a man who has attained age 65. Under the amended provision they would be excluded if made to anyone (man or woman) who has attained age 62. (The change in the definition of "retirement age" in the Social Security Act accomplishes the same result so far as the treatment of such payments for benefit credit is concerned.)

Effective dates

Paragraph (1) of section 210(g) of the bill provides that the amendment made by subsection (a) shall apply, for lump-sum death payments, only to deaths occurring after October 1960, and, for monthly benefits, only for months after October 1960, and only on the basis of applications filed after the date of enactment.

Paragraph (2) contains provisions that will govern the computation of the average monthly wage (on which benefits are based) for cases of men who attained age 62 before November 1960. These provisions are required by reason of the fact that the change in retirement age for men from age 65 to age 62 also changes the length of the period over which the average monthly wage is computed, since under present law the period for men is governed by attainment of age 65 rather than age 62.

Clause (A) of paragraph (2) provides that a man who attained age 62 before November 1960 and who was not eligible for benefits before then (either because he was not yet age 65 or because he was not fully insured) shall be deemed to have attained age 62 in 1960 (or, if earlier, the year in which he died). Clause (B) provides that the amendment made by subsection (a) will not result in making a person fully insured before November 1960 (or, if earlier, the month in which he died). Clause (C) provides that the amendment made by subsection (a) will not be applicable to a person who was eligible for old-age insurance benefits before November 1960.

The effect of these three clauses is that the average monthly wage of a person alive in 1960 and first eligible for benefits in that year by reason of the amendment cannot be computed over a shorter period than the period applicable in the case of any other person who first became eligible for benefits in 1960. More specifically, the average monthly earnings could not be computed over a period of less than 4 years, the shortest possible period (except where a period of disability is involved) over which the average monthly wage can be computed for workers first becoming eligible for benefits in 1960 under present law.

Paragraph (3) of subsection (g) provides that, for purposes of excluding from benefit credit certain payments made to people over retirement age (described in the analysis of subsection (f), above), the amendment made by subsection (a) shall apply only to payments made after October 1960.

Paragraph (1) of subsection (h) provides that the changes made by subsections (b) to (e) shall take effect November 1, 1960, and shall be applicable for monthly benefits for months after October 1960.

Paragraph (2) provides that subsection (f) shall be effective for remuneration paid after October 1960.

SECTION 211. INCREASE IN EARNED INCOME LIMITATION

Section 211 of the bill amends section 203 (e) and (g) of the Social Security Act so as to increase from \$1,200 to \$1,800 per full year the amount that an individual under age 72 entitled to benefits under the program (other than a disability insurance beneficiary) may earn without loss of any of his benefits (a beneficiary aged 72 or over has no limitation on his earnings). A similar change would be made with respect to the amount that a beneficiary may earn for any year of less than 12 months' duration.

The amendments made by this section of the bill would be effective for any individual with respect to his taxable years ending after 1960.

TITLE III—BENEFIT AMOUNTS

SECTION 301. INCREASE IN INSURANCE BENEFITS OF CHILDREN OF DECEASED WORKERS

Section 301(a) of the bill amends section 202(d) of the Social Security Act to make the benefit payable to each child of a deceased insured individual equal to three-fourths of the latter's primary insurance amount. The present law provides that the benefit payable to each child of a deceased insured individual shall be one-half of such individual's primary insurance amount plus one-fourth of his primary insurance amount divided by the number of children.

Section 301(b) provides that the amendments made by section 301(a) shall apply to monthly benefits for months after the second month following the month of enactment.

Section 301(c) provides a saving clause, in cases where the family maximum applies, for beneficiaries on the old-age, survivors, and disability insurance benefit rolls for the second month after the month of enactment (which is the month before the amendment in the bill becomes effective). It provides that the benefits of a widow, widower, or parent (except for persons who become entitled to benefits because of the amendment (sec. 208 of the bill) relating to marriages subject to a legal impediment) who is entitled to benefits when the amendment is effective will not be decreased, under the family maximum provisions of section 203(a) of the act, because of the increased benefits payable under the amendment to the children in the family. When the family maximum applies, a child's benefits will be increased under the amendment only to the extent possible within the limits of that maximum and without reducing the benefits of the widow, widower, or parent. If, in or after the month in which the amendment becomes effective, another person in the family (other than a person who becomes entitled to benefits because of the amendment (sec. 208 of the bill) relating to marriages subject to a legal impediment) becomes entitled to benefits based on the earnings record of the same individual, the saving clause will cease to operate. This latter provision is included so that the saving clause will "wash out," and the amounts of benefits based on the earnings record of the same individual will be redetermined at any time when the family benefits would under present law be redetermined in any event.

SECTION 302. MAXIMUM FAMILY BENEFITS IN CERTAIN CASES

Section 302 of the bill corrects a technical flaw in section 203(a)(3) of the Social Security Act, which is a "saving clause" that is intended to put the family of an insured individual who has a period of disability that started before 1959 in the same general position, with respect to figuring the maximum family benefits payable on the earnings record of one individual, as the family of an insured individual who died before 1959. Because of the technical flaw, families of the disabled individuals whose average monthly wage is at certain levels get amounts different from (and in most cases larger than) those that are payable on the same average monthly wage to survivor families.

Section 303(a)(1) of the bill corrects the provisions relating to the maximum amount of benefits payable to families of disabled individ-

uals where the primary insurance amount is \$66, \$67, or \$68 so that the maximum limitations on family benefits for such disabled individuals will be the same as those applicable to survivor families on the basis of the same primary insurance amounts.

Section 302(a)(2) of the bill corrects the provisions relating to the maximum amount of benefits payable to families of disabled individuals based on primary insurance amounts above \$96 so that the maximum limitations on family benefits will be generally comparable to those applicable to survivor families on the basis of the same primary insurance amounts.

Section 302(b) of this bill makes these amendments applicable with respect to monthly benefits beginning with the second month after the month in which the bill is enacted, but only if the family came on the benefit rolls no earlier than such second month. The benefits of families who are already on the benefit rolls prior to such second month would not be reduced by reason of enactment of the bill; such benefits would continue to be determined under the present provisions of section 203(a)(3) of the act.

SECTION 303. COMPUTATIONS AND RECOMPUTATIONS OF PRIMARY INSURANCE AMOUNTS

Section 303(a) of the bill amends section 215(b) of the Social Security Act to provide a new method of determining an individual's average monthly wage, on which his primary insurance amount is based. Under the amendment, the period on the basis of which an individual's average monthly wage will be computed will be a constant number of calendar years. For retirement cases, and for cases of death after attaining retirement age, such constant number of calendar years will (in the absence of a period of disability) depend solely on the year of attaining retirement age if the individual is then fully insured (or if not so insured, then on the first year in which he is fully insured) regardless of whether the individual started to work before age 22 and regardless of when, after first becoming eligible for old-age insurance benefits, he filed his application for them. Likewise, for survivor benefits in the case of a person dying before retirement age, the constant number of years will (in the absence of a period of disability) depend solely on his age in the year of death or on the year in which he died if he was over age 22 in 1950, regardless of whether he started to work before age 22. Also, for disability insurance benefits, the constant number of years will (in the absence of a previous period of disability) depend solely on the insured individual's age in the year of becoming so disabled or on the year in which he became disabled if he was over age 22 in 1950.

The new provisions will be applicable, in general, to people who qualify for benefits, or for specified kinds of benefit recomputations, after 1960.

Paragraph (1) of the amended section 215(b) defines an individual's "average monthly wage" as the quotient obtained by dividing the total of his wages paid in, and self-employment income credited to, his "benefit computation years", by the number of months in those years.

Paragraph (2)(A) of the amended section 215(b) defines the number of an individual's "benefit computation years" as five less than the

number of his "elapsed years" (as defined in par. (3) of the subsection), but with a minimum of 2 years. (Reducing the "elapsed years" by five is equivalent to the dropout of the 5 years of lowest earnings under existing law.)

Subparagraph (B) provides that an individual's "benefit computation years" shall be the appropriate number of calendar years (determined under subpar. (A)), selected from his "computation base years", for which the total of his wages and self-employment income is largest.

Subparagraph (C) defines an individual's "computation base years" as calendar years occurring after December 31, 1950 (except that, as provided in section 215(d) of the law, as amended by the bill, 1936 would be used instead of 1950 for a person whose most favorable benefit computation would be that determined over the period from 1937 on), and prior to the calendar year in which he became entitled to old-age insurance benefits or died, whichever first occurred (except that the year of death or entitlement may be used as a computation base year if evidence of earnings in that year available when the benefit is computed indicates that use of the year would raise the primary insurance amount). No calendar year all of which is included in a period of disability may be a computation base year. However, where only a part of a year is included in a period of disability, such year may be a computation base year. (Under the provisions of sec. 220 of the act, though, periods of disability may be disregarded in the benefit computation if a higher primary insurance amount will result.)

Paragraph (3) defines the number of an individual's elapsed years as the number of calendar years in the period (a) after December 31, 1950 (this would be December 31, 1936, for those people whose most favorable benefit computation is that determined over the period from 1937 on) or, if later, after December 31 of the year in which he attained the age of 21, and (b) prior to the year in which he died, or if earlier the first year after 1960 in which he both was fully insured and had attained retirement age. Because of the use of the 1960 date, the minimum number of elapsed years in determining an individual's average monthly wage in any case will be 10 (in the absence of periods of disability). Since the number of benefit computation years is five less than the number of elapsed years, no benefit will be computed on earnings of less than 5 years (in the absence of periods of disability). Even though an individual was fully insured and had attained retirement age before 1961, his average monthly wage will be determined over his best 5 years, since the "elapsed years" will be the 10 years after 1950 and before 1961. (It should be noted that under existing law people who first qualify for retirement benefits in 1961, or who die in such year before qualifying for retirement benefits, would have to include 5 years in the benefit computation.) Any year any part of which was included in a period of disability will not be included in determining the number of elapsed years.

Paragraph (4) provides an effective date for the changes made by the amended section 215(b). These changes will be effective in the case of individuals with respect to whom not less than six quarters elapsing after 1950 are quarters of coverage and who become entitled to benefits after December 1960, or who die after that month without having been entitled to benefits, or who qualify for work recomputations under section 215(f)(2) of the act on the basis of

applications filed after December 1960, or who die after 1960 and whose survivors are entitled to work recomputations (including recalculations involving railroad compensation) under section 215(f)(4) of the act.

Paragraph (5) preserves the present method of computing the average monthly wage for people who do not qualify for the new method because they became entitled to old-age insurance benefits, or died, or filed applications for work recomputations, before 1961, or who qualify, either before 1961 or after 1960, for dropout recomputations under section 102(f)(2)(B) of the 1954 amendments. The provisions of paragraph (5) will not apply, though, if such people become entitled to work recomputations under section 215(f)(2) of the act on the basis of applications filed after 1960, or to survivors' work recomputations (including railroad compensation recalculations) under section 215(f)(4) of the act on the basis of deaths after 1960; subparagraphs (C) and (D) of paragraph (4) of the amended section 215(b) specifically make the amended section 215(b) applicable to such cases.

Section 303(b) of the bill amends section 215(c)(2) of the Social Security Act (relating to the computation of the primary insurance amount under the provisions of the law as in effect prior to the Social Security Amendments of 1958) to limit its effect specifically to people who became entitled to benefits, or died, before 1959 and who do not meet the requirements of paragraph (4) or (5) of section 215(b) as amended by the bill, so that neither the benefit computation provisions in existing law that are generally applicable after 1958, nor the provisions of the bill that will generally be applicable after 1960, can apply to them.

Section 303(c) of the bill amends section 215(d) of the Social Security Act to conform the provisions for computing the average monthly wage of people who become entitled, after 1960, to a benefit based on an average monthly wage computed over the period from 1937 on, to the amendments made by the bill in section 215(b). As in existing law, to the average monthly wage thus obtained will be applied the benefit formula in effect prior to the Social Security Amendments of 1950, and the resulting "primary insurance benefit" will be converted to the appropriate "primary insurance amount" by use of the benefit table in section 215(a).

Paragraph (1) of section 303(c) amends subparagraph (A) of section 215(d)(1) of the act to provide that, for purposes of the average monthly wage computation in the cases to which section 215(d) applies, an individual's "computation base years" shall include calendar years after 1936 and that his "elapsed years" shall be the calendar years after December 31, 1936 (or attainment of age 21, if later), rather than the calendar years after December 31, 1950 (or attainment of age 21, if later), and up to the year in which the individual died or, if earlier, the first year after December 31, 1960, in which he both was fully insured and had attained retirement age. Thus, in any case involving a computation based on earnings after 1936 which does not involve periods of disability, the elapsed period will be a minimum of 24 years and the benefit computation years will be a minimum of 19 years (i.e., the elapsed years reduced by five).

Paragraph (2) of section 303(c) of the bill amends subparagraph (C) of section 215(d)(1) of the act (relating to the crediting of "in-

crements" for years prior to 1951 in which an insured individual was paid wages of \$200 or more), to make it clear that an increment will not be credited for any year all of which is included in a period of disability. If an individual had wages of \$200 or more in a year only a part of which is included in a period of disability, such year will provide an increment even though it may not be a benefit computation year.

Paragraph (3) of section 303(c) of the bill amends subparagraph (B) of section 215(d) (2) of the act to make the amended provisions relating to average monthly wage computations using earnings after 1936 applicable to people who meet the conditions of any of the subparagraphs of subsection (b)(4) of the amended section 215. The amended section 215(d) (like the amended provisions of section 215(b) which provide the new method of computation on the basis of earnings after 1950 only) will be applicable only to people who become entitled to old-age or disability insurance benefits or to specified benefit recomputations after 1960, or who die after 1960 without becoming entitled to benefits.

Paragraph (4) of section 303(c) of the bill adds a new paragraph (3) to section 215(d) of the act. The new paragraph (3) makes the provisions of subsection 215(b) (5) of the act as amended by the bill (but without regard to the provision that makes par. (5) applicable only to people who have six quarters of coverage after 1950) applicable to section 215(d), to preserve the present method of computing the average monthly wage under section 215(d) for people who do not qualify for the new method because, before 1961, they became entitled to old-age insurance benefits, or died, or filed applications for work recomputations; or who qualified for dropout recomputations, under the 1954 amendments, to which only the present method of computing the average monthly wage is applicable. Only the amended provisions, though, will apply in any case where such an individual becomes entitled to a work recomputation based on an application filed after 1960 or based on a death occurring after 1960; the amended section 215(d) (2) (B) specifically makes the new method applicable in such cases.

Section 303(d) (1) of the bill amends subsection 215(e) (3) of the act (relating to the automatic recomputation of an individual's benefit amount to include self-employment income in a taxable year that begins prior to the year in which the individual becomes entitled to benefits and ends in or after the month of entitlement) to conform this provision to the change made in the method of computing the average monthly wage. This amendment will apply to people who become entitled to old-age insurance benefits after 1960; the taxable years involved will be those ending in or after 1961.

Section 303(d) (2) of the bill strikes out paragraph (4) of section 215(e) (relating to the use in the computation of the average monthly wage of years any part of which were included in periods of disability). The amendment will apply only to cases in which the new method of computing the average monthly wage will apply. For these people the provisions in paragraph (4) are not needed because equivalent language is included in the amended section 215(b) (2) (C) setting forth the revised method of computing the average monthly wage.

Section 303(e)(1) of the bill amends clause (iii) of section 215(f)(2)(A) of the act by removing the requirement that a beneficiary must wait at least 6 months, after the close of the year in which he had the earnings that qualified him for a work recomputation, to file an application for the recomputation. Consequently, an application for a work recomputation can be filed at any time after the close of the year in which he had the qualifying earnings. The amendment will be effective with respect to applications filed after 1960 for work recomputations.

Section 303(e)(2) of the bill amends subparagraph (B) of section 215(f)(2) of the act (relating to recomputations of benefit amounts to take account of earnings after entitlement to benefits) to conform the provisions to the changes made by the bill in the method of computing the average monthly wage. Under the provision as amended, if the last previous computation or recomputation of the individual's primary insurance amount was made under the provisions of section 215(b) of the law as amended by this bill, the "elapsed years" and "computation base years" will include only years after 1950 and before the year in which the application for the recomputation is filed. This parallels the present provision relating to people whose last previous computation or recomputation was made under the latest provisions of the law.

If the last previous computation or recomputation of the individual's benefit amount was made under the law in effect prior to the enactment of the bill, the individual's benefit will be computed as though he were applying for benefits for the first time; that is, with consideration given to elapsed periods starting with January 1937 and with January 1951. This provision parallels that in the present section 215(f)(2)(B) which permits consideration of all applicable starting dates and benefit formulas when an individual applies for a work recomputation for the first time after the enactment of the Social Security Amendments of 1954.

Section 303(e)(3) of the bill amends section 215(f)(3) of the act, relating to recomputations to include earnings in the year in which the individual became entitled to benefits or died, to conform the provisions to the amendments made by the bill in the method of computing the average monthly wage. The amended provisions will be applicable only to people who first become entitled to old-age insurance benefits or to a work recomputation on the basis of an application filed after December 1960 or who die after December 1960.

Section 303(e)(4) of the bill amends section 215(f)(4) of the act, relating to the recomputation of benefits of deceased individuals who were eligible, at the time of death, for a recomputation to take account of earnings after entitlement to benefits or to include railroad compensation as "wages" for old-age and survivors insurance purposes, so that, where the death occurs after 1960, such recomputations will always be made under the amended provisions for determining the average monthly wage. Where the purpose of the recomputation is to take account of earnings after entitlement, it will be made as though the worker had filed application for a work recomputation in the month in which he died.

Where the sole purpose of the recomputation is to include railroad compensation in the computation of the average monthly wage, limita-

tions are placed on the years which may be used as computation base years. (Comparable limitations are contained in the present law.) If the last previous computation of the individual's benefit amount was made under the provisions of section 215 as amended by the bill, only those years will be considered as computation base years that were so considered in the last previous computation. If the last previous computation was made under the provisions of the act as in effect prior to the enactment of the bill, only those years which occurred prior to the latest closing date considered in such previous computation may be considered as computation base years. Section 303 (e) (4) also deletes a reference in section 215 (f) (4) to the requirement, in section 215 (f) (2) (A) (iii), relating to the time of filing an application for a work recomputation, which is repealed by section 303 (e) (1) of the bill.

Section 303 (f) of the bill amends section 223 (a) (2) of the act (relating to the computation of disability insurance benefits) as amended by section 402 (b) of the bill, to conform its provisions to the change made by the bill, in section 215 (b), in the method of computing the average monthly wage. Under section 223 (a) (2) as amended, the primary insurance amount of an individual who becomes entitled to disability insurance benefits after 1960 will be computed as in section 215 (a) as though the individual had attained retirement age in the first month of his waiting period or (b) if he becomes entitled to a disability benefit without the requirement that he serve a waiting period (under the provisions of section 223 (a) (1) (ii) of the act as amended by the bill), as though he had attained retirement age in the first month in which he becomes entitled to such benefits, and as though he had become entitled to an old-age insurance benefit in the month in which he files his application for disability insurance benefits. In the case of a woman who had already attained retirement age (62) and was fully insured before the beginning of her waiting period or her subsequent entitlement to a disability insurance benefit as the case may be, her elapsed years will not include the first year in which she both was fully insured and had attained retirement age or any subsequent year. This provision will preclude counting against a woman, in a disability benefit computation, years that would not be counted against her in computing her old-age insurance benefit.

Section 303 (g) (1) of the bill is a saving clause which provides that, in the case of any individual who was first eligible for old-age insurance benefits before 1961 and who (a) files an application for benefits after 1960, or (b) dies after 1960 without being entitled to old-age insurance benefits, the benefit computation may be made under the provisions of existing law, using as a closing date the first day of the first year in which the individual was both fully insured and had attained retirement age, if he could have used such a closing date under existing law and if it will result in a higher primary insurance amount. This provision will permit the use of the benefit computation provisions of existing law in any case in which those provisions, using a closing date prior to 1961 for which an individual is now eligible, could increase his benefit amount.

Section 303 (g) (2) of the bill provides that an individual who was entitled to a disability insurance benefit computed under the provisions of the law as in effect prior to the enactment of the bill and who attains

age 65 after 1960 will have his average monthly wage, for the purpose of determining his old-age insurance benefit amount, computed under the present provisions of section 215(b) rather than under the amended provisions in the bill, unless he qualifies, after 1960, for a work recomputation. In the absence of such a provision, a person who is now receiving a disability insurance benefit and who attains age 65 after 1960 might receive a larger old-age insurance benefit when he reaches age 65 solely because of the change made in the method of computing the average monthly wage, and not because of any additional earnings on his part.

Section 303(h) of the bill is a saving clause to retain the present provisions of section 215(f)(3) (relating to a recomputation to include earnings in the year of entitlement to old-age insurance benefits, or the year of death, in the benefit computation) in those cases where the recomputation is made on the basis of an application filed on or after the date of enactment of the bill, to take account of earnings in the year of entitlement or death of an individual who became entitled to benefits or to a work recomputation before 1961, or who died before 1961.

Paragraph (1) of section 303(h) provides that any recomputation described in the preceding paragraph shall be made as if the individual had first become entitled to old-age insurance benefits in the month in which he filed the application for the recomputation or the month in which he died, whichever is applicable. This change has the effect of removing the requirement in existing law that only the starting dates and benefit formulas for which the individual qualified at the time of the original benefit computation can be used in the recomputation. The effect of removing this requirement in the recomputation will be to permit the consideration of all starting dates and benefit formulas for which the beneficiary could qualify, under other applicable provisions of law, on the basis of his earnings through the year of entitlement to benefits or the year of death, whichever is applicable.

Paragraph (2) of section 303(h) precludes the use of the provisions of section 215(b)(4) (relating to the dropout of up to 5 years in which earnings were lowest) in such recomputations unless the worker otherwise meets the requirements for the dropout. Without this provision, any individual who became entitled to benefits after August 1954 and did not meet the qualifications for the dropout could have a dropout merely by filing an application for this recomputation.

Section 303(h) also provides for a special recomputation, based on an application filed on or after the date of enactment of the bill, of benefits based on the primary insurance amount of an individual who was disadvantaged by the present provisions of section 215(f)(3) in that the recomputation had to be made using the same starting date and benefit formula as his original computation, even though at the time he applied for the recomputation he had met the requirements for a more favorable method. A recomputation under this subsection will be effective for and after the first month for which the last previous recomputation of such worker's primary insurance amount under section 215 was effective, but not more than 24 months before the month in which the application for the recomputation is filed.

Paragraph (1) of section 303(i) of the bill provides that, in the case of an application for a work recomputation under section 215(f)

(2) of the Social Security Act which is filed after 1954 and before 1961, the provisions of section 215(f) (2) of such act as in effect before the enactment of this bill are to apply. Paragraph (2) of subsection (i) provides that in any case where an individual who died after 1954 and prior to 1961 was entitled to an old-age insurance benefit at the time of his death, the special work recomputations (including recalculations involving railroad compensation) for the purpose of survivors' benefits provided under section 215(f) (4) of the act will be made under the present provisions of section 215 of the law rather than under the amendments made by the bill.

Section 303(j) of the bill provides that in any case where an individual whose benefits were computed under the revised method provided by the bill was entitled, under the provisions in the law relating to the retroactive payment of benefits, to a benefit for any month prior to January 1961, the average monthly wage as determined under the amendments, rather than an average monthly wage determined under the present provisions of the law, will be used in determining his primary insurance amount for such prior month.

Section 303(k) of the bill amends section 102(f) (2) (B) of the Social Security Amendments of 1954 (relating to the recomputation provided by those amendments for people then already on the benefit rolls who acquire six quarters of coverage after June 30, 1953, to permit the dropout of up to 5 years of low earnings) to provide that the recomputation shall be made only under existing provisions of the law. Section 303(k) also corrects a typographical error in existing law.

SECTION 304. ELIMINATION OF CERTAIN OBSOLETE RECOMPUTATIONS

Section 304 of the bill provides that certain recomputations (described below) provided in existing law that have served their primary purpose and are now seldom used are not to apply in the case of insured individuals who are alive on January 1, 1961, unless application for the recomputation was filed before that date. Survivors of an insured individual who died before 1961 will not be affected by these amendments and hence will be able to get any recomputation to which the insured individual would have been entitled had he applied during his lifetime.

Section 304(a) of the bill amends section 215(f) (5) of the Social Security Act, which is a provision for recomputation to include 1952 self-employment income where an individual became entitled to an old-age insurance benefit or died in 1952. This recomputation was provided in order to include in the benefit computation of a person who retired or died in 1952 his self-employment income in a taxable year beginning or ending in 1952.

Section 304(b) of the bill amends section 102(e) (5) of the Social Security Amendments of 1954, which provides a "work recomputation" under the law in effect prior to those amendments for insured individuals who qualified for the recomputation before September 1954 but did not file application for it.

Section 304(c) of the bill amends section 102(e) (8) of the Social Security Amendments of 1954, which makes possible the use, after August 1954, of the recomputation, provided in the law in effect before those amendments, to include in the benefit computation earnings in

the two calendar quarters before entitlement or death where entitlement or death occurred before September 1954. This recomputation was provided because, as a result of the time lag in reporting and recording earnings, records of such earnings were not available at the time of initial computation. The recomputation cannot apply in any case where entitlement or death occurred after August 1954, when the computation of the average monthly wage was changed so as to be based on full calendar years rather than calendar quarters.

Section 304(d) of the bill amends section 5(c)(1) of the Social Security Act Amendments of 1952, which provides a recomputation to include post-World War II military service wage credits for insured individuals or survivors on the benefit rolls in August 1952. This recomputation was provided in order to include such credits where they could not have been used at the time of the insured individual's original computation.

TITLE IV—DISABILITY INSURANCE BENEFITS AND THE DISABILITY FREEZE

SECTION 401. ELIMINATION OF REQUIREMENT OF ATTAINMENT OF AGE 50 FOR DISABILITY INSURANCE BENEFITS

Age requirement

Section 401(a) of the bill amends section 223(a)(1)(B) of the Social Security Act so as to eliminate the requirement that an individual must have attained the age of 50 in order to be eligible for disability insurance benefits.

Conforming amendment

Section 401(b) of the bill amends section 223(c)(3) of the act to make a conforming change by removing the provision restricting the beginning of a person's waiting period to no earlier than the first day of the sixth month before the month he attains the age of 50.

Effective date

Section 401(c) of the bill provides that the amendments made by section 401 of the bill shall apply only with respect to monthly benefits for months after the month following the month in which the bill is enacted, based on applications filed in or after the month of enactment.

SECTION 402. ELIMINATION OF THE WAITING PERIOD FOR DISABILITY INSURANCE BENEFITS IN CERTAIN CASES

No waiting period in second disabilities

Section 402(a) of the bill amends section 223(a)(1) of the Social Security Act to provide that an individual may become entitled to disability insurance benefits for the first month throughout which he is under a disability and is insured, provided he was entitled to disability insurance benefits which terminated, or had a prior period of disability which ceased, not more than 60 months before such first month. For such an individual, this provision in the bill would eliminate the waiting period requirement and make an exception to the general rule that a person must be disabled for at least 6 full months before he may receive benefits.

Computation of disability insurance benefits in cases of second disability

Section 402(b) of the bill amends section 223(a)(2) of the Social Security Act to provide that the amount of the disability insurance benefits payable to an individual who is disabled a second time within 60 months will be equal to his primary insurance amount computed as though he became entitled to an old-age insurance benefit in the first month for which he becomes entitled to such disability insurance benefits. (For a further amendment to sec. 223(a)(2) to bring it into conformity with the new computation procedures provided under the bill, see sec. 303(f) (discussed above).)

Advance filing of applications

Section 402(c) of the bill amends section 223(b) of the Social Security Act to permit the filing of a valid application for disability insurance benefits as early as 9 months before the applicant is entitled to benefits (as under present law), or 6 months if the applicant is disabled a second time within 60 months, and to provide that any application filed within such 9-month period or such 6-month period shall be deemed to have been filed in the first month for which the applicant is entitled to benefits. Thus, if an individual is not under a disability (as defined in sec. 223(c)(2) of the act) when he files application for disability insurance benefits but is determined to be under such disability within such 9-month period or such 6-month period, his application would be deemed to have been filed in the first month in which he is under such disability. Under present law an individual is required to be under a disability at the time of filing. This provision eliminates the need for a new application from an individual who is determined not to be under a disability when he files if he is under a disability which begins within the period throughout which the application is otherwise valid.

Requirement of continuous disability for retroactive payment

Section 402(d) of the bill further amends section 223(b) of the Social Security Act to provide that an individual entitled to disability insurance benefits without serving a waiting period because he is disabled a second time within 60 months would (like all other applicants for disability insurance benefits under present law) have to be continuously disabled from the first month for which such benefits are retroactively payable until he files application therefor. Such an individual could thus be entitled to benefits for as many as 12 months before the month in which he files application (but in no case for any month before the month of enactment of this provision).

Period of disability of less than 6 months

Section 402(e)(1) of the bill amends section 216(i)(2) of the Social Security Act to provide that a period of disability of less than 6 months' duration may be established for an individual who becomes entitled to disability insurance benefits without serving a waiting period because he is disabled a second time within 60 months. Under present law, no period of disability may be established until an individual has been under a disability for at least 6 full calendar months.

Section 402(e)(2) further amends section 216(i)(2) of the act to provide that the application for a determination of disability of an

individual who becomes entitled to disability insurance benefits without serving a waiting period because he is disabled a second time within 60 months may be filed up to 6 months before he becomes entitled to such benefits. Other applicants for determinations of disability, as under present law, may file valid applications no earlier than 3 months before a period of disability may begin. Any application filed for a determination of disability by an individual who is not under a disability (as defined in sec. 223(c)(2) of the act) at the time of filing would be deemed to have been filed in the first month in which he is under such disability if he is determined to be disabled within the 3-month period (of 6-month period if the individual is disabled and becomes entitled to disability insurance benefits a second time within 60 months) for which his application is otherwise valid.

Effective dates

Section 402(f) of the bill provides effective dates for the amendments made by section 402. The amendments made by subsections (a) and (b), relating to the payment of disability insurance benefits in the case of an individual who becomes disabled a second time within 60 months, would be applicable only with respect to monthly benefits for the month in which the bill is enacted and subsequent months. The amendment made by subsection (c), relating to the time for filing valid applications for disability insurance benefits, would be applicable only with respect to applications filed no earlier than 6 months before the month in which the bill is enacted. The amendment made by subsection (d), relating to the payment of disability insurance benefits retroactively, would be applicable only with respect to applications for benefits under section 223 of the Social Security Act filed in or after the month in which the bill is enacted. The amendments made by subsection (e), relating to periods of disability of less than 6 months' duration, would be applicable only in the case of individuals who became entitled to benefits under such section 223 in or after the month in which the bill is enacted.

SECTION 403. PERIOD OF TRIAL WORK BY DISABLED INDIVIDUAL

Section 403(a) of the bill deletes the existing section 222(c) of the Social Security Act relating to services performed pursuant to a State-approved rehabilitation program and substitutes therefor a new section 222(c). Under present law an individual entitled to benefits on account of his disability or to a period of disability is not regarded as able to engage in substantial gainful activity solely by reason of services of this nature rendered in a period not to exceed 12 calendar months.

Trial work provision

Paragraph (1) of the new section 222(c) defines a period of trial work for disability insurance beneficiaries and childhood disability beneficiaries as a period which begins and ends as provided in subsequent provisions of the subsection.

Work disregarded during period of trial work

Paragraph (2) of the new section 222(c) provides that services rendered during a trial-work period by an individual are not to be considered in determining whether his disability has ceased during

such period. "Services" are defined as activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.

When period of trial work begins

Paragraph (3) of the new section 222(c) provides that a period of trial work will begin with the month in which an individual becomes entitled to disability insurance benefits or childhood disability benefits, or the month after the month in which the bill is enacted, if later (or, in the case of childhood disability benefits, the month in which the individual attains age 18, if that is later). This paragraph also provides that an individual may have no more than one period of trial work during any one period of disability. No period of trial work would begin for a person for whom a period of disability is established but who is not entitled to disability insurance benefits.

When period of trial work ends

Paragraph (4) of the new section 222(c) provides that a period of trial work (beginning as provided above) shall end with the ninth month in which the individual renders services (whether or not such 9 months are consecutive) or the month in which his physical or mental impairment improves to a point where by reason of such improvement he is able to engage in substantial gainful activity, whichever is earlier.

No trial-work period in certain reentitlement cases

Paragraph (5) of the new section 222(c) provides that any person entitled to disability insurance benefits without serving a waiting period (because he has had a prior period of disability which ceased within the 60 months preceding the onset of the current disability) may not have a period of trial work while so entitled.

Extension of disability insurance benefits

Section 403(b) of the bill amends paragraph (1) of section 223(a) of the Social Security Act to provide that disability insurance benefits shall be payable for the month in which the disability ceases and for the 2 succeeding months. Under present law such benefits are not payable for the month in which the disability ceases or for any month thereafter. This provision would permit time for previously disabled persons to find jobs and adjust to work routines. This 3-month extension of benefits would be in addition to the period of trial work where such a period occurs.

Extension of period of disability

Section 403(c) of the bill amends section 216(i)(2) of the Social Security Act to provide that a period of disability shall end with the second month after the month in which disability ceases. Present law provides that a period of disability shall end with the month in which the disability ceases. This provision would make the period of disability coextensive with the period for which disability insurance benefits are payable—i.e., in most cases, such benefit period plus the 6-month waiting period before benefits become payable. In present law disability insurance benefits are not payable for the month in which the disability ceases, whereas the period of disability ends with the end of such month and therefore always extends 1 month beyond the last month for which benefits are payable.

Extension of childhood disability benefits

Section 403(d) of the bill amends section 202(d)(1) of the Social Security Act to provide that (as in the case of the amendment to the disability insurance benefit provisions described above), childhood disability benefits will be payable for the month in which the disability ceases and for the 2 succeeding months. Under present law such benefits are not payable for the month in which the disability ceases or for any month thereafter.

Effective dates

Paragraph (1) of section 403(e) of the bill provides that the amendment made by section 403(a), relating to the provision of a trial-work period, shall be effective only with respect to months beginning after the month in which the bill is enacted.

Paragraph (2) of section 403(e) provides that the amendments made by sections 403(b) and (d), relating to benefit payments for the month in which the disability ceases and the 2 succeeding months, shall be applicable only with respect to benefits under section 223(a) or 202(d) of the Social Security Act for months after the month in which the bill is enacted in the case of individuals who, without regard to such amendments, would have been entitled to such benefits for the month in which the bill is enacted or for any succeeding month.

Paragraph (3) of section 403(e) provides that the amendment made by section 403(c), relating to the extension of a period of disability for 2 months after the month in which disability ceases, shall be applicable only in the case of individuals who have a period of disability (as defined in section 216(i) of the Social Security Act) beginning on or after the date of the enactment of the bill, or beginning before such date and continuing, without regard to such amendment, beyond the end of the month in which the bill is enacted.

SECTION 404. SPECIAL INSURED STATUS TEST IN CERTAIN CASES FOR DISABILITY PURPOSES*Alternative work requirement*

Section 404(a) of the bill provides an alternative requirement for an individual who cannot meet the work requirements for disability protection as provided under sections 216(i)(3) and 223(c)(1) of the Social Security Act. Such sections presently require that, in order for a period of disability to begin for an individual with respect to a day in any quarter, or in order for an individual to be insured for disability insurance benefits for a month in any quarter, an individual must be fully insured and have not less than 20 quarters of coverage out of the 40-quarter period ending with such quarter. Under the alternative requirement provided by the amendment, an individual who could not meet the existing requirements with respect to any quarter would be deemed to have met them if he had not less than a total of 20 quarters of coverage and if all quarters elapsing after 1950 and up to such quarter (which in no event may be less than 6) were quarters of coverage for him.

Effective date

Section 404(b) of the bill provides that section 404(a) shall be effective only with respect to applications for disability insurance benefits

or for disability determinations under sections 223 and 216(i), respectively, of the Social Security Act (and applications for monthly benefits under section 202 of such Act based on the earnings record of the disability insurance beneficiary) filed in or after the month of enactment of the bill, and only in the case of a person who but for such subsection could not meet the requirements for such benefits or such determination in the quarter in which the bill is enacted or any prior quarter. No benefits for the month in which the bill is enacted or any prior month will be payable or increased by reason of section 404(a).

TITLE V—EMPLOYMENT SECURITY

SECTION 501. AMENDMENTS TO TITLE IX OF SOCIAL SECURITY ACT

Section 501(a) of the bill amends section 902(2) of the Social Security Act (1) by raising from \$200 million to \$500 million the amount authorized to be built up in the Federal unemployment account from Federal unemployment tax revenues, and (2) by striking out a reference to section "1202 c" of the act and substituting therefor "1203" to conform to a similar change made by section 502(a) of the bill.

Section 501(b) of the bill amends section 903(b) of the Social Security Act by designating the present subsection (b) as paragraph (1) of subsection (b) and adding a new paragraph (2).

The new subsection (b) deals with States which are not eligible for certification under section 303 of the Social Security Act or which have laws which are not approvable under section 3304 of the Federal Unemployment Tax Act. The substance of paragraph (1) of the new subsection (b) is the same as the substance of existing section 903(b). In general terms, the share of any such State is held for 1 year in the Federal unemployment account. If, during that year, the Secretary of Labor finds and certifies to the Secretary of the Treasury that the requirements of section 303 of the Social Security Act and of section 3304 of the Federal Unemployment Tax Act are now satisfied in the case of such State, the Secretary of the Treasury transfers such State's share (with no interest) to the account of such State in the unemployment trust fund. If, however, the Secretary of Labor does not so find and certify during the 1-year period, then the amount which was available for transfer to the account of such State ceases to be available for such purpose and instead becomes unrestricted as to use as part of the Federal unemployment account.

Paragraph (2) of section 903(b) is a new provision. It requires that any amount which would otherwise be transferred to the account of a State by reason of section 903(a) or section 903(b)(1) is to be reduced by the balance of advances made from the Federal unemployment account to such State under section 1201. The amount of this reduction, instead of being credited to the account of the State under section 903(a), will be transferred to the Federal unemployment account and will be credited against, and operate to reduce, the balance of advances made to the State under section 1201. Similarly, any amount otherwise transferable to the State's account from the Federal unemployment account, as provided in section 903(b)(1) (because the State law is then approvable under sec. 3304 and certifiable under sec. 303) will be retained in the Federal unemployment account at such time becoming unrestricted as to use as part of the Federal

unemployment account, and will be credited against, and operate to reduce, the balance of advances made to the State under section 1201. Transfer to or retention in the Federal unemployment account, as the case may be, will be made as of the date the sums would otherwise have been transferred to the State's account. Any balance of advances made before the enactment of this bill will first be reduced, and any balance of advances made thereafter will next be reduced.

Section 501(c) of the bill amends section 904(b) of the Social Security Act by striking out a reference to section "1202(c)" and substituting therefor "1203" to conform to a similar change made by section 502(a) of the bill.

Section 501(d) of the bill amends section 904(e) of the Social Security Act by striking out a reference to section "1202(c)" and substituting therefor "1203" to conform to a similar change made by section 502(a) of the bill.

SECTION 502. TITLE XII OF THE SOCIAL SECURITY ACT

Section 502 of the bill amends title XII of the Social Security Act to substitute a new text therefor, consisting of sections 1201 to 1204, inclusive. This title of the Social Security Act provides for advancing funds to State unemployment funds from the Federal unemployment account in the Unemployment Trust Fund.

TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

SECTION 1201. ADVANCES TO STATE UNEMPLOYMENT FUNDS

(a) *Advances.*—Subsection (a) of section 1201 provides that advances shall be made to the States from the Federal unemployment account in the Unemployment Trust Fund under the conditions specified and shall be repayable (without interest) in the manner provided in the following provisions of the Social Security Act:

(1) Section 901(d)(1) relating to repayment by the transfer to the Federal unemployment account of the additional tax received by reason of the reduced credits provisions of section 3302(c) (2) or (3) of the Federal Unemployment Tax Act, and the crediting of the amount so transferred against the balance of outstanding advances made to the State.

(2) Section 903(b)(2) relating to repayment by the transfer to the Federal unemployment account of the amount that otherwise would be transferred to the account of a State to be credited against the balance of outstanding advances made to the State; and

(3) Section 1202 relating to repayment by a State of outstanding advances by transfers from the State account.

An advance may be made to a State for the payment of compensation in any month if (A) the Governor of the State applies for such advance no earlier than the 1st day of the preceding month, and (B) he furnishes to the Secretary of Labor his estimate of the amount of an advance which will be required by the State for the payment of unemployment compensation in such month. A State may make more than one application with respect to a month.

After receiving an application, the Secretary of Labor is required to (A) determine the amount (if any) which he finds will be required

by the State for the payment of unemployment compensation in such month, making due allowance for contingencies that may occur during the month and taking into account all other amounts that will be available in the State's fund; and (B) certify to the Secretary of the Treasury the amount so determined (which may not be greater than the amount requested by the Governor of the State). The aggregate amount so certified by the Secretary of Labor with respect to any month shall not exceed the amount which the Secretary of the Treasury reports to him is available in the Federal unemployment account for such advances.

Subsection (a) of section 1201 continues the existing provision of law that for purposes of the subsection—

(1) the application for an advance shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under title XII, and

(2) the term "compensation" means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.

(b) *Transfer of amount certified.*—Subsection (b) of section 1201 continues the requirement of existing law that the Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of the State in the Unemployment Trust Fund, the amount certified for advance by the Secretary of Labor (but not exceeding the amount in the Federal unemployment account at the time of the transfer which is not restricted as to use pursuant to section 903(b)(1)).

SECTION 1202. REPAYMENT BY STATES OF ADVANCES TO STATE UNEMPLOYMENT FUNDS

This section, as does section 1202(a) of existing law, provides that the Governor of any State may at any time request that funds be transferred from the State's account to the Federal unemployment account in repayment of part or all of the balance of advances made to such State. If there are outstanding balances of advances made both before and after the enactment of this bill, the Governor may specify against which balance the payment shall be applied. The Secretary of Labor is required to certify to the Secretary of the Treasury the amount and balance stated in the request against which the payment shall apply; and the Secretary of the Treasury is required to promptly transfer such amount in reduction of such balance.

SECTION 1203. ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

This section is the same as section 1202(e) of existing law, and authorizes the appropriation to the Federal unemployment account, as repayable advances (without interest), of such sums as may be necessary to carry out the purposes of title XII of the Social Security Act.

SECTION 1204. DEFINITION OF GOVERNOR

Section 1204 is the same as section 1203 of existing law. It provides that for purposes of title XII, the term "Governor" includes the Commissioners of the District of Columbia.

Section 502(b) of the bill is a new transitional provision. This subsection provides that no advance shall be made on or after the effective date of this bill on the basis of an application made under section 1201(a) of the Social Security Act as in effect before such date. An exception, however, is made if (A) some but not all of an advance certified by the Secretary of Labor to the Secretary of the Treasury was transferred to a State's account, and (B) the Governor of such State, after the enactment of this bill, requests the Secretary of the Treasury to transfer all or any part of the remainder to the State's account. In this situation, the amount so requested or (if smaller) the amount available in the Federal unemployment account shall be transferred to the State's account. Even though all of the remainder is not transferred pursuant to such request, there will be no further transfer unless and until there is another request from the Governor. It is provided that any amount so transferred will be treated as an advance made before the date of the enactment of this bill. No transfer may be made, however, after the 1-year period beginning on the date this bill is enacted.

SECTION 503. FEDERAL UNEMPLOYMENT TAX ACT

Section 503 of the bill amends section 3302 of the Internal Revenue Code of 1954, relating to computations of credits against the tax by striking out subsection (c) and inserting in lieu thereof new subsections (c) and (d).

Section 3302(a) permits credit against the Federal tax for contributions with respect to the taxable year paid into a State unemployment fund on or before the due date of the Federal return for such year. Credit is also permitted under existing law for contributions paid after the due date of the Federal return but this credit is not to exceed 90 percent of the amount which would have been allowable as credit on account of such contributions had they been paid on or before the due date of the Federal return. An additional credit is allowable under section 3302(b) with respect to the amount of contributions which a taxpayer is relieved from paying to an unemployment fund under the experience rating provisions of a State law which has been certified for the taxable year as provided in section 3303 of the code. Section 3302(c)(1) provides that the total credits allowed to a taxpayer shall not exceed 90 percent of the tax against which such credits are allowable.

The amendment to section 3302 makes no change in the credits allowable under subsections (a), (b), and (c)(1) of section 3302 of existing law. Subsection (c)(2) of existing law, which provides for a reduction in the amount of total credits allowable under certain circumstances, appears as a new subsection (c)(2) with no substantive change (other than changing the December 1 date to November 10, and placing such date in new subsection (d)(3)), but is limited in application to an advance or advances made before the date of enactment of your committee's bill. If an advance or advances made under title XII of the Social Security Act before the date of the

enactment of this bill remain unreturned on January 1 of each of 4 consecutive taxable years, the total credits allowable to a taxpayer subject to the unemployment compensation law of such State are reduced (by 5 percent of 3 percent or 0.15 percent with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) for the taxable year beginning with the fourth such January 1, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned. The total credits otherwise allowable will be further reduced (by an additional 5 percent of 3 percent for each such succeeding taxable year with respect to wages paid by such taxpayer during each such taxable year which are attributable to such State) in the case of any succeeding taxable year beginning with a consecutive January 1 on which a balance of an unreturned advance or advances exists, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of the State prior to such date is fully returned.

Section 3302 is further amended by providing a new subsection (c)(3). New subsection (c)(3)(A) provides that if an advance or advances made under title XII of the Social Security Act on or after the date of the enactment of this bill remain unreturned on January 1 of each of 2 consecutive taxable years, the total credits (after applying subsecs. (a), (b), and (c) (1) and (2) of sec 3302) allowable to a taxpayer subject to the unemployment compensation law of such State are reduced (by 10 percent of 3 percent or 0.3 percent with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) for the taxable year beginning with the second such January 1, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned. Thus, if there is a balance outstanding as of the beginning of November 10, the reduced credit provisions will apply to the State even though there may have been no balance outstanding for some period between January 1 and November 10 of the taxable year. The total credits will be further reduced (by an additional 10 percent of 3 percent for each such succeeding taxable year with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) in the case of any succeeding taxable year beginning with a consecutive January 1 on which a balance of unreturned advances exists unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the account of the State prior to such date is fully returned.

New subsection (c)(3)(B) provides that the total credits otherwise allowable to the taxpayer for the taxable year will be further reduced (in addition to the reduction provided in subsec. (c)(3)(A)) in the case of a taxable year beginning with the third or fourth consecutive January 1 as of the beginning of which there is such a balance of advances, unless prior to November 10 of the taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned, or unless the average employer contribution rate for such State for the calendar year preceding such taxable year is at least 2.7 percent. The additional reduction, if any, for each such taxable year shall be an amount determined by multi-

plying wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage by which 2.7 percent exceeds the average employer contribution rate for such State for the calendar year immediately preceding such taxable year. The average employer contribution rate is defined in new subsection (d)(4) as the percentage obtained by dividing the total of the contributions paid into the State unemployment fund with respect to such calendar year, by the total of the remuneration subject to contributions under the State unemployment compensation law (State taxable wages) with respect to such calendar year. New subsection (c)(3)(C) provides that the total credits otherwise allowable to the taxpayer for the taxable year will be further reduced (in addition to the reduction provided in subsec. (c)(3)(A)) in the case of a taxable year beginning with the fifth or any succeeding consecutive January 1 as of the beginning of which there is such a balance of advances, unless prior to November 10 of the taxable year the aggregate amount of all such advances theretofore made to the account of such State has been fully returned, or unless the average employer contribution rate for such State for the calendar year preceding such taxable year was equal to the 5-year benefit-cost rate applicable to such State or 2.7 percent, whichever is higher. The additional reduction, if any, for each such taxable year shall be an amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage by which the 5-year benefit-cost rate applicable to such State for such taxable year, or (if higher) 2.7 percent, exceeds the average employer contribution rate for such State for the calendar year preceding such taxable year. The 5-year benefit-cost rate is defined in new subsection (d)(5) as the percentage obtained by dividing one fifth of the total of the compensation paid under the State unemployment compensation law during the 5-year period ending at the close of the second calendar year preceding such taxable year by the total of the remuneration subject to contributions under the State unemployment compensation law (State taxable wages) with respect to the first calendar year preceding such taxable year. If the average employer contribution rate for purposes of reductions described in section 3302(c)(3)(C), is 2.7 percent or higher, such rate shall be recomputed and determined by dividing the sum of employer contributions paid into the unemployment fund of such State and employee payments into the fund which are to be used solely in payment of unemployment compensation by the total of the remuneration subject to contributions under the State unemployment compensation law (State taxable wages) with respect to such calendar year.

The amendments of section 3302(c) contemplate that the reduced credit provisions are to apply separately for old advances and for new advances. Thus, if the additional tax collected by reason of section 3302(c)(2) exceeds the balance of advances described in that paragraph, the excess goes to the State account and not to reduce the balance of advances described in section 3302(c)(3). The same principle would apply to excess collections under section 3302(c)(3) where a balance of advances described in section 3302(c)(2) continued to exist.

A new subsection (d) is added to section 3302, providing definitions and special rules relating to subsection (c). Paragraph (1) provides,

as does the present law, that the wages attributable to a particular State are those subject to the unemployment compensation law of the State, or if not covered by any State law, as determined under rules and regulations prescribed by the Secretary of the Treasury or his delegate. Paragraph (2) provides that reductions in credits under paragraph (2) or (3) of section 3302(c) with respect to any State shall not apply for a taxable year if as of the beginning of November 10 of such year there is no balance of advances referred to in such paragraph (2) or (3) of subsection (c). Paragraph (3) defines average employer contribution rate. Paragraph (4) defines the 5-year benefit-cost rate. Paragraph (5) provides that if any percentage referred to in either subparagraph (B) or (C) of subsection (c)(3) is not a multiple of 0.1 percent, it shall be rounded to the nearest multiple of 0.1 percent. Thus, if a percentage is 2.57 percent, it shall be rounded to 2.6 percent; if it is 2.53 percent, it shall be rounded to 2.5 percent; or if it is 2.96 percent, it shall be rounded to 3.0 percent. In the case of subparagraph (C) of section 3302(c)(3), the two rates referred to shall not be rounded until the difference is determined. For example, if the 5-year benefit-cost rate is 3.26 and the average employer contribution rate is 3.14, the difference is 0.12 and the reduction in credit would be 0.1 percent of wages. If these two rates were rounded separately, 3.26 would be increased to 3.3 percent and 3.14 would be decreased to 3.1 percent, and the difference would be 0.2 percent. Paragraph (6) provides that the percentages referred to in subsection (c)(3) (B) or (C) shall be determined by the Secretary of Labor and certified to the Secretary of the Treasury before June 1 of a taxable year on the basis of a report furnished to the Secretary of Labor by the State before May 1 of such year. Any State report shall be as of the close of March 31 of the taxable year. Paragraph (7) is a cross reference to section 104 of the Temporary Unemployment Compensation Act of 1958 which relates to the reduction of total credits allowable under subsection (c). Subsection (c) of section 523 of the bill provides that the amendments made by subsection (a) shall apply only with respect to the calendar year 1961 and calendar years thereafter.

The application of section 3302(c) as amended by section 503 of the committee's bill may be illustrated by the following example:

Example.—Assume that State Z received an advance of \$30 million on July 10, 1957, and that after the enactment of the bill State Z receives advances in July, August, September, October, and November of 1960 totaling \$170 million, and additional advances in May, June, July, August, September, and October of 1964 totaling \$260 million. The 1960 loan balance is repaid on March 5, 1964. The following tables will show the application of the reduction of credit provisions of section 3302(c).

TABLE A.—Reduction of credits

Federal taxable year	Percentage of credit reduction under 3302(c) (2)	Percentage of credit reduction under 3302 (c) (3) (A)	Percentage reduction attributable to effect of 3302(c) (3) (B)	Percentage reduction attributable to effect of 3302(c) (3) (C)	Date of additional tax paid by reason of reduction provisions	Reduction attributable to effect of 3302(c) based on wages paid in
1961 ¹ -----	0.15				Jan. 31, 1962	1961
1962 ² -----	.3	0.3			Jan. 31, 1963	1962
1963 ³ -----		.6	⁶ 0.4 (2.7-2.3)		Jan. 31, 1964	1963
1964 ⁴ -----		.9	⁶ .3 (2.7-2.41)		Jan. 31, 1965	1964
1965-----		1.2		⁷ 0.2 (2.88-2.7)	Jan. 31, 1966	1965
1966-----		1.5		⁷ .1 (2.82-2.71)	Jan. 31, 1967	1966

¹ 4th consecutive Jan. 1 has passed and the 1957 advance has not been repaid by Nov. 10.

² 2d consecutive Jan. 1 has passed and the new advances have not been repaid by Nov. 10. Also, the 5th consecutive Jan. 1 has passed for the 1957 advance without repayment.

³ 3d consecutive Jan. 1 has passed and the new advances have not been repaid by Nov. 10. The credit reductions under sec. 3302(c)(2) have discharged the 1957 advance.

⁴ 4th consecutive Jan. 1 has passed and the new advances have not been repaid by Nov. 10.

⁵ (Note: There is still a balance of advances made after the enactment of the Employment Security Act of 1960, since all such new advances are aggregated and only a portion of the aggregate has been repaid.)

⁶ See tables B and D.

⁷ See tables B, C, and D.

TABLE B.—State Z's financial experience

[Amounts in millions of dollars]

Year	Benefits paid by State	Employer contributions	State taxable wages	Employer contribution as percent of State taxable wages	Federal taxable wages
1959-----	\$260	\$186	\$7,950	2.34	\$7,150
1960-----	180	144	8,150	1.77	7,350
1961-----	160	157	8,500	1.85	7,650
1962-----	195	198	8,600	2.30	7,750
1963-----	385	195	8,100	2.41	7,300
1964-----	263	221	8,200	2.70	7,380
1965-----	185	228	8,400	2.71	7,550
1966-----	190	225	8,500	2.65	7,650

TABLE C.—Determination of 5-year benefit-cost rate

[Amounts in millions of dollars]

Taxable year	5-year period	Total benefit payments	Average annual benefit payments	State taxable wages	Benefit-cost rate (percent)
1965-----	1959 to 1963-----	\$1,180	\$236	¹ \$8,200	2.88
1966-----	1960 to 1964-----	1,183	237	² 8,400	2.82

¹ For 1964.

² For 1965.

TABLE D.—Automatic repayment of advances through reduced tax credits under sec. 3302(c) (2) and (3) (A)

[Amounts in millions of dollars]

Federal taxable year	Amount of federally taxable wages	To be paid by Jan. 31 of—	Percent of credit reduction under 3302(c) (2)	Additional taxes under 3302(c) (2)	Percent of credit reduction under 3302(c) (3) (A)	Additional taxes under 3302(c) (3) (A)
1961.....	\$7,650	1962	0.15	\$11.475		
1962.....	7,750	1963	.3	23.25	0.3	\$23.25
1963.....	7,300	1964			.6	43.8
1964.....	7,380	1965			.9	66.42
1965.....	7,550	1966			1.2	90.6
1966.....	7,650	1967			1.5	114.75

TABLE E.—Additional taxes resulting from provisions pertaining to State tax yields (sec. 3302(c) (3) (B) and (C))

Federal taxable year	Actually paid by Jan. 31—	Based on State tax rate in—	Amount of tax equal to (in millions of dollars)—
1963.....	1964	1962	1963 Federal wages (from table B) × (2.7—1962 actual average State employer contribution rate). ¹ \$7,300 × (2.7—2.30) = \$7,300 × 0.4 = \$29.2.
1964.....	1965	1963	1964 Federal wages (from table B) × (2.7—1963 actual average State employer contribution rate). \$7,380 × (2.7—2.41) = \$7,380 × 0.3 = \$22.14.
1965.....	1966	1964	1965 Federal wages (from table B) × (higher of 2.7 or 1959—63 cost rate minus 1964 actual average State employer contribution rate). \$7,550 × (2.88—2.7) = \$7,550 × 0.2 = \$15.1.
1966.....	1967	1965	1966 Federal wages (from table B) × (higher of 2.7 or 1960—64 cost rate minus 1965 actual average State employer contribution rate). \$7,650 × (2.82—2.71) = \$7,650 × 0.1 = \$7.65.

¹ No employee contributions in State Z.

TABLE F.—Summary of repayment of advances

[Amounts in millions of dollars]

Date on which paid	Additional taxes under 3302(c) (2)	Additional taxes under 3302(c) (3) (A)	Reduced credit when tax yield is inadequate	1957 outstanding loan balance	1960 loan balance	1964 loan balance	To State trust fund
Jan. 31, 1962.....	\$11.475			\$18.525	\$170.0		
Jan. 31, 1963.....	23.25	\$23.25		¹ 0	146.75		\$4.725
Jan. 31, 1964.....		43.8	\$29.2		² 73.75	\$260.0	
Jan. 31, 1965.....		66.42	22.14		0	260.0	
Jan. 31, 1966.....		90.6	15.1		0	171.44	
Jan. 31, 1967.....		114.75	7.65			65.74	56.66

¹ On Nov. 10, 1963, the balance of the advance of \$30,000,000 made in July 1957 is zero.

² On Mar. 5, 1964, the balance of the 1960 advances totaling \$170,000,000 is repaid by a payment of \$73,750,000. Additional 1964 advances totaling \$260,000,000 are made between May 1 and Oct. 31, 1964.

SECTION 504. CONFORMING AMENDMENT

Section 104 of Temporary Unemployment Compensation Act of 1958.—Section 504 of the bill amends section 104(a) of the Temporary Unemployment Compensation Act of 1958 by striking out the words “by December 1” and substituting therefor “before November 10” to conform to a similar change made in section 3302(d) (3) of the Federal Unemployment Tax Act by section 503 of the bill.

TITLE VI—MEDICAL SERVICES FOR THE AGED

SECTION 601. AMENDMENTS TO TITLE I OF THE SOCIAL SECURITY ACT

Section 601 of the bill amends title I of the Social Security Act so as to authorize Federal financial participation in approved State plans for old-age assistance or for medical assistance for the aged or for both old-age assistance and medical assistance for the aged. Title I of the Social Security Act now authorizes such participation only in State plans for old-age assistance.

Subsection (a) of section 601 of the bill would change the heading of title I of the Social Security Act so as to reflect the expansion of that title.

Subsection (b) of section 601 of the bill revises sections 1 and 2 of the Social Security Act. Section 1 now states the purpose of title I of the act and authorizes appropriations therefor. The bill would amend this section so as to indicate the additional purpose of enabling the States as far as practicable under the conditions existing therein to furnish medical assistance for the aged who are not recipients of old-age assistance but whose income and resources are insufficient to meet the cost of necessary medical services.

Section 2 of the Social Security Act now sets forth the conditions which a State plan for old-age assistance must meet in order to be approved by the Secretary and thereby qualify for Federal financial participation in expenditures under the plan.

The revised section 2 contains the requirements which State plans must meet in order to qualify for Federal participation. These requirements may be divided into three categories: (a) Those which apply to both old-age assistance and medical assistance for the aged; (b) those which apply only to old-age assistance; and (c) those which apply only to medical assistance for the aged.

(a) Requirements applying to both old-age assistance and medical assistance for the aged.

A State plan must—

- (1) Provide that it will be in effect in all political subdivisions and be mandatory upon those subdivisions if administered by them;
- (2) Provide for financial participation by the State which, effective January 1, 1962, would have to extend to all aspects of the State plan;
- (3) Provide for establishment or designation of a single State agency to administer or supervise administration of the plan;
- (4) Provide for giving claimants a fair hearing if their claims are denied or not acted upon with reasonable promptness;
- (5) Provide methods of administration found necessary for the proper and efficient operation of the plan—these must include a merit system for personnel;
- (6) Provide for making of necessary reports to the Secretary;
- (7) Provide safeguards against use and disclosure of information concerning applicants and recipients for assistance for purposes not directly connected with the administration of the plan;
- (8) Provide all individuals an opportunity to apply for assistance and provide that assistance will be furnished with reasonable promptness to those who are eligible.

These conditions appear in virtually identical form and substance in the existing law except that the specific requirement mentioned in item 2 above that the financial participation extend to all aspects of the State plan does not appear in the existing law.

(b) Requirements applying only to old-age assistance.

A State plan must—

(1) Provide for taking into consideration any other income and resources of an individual claiming old-age assistance in determining his need therefore;

(2) Include reasonable standards, consistent with the objectives of the title, for determining the eligibility of individuals for old-age assistance and the extent of such assistance;

(3) Provide a description of the services made available to help applicants and recipients attain self-care; and

(4) Provide in case the plan includes payments of old-age assistance to individuals in private or public institutions for a State authority or authorities to be responsible for maintaining standards for these institutions.

Items 1, 3, and 4 above are the same as provisions now included in section 2 of the Social Security Act. The language of item 2 is not included in existing law.

(c) Requirements applying only to medical assistance for the aged. (These requirements do not appear in existing law.)

A State plan must—

(1) Provide for inclusion of some institutional and some non-institutional care;

(2) Prohibit enrollment fees, premiums, and similar charges as a condition of eligibility;

(3) Include necessary provision for furnishing of assistance to residents of the State who are temporarily absent therefrom;

(4) Include reasonable standards for determining eligibility for assistance and the extent of assistance which is consistent with the objectives of the title;

(5) Provide that property liens will not be imposed on account of benefits received under the plan during a recipient's lifetime (except pursuant to a court judgment on account of benefits incorrectly paid), and limit recovery of benefits correctly paid to recover from the recipient's estate after the death of his surviving spouse, if any.

Subsection (b) of the revised section 2 of the Social Security Act requires the Secretary of Health, Education, and Welfare to approve any State plan which fulfills the conditions specified above, except that he may not approve a plan which imposes as a condition of eligibility for assistance under the plan an age requirement of more than 65 years or a citizenship requirement which excludes any citizen of the United States. These limitations are contained in existing law. Also carried over from existing law would be a prohibition of approval of a plan which, as to old-age assistance applicants, included any residence requirement which excludes any resident of the State who has resided therein for 5 years during the 9 years immediately preceding his application and who has resided therein continuously for 1 year immediately preceding his application. A different limitation would be applied to the residence requirements which a State, whose plan included medical assistance for the aged, could impose as a condition of eligibility for such assistance. In the case of such

a plan, approval would be prohibited if it included any residence requirement which excluded any individual (applying for medical assistance for the aged) who resides in the State.

Section 601(c) of the bill would revise section 3(a) of the Social Security Act. This section sets forth the formula for determining the amount of Federal payments which will be made with respect to expenditures under approved State plans.

Section 601(c) of the bill would revise section 3(a) of the Social Security Act. Section 3(a) of existing law sets forth the formula by which Federal payments to States with approved old-age assistance plans are determined. Federal payments to States (other than Puerto Rico, the Virgin Islands, and Guam) are equal to a portion of the States' expenditures (including expenditures for insurance premiums for medical or remedial care, or the cost thereof):

- (1) Four-fifths of the first \$30 of the average monthly payment per recipient; plus,
- (2) The Federal percentage of the average monthly payment per recipient over \$30 and up to \$65; plus,
- (3) One-half of the administrative expenses.

Federal payments to Puerto Rico, the Virgin Islands, and Guam are determined on a different basis:

- (1) One-half of the first \$35 of the average monthly payment per recipient; plus,
- (2) One-half of the administrative expenses.

(Federal percentage is defined in section 1101(a)(8) of the Social Security Act, and varies according to the States' per capita income. The Federal percentage cannot be larger than 65 percent, or smaller than 50 percent.)

The new section 3(a) would retain the existing provisions relating to Federal payments in respect State programs of old-age assistance and would add two additional items for which Federal matching would be available. The first provides for increased Federal participation in the medical aspects of State old-age assistance programs. The second provides for Federal payments to States which institute new programs of medical assistance for the aged who are not recipients of old-age assistance.

For States other than Puerto Rico, the Virgin Islands, and Guam, the increased Federal payments in respect to old-age assistance medical programs would be the larger of—

(a) The Federal medical percentage (as defined in sec. 6(c)) of expenditures over \$65 and up to the smaller of—

- (i) \$77 times the number of old-age assistance recipients,
- (ii) Total expenditures for medical or remedial care plus \$65 times the number of old-age assistance recipients.

(b) 15 percent of the total expenditures for medical or remedial care up to \$12 times the number of old-age assistance recipients.

Under the new formula, increased old-age assistance medical payments to Puerto Rico, the Virgin Islands, and Guam would be the larger of—

(a) One-half of average expenditures over \$35 and up to the smaller of—

- (i) \$41 times the number of old-age assistance recipients,
- (ii) Total expenditures for medical or remedial care plus \$35 times the number of old-age assistance recipients.

(b) 15 percent of the total expenditures for medical or remedial care up to \$6 times the number of old-age assistance recipients.

The new section 3(a) would also provide for Federal payments to States in respect to programs of medical assistance for the aged out of the funds authorized by the new section 1.

Federal payments would be equal to the Federal medical percentage (as defined in sec. 6(c)) of the total amounts expended under approved plans for medical assistance for the aged plus one-half of the States administrative expenses.

Section 601(d) is a conforming amendment to section 3(b)(2)(B) of the act, striking out "old-age assistance" and inserting in lieu thereof, "assistance".

Section 601(e) of the bill is a conforming amendment to section 4 of the Act under which the Secretary could suspend or deny Federal payments to States whose plans do not conform to the requirements of the act or whose programs are operated in contravention of the provisions of the State plan.

Section 601(f) amends section 6 of the act by creating three new subsections. The new subsection (a) would restate the present definitions pertaining to old-age assistance plans, except that the present exclusion of persons who have "been diagnosed as having tuberculosis" would be changed so as to exclude only those individuals who have "been diagnosed as having pulmonary tuberculosis".

The new subsection (b) would contain definitions relating to medical assistance for the aged.

The term "medical assistance for the aged" is defined to mean payments for medical services to persons 65 and over who are not recipients of old-age assistance, but whose income and resources are insufficient to meet the cost of the following benefits:

- (1) Inpatient hospital services;
- (2) Skilled nursing-home services;
- (3) Physicians' services;
- (4) Outpatient hospital or clinic services;
- (5) Home health care services;
- (6) Private duty nursing services;
- (7) Physical therapy and related services;
- (8) Dental services;
- (9) Laboratory and X-ray services;
- (10) Prescribed drugs, eyeglasses, dentures, and prosthetic devices;
- (11) Diagnostic, screening, and preventive services; and
- (12) Any other medical care or remedial care recognized under State law.

However, medical assistance for the aged would not include payments in respect to medical services furnished to an inmate in a nonmedical public institution, to patients in mental or tuberculosis hospitals, or to individuals who are patients in medical institutions as a result of a diagnosis of psychosis or pulmonary tuberculosis.

The revised section 6(c) defines the term "Federal medical percentage." The Federal medical percentage for any State would be 100 percent minus the percentage which bears the same relationship to 50 percent as the square of the per capita income of the State bears to the square of the per capita income of the 50 States. The Federal medical percentage could not, however, be less than 50 percent or

more than 80 percent. Also, this percentage for Puerto Rico, the Virgin Islands, and Guam would be set at 50 percent.

To simplify the computation and promulgation of these percentages, it is provided that the same procedure is to be used for determination and promulgation of these percentages as for the Federal percentages which are determined and promulgated under section 1101(a)(8) of the Social Security Act. However, inasmuch as the Federal percentage for each State for the current fiscal year was promulgated during 1958 and the Federal percentage for the period beginning July 1, 1961, and ending June 30, 1963, for each State will have been promulgated prior to September 1, 1960, the bill provides for the making of two promulgations of the Federal medical percentage of each State by the Secretary as soon as possible after enactment of the bill. The first such promulgation, which will be applicable for the period beginning October 1, 1960, and ending June 30, 1961, is to be based on the same per capita income data as was used by the Secretary in promulgating the Federal percentage for the State for the fiscal year ending June 30, 1961. The second promulgation, which shall be applicable for the period beginning July 1, 1961, and ending June 30, 1963, is to be based on the same per capita income as was used by the Secretary in promulgating the Federal percentage for such State for this same 2-year period.

**SECTION 602. INCREASE IN LIMITATIONS ON ASSISTANCE PAYMENTS TO
PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM**

Section 1108 of existing law places dollar limits on the amounts which may be paid to Puerto Rico, the Virgin Islands, and Guam under titles I, IV, X, and XIV of the act. Section 602 of the bill increases these limits as follows:

Puerto Rico—from \$8,500,000 to \$9 million per fiscal year;
Virgin Islands—from \$300,000 to \$315,000 per fiscal year; and
Guam—from \$400,000 to \$420,000 per fiscal year.

These increases may be used only for payments certified under section 3(a)(2)(B) of the act (relating to Federal matching for old-age assistance expenditures in excess of \$35 per month per beneficiary). However, the dollar units would not apply to payments under the new section 3(a)(3) of the act (relating to Federal payments for medical assistance for the aged).

SECTION 603. TECHNICAL AMENDMENT

Section 618 of the Revenue Act of 1951 provides that no State shall be denied any payments under titles I, IV, X, and XIV of the Social Security Act by reason of any State legislation allowing disclosure of information regarding the disbursement of funds under these titles, provided such information is not used for commercial or political purposes. Section 603 of the bill would remove information regarding funds disbursed under the medical assistance for the aged program from the operation of section 618 of the Revenue Act of 1951. The net effect of the amendment is to restrict the disclosure of such information to purposes directly related to the administration of the program.

SECTION 604. EFFECTIVE DATES

Section 604 of the bill provides that the amendments contained in section 601 of the bill relating to grants to the States for old-age assistance and medical assistance for the aged shall become effective on October 1, 1960, and the amendments made by section 602 increasing the limitations on assistance payments to Puerto Rico, the Virgin Islands, and Guam shall be effective with respect to fiscal years ending after 1960.

TITLE VII—MISCELLANEOUS

SECTION 701. INVESTMENT OF TRUST FUNDS

Section 701 of the bill amends section 201 of the Social Security Act, which relates to the Federal old-age and survivors insurance and the Federal disability insurance trust funds.

Section 701(a) amends section 201(c) of the act (relating to the duties of the trustees of the funds) by adding a new sentence requiring that the trustees meet at least once every 6 months.

Section 701(b) amends section 201(c) of the act by removing the present requirement that the trustees report to the Congress whenever the trustees believe that during the following 5 fiscal years either of the trust funds will exceed three times the highest anticipated annual expenditures from that fund. The requirement that the trustees report to the Congress whenever they believe that the amount of either trust fund is unduly small is retained.

Section 701(c) amends section 201(c) of the act by adding a new provision to include in the duties of the trustees a requirement that they review the general policies followed in the management of the trust funds and recommend changes as needed, including changes in the provisions of law that govern the way in which the trust funds are managed.

Section 701(d) amends section 201(d) of the act (relating to investment of the trust funds) so as to provide that obligations of the Federal Government issued exclusively to the Federal old-age and survivors insurance and Federal disability insurance trust funds shall bear interest at a rate equal to the average market yield (rather than the average coupon rate as at present) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are neither due nor callable until after the expiration of 4 years from the time the special obligations are issued (rather than 5 years from the time when the marketable obligations were issued as at present).

The amended section 201(d) also provides that the managing trustee may purchase Government or Government-guaranteed obligations not issued exclusively to the trust funds when he determines that such purchases are in the public interest. Under present law obligations issued exclusively to the trust funds are to be purchased only when the managing trustee determines that the purchase of marketable obligations is not in the public interest.

Section 701(e) amends section 201(e) of the act to make a conforming change by substituting for the words "special obligations" the words "public debt obligations".

Section 701(f) provides that the amendments made by section 701 of the bill are to become effective at the beginning of the month following enactment.

SECTION 702. SURVIVAL OF ACTIONS

Section 702(a) of the bill amends section 205(g) of the Social Security Act to provide that court actions begun under it shall survive even though there is a change in the person occupying the office of Secretary of Health, Education, and Welfare or a vacancy in that office.

Section 702(b) provides that the amendment made by section 702(a) shall be effective for court actions pending when the bill is enacted or commenced after the date of enactment.

SECTION 703. PERIODS OF LIMITATION ENDING ON NONWORK DAYS

Section 703 of the bill amends section 216 of the Social Security Act by adding a new subsection (j) to provide for extending any deadline date under title II of the Social Security Act, under other United States laws (other than the Internal Revenue Code of 1954) relating to or changing the effect of title II, or under regulations issued by the Secretary of Health, Education, and Welfare pursuant to title II, when such date falls on a Saturday, Sunday, or legal holiday, or on any other day all or part of which is declared, by statute or Executive order, to be a nonwork day for Federal employees. Such a deadline date would be extended to the first full work day immediately following the deadline date. For purposes of the new subsection (j), the day on which a period ends will include the day on which ends any extension of a deadline authorized by law or by the Secretary pursuant to law.

The new subsection (j) does not extend the period during which the payment of monthly benefits can be made retroactive for months prior to the filing of an application or during which an application may be accepted as such.

SECTION 704. ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

Section 704 of the bill amends section 116(e) of the Social Security Amendments of 1956 (which established a series of Advisory Councils on Social Security Financing) to provide that an Advisory Council on Social Security Financing shall be appointed by the Secretary of Health, Education, and Welfare during 1963, 1966, and every fifth year thereafter (rather than prior to each scheduled increase in the contribution rates as at present) for the purpose of reviewing the status of the Federal old-age and survivors insurance and Federal disability insurance trust funds in relation to the long-term commitments of the old-age, survivors, and disability insurance program. Each Council is to report its findings and recommendations not later than January 1 of the second year after the year in which it was appointed, after which date that Council will cease to exist.

**SECTION 705. MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSISTANCE
AND MEDICAL ASSISTANCE FOR THE AGED**

Section 705 of the bill amends title XI of the Social Security Act by adding a new section 1112. Under this section the Secretary would develop and revise from time to time guides or recommended standards as to the level, content, and quality of medical care and medical services for the use of the States in evaluating and improving their public assistance medical care programs and their programs of medical assistance for the aged. For this purpose, the Secretary would also be directed to secure information from the States on their medical care and medical services under these programs and to publish these reports and other necessary information.

**SECTION 706. TEMPORARY EXTENSION OF CERTAIN SPECIAL PROVISIONS
RELATING TO STATE PLANS FOR AID TO THE BLIND**

Section 706 of the bill amends section 344(b) of the Social Security Act Amendments of 1950 by postponing its termination date from June 30, 1961 to June 30, 1964. This temporary legislation relates to the approval, by the Secretary of Health, Education, and Welfare under title X of the Social Security Act, of certain State plans for aid to the blind that do not meet in full the requirements of title X.

SECTION 707. MATERNAL AND CHILD WELFARE

Section 707 of the bill contains provisions for amending title V of the Social Security Act, which relates to grants for three programs, namely, maternal and child health services, crippled children's services, and child welfare services.

Section 707(a) increases the amounts authorized for annual appropriation for each of these programs as follows: (1) maternal and child health services—from the present \$21,500,000 to \$25 million; (2) crippled children's services—from the present \$20 million to \$25 million; and (3) child welfare services—from the present \$17 million to \$25 million. The uniform amount in the allotments to each State prescribed by the present law is increased with respect to each of these programs from \$60,000 to \$70,000.

Section 707(b) (1) amends sections 502(b) and 504(c) of the act to provide that special project grants (up to 25 percent of the amount available for distribution under section 502(b)) may be made to State health agencies (as is currently being done), and also directly to public or other nonprofit institutions of higher learning for special projects of regional or national significance which may contribute to the advancement of maternal and child health. These grants would be made in advance or by way of reimbursement, in such installments as the Secretary of Health, Education, and Welfare determines, and on such conditions as the Secretary finds necessary to carry out the purposes of the grants. Section 502(b) is also amended to make clear that the Secretary may make allotments "from time to time," thereby permitting him to allot the funds at such times as will enable him most effectively to consider the financial need of each State. Section 707(b) (2) of the bill contains provisions for amending sec-

tions 512(b) and 514(c) of the act similarly with respect to crippled children's services.

Section 707(b)(3) amends the child welfare provisions of title V of the act to add authorization for appropriating each year such sums as the Congress may determine for grants to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare. These grants are to be made in advance or by way of reimbursement, in such installments as the Secretary determines, and on such conditions as the Secretary finds necessary to carry out the purposes of the grants.

SECTION 708. AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Section 708 makes a technical amendment to preserve the existing relationship between the Railroad Retirement Act of 1937 and the Social Security Act. Under this amendment, references to the Social Security Act in the Railroad Retirement Act of 1937 will be considered to be references to the Social Security Act as amended in 1960.

SECTION 709. MEANING OF TERM "SECRETARY"

Section 709 provides that the term "Secretary", as used in the bill and the provisions of the Social Security Act amended by the bill, means (unless the context otherwise requires) the Secretary of Health, Education, and Welfare.

SECTION 710. AID TO THE BLIND

Section 1002(a)(8) of the Social Security Act now provides that the States shall, in determining need for purposes of the aid to the blind program, disregard the first \$50 per month of earned income.

Section 710(a) of the bill would amend this provision to authorize the States to disregard the first \$1,000 of earned income per year, plus one-half any annual earned income in excess of \$1,000, in lieu of the monthly exemption contained in existing law. This authorization would be effective with the first calendar quarter beginning after date of enactment and would expire June 30, 1961. After that date the State *must* (under sec. 710(b) of the bill) disregard the first \$1,000 of annual earnings, plus one-half of any annual earnings in excess of that amount, in lieu of the present monthly exemption.

X. 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 introduced, 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 I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE
AND MEDICAL ASSISTANCE FOR THE AGED

Appropriation

SECTION 1. For the purpose (a) of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to aged needy individuals and of encouraging each State, as far as practicable under such conditions, to help such individuals attain self-care, and (b) of enabling each State, as far as practicable under the conditions in such State, to furnish medical assistance to individuals who are not recipients of old-age assistance but whose income and resources are insufficient to meet the costs of necessary medical services, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare (hereinafter referred to as the "Secretary") State plans for old-age assistance and medical assistance for the aged.

[STATE OLD-AGE ASSISTANCE PLANS

[Sec. 2. (a) A State plan for old-age assistance must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for old-age assistance is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports; (7) effective July 1, 1941, provide that the State agency shall, in determining need, take into con-

sideration any other income and resources of an individual claiming old-age assistance; (8) effective July 1, 1941, provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of old-age assistance; (9) provide that all individuals wishing to make application for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished with reasonable promptness to all eligible individuals; (10) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions; and (11) provide a description of the services (if any) which the State agency makes available to applicants for and recipients of old-age assistance to help them attain self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services.

[(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 old-age assistance under the plan—

[(1) An age requirement of more than sixty-five years, except that the plan may impose, effective until January 1, 1940, an age requirement of as much as seventy years; or

[(2) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application; or

[(3) Any citizenship requirement which excludes any citizen of the United States.]

STATE OLD-AGE AND MEDICAL ASSISTANCE PLANS

Sec. 2. (a) A State plan for old-age assistance, or for medical assistance for the aged, or for old-age assistance and medical assistance for the aged must—

(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

(2) provide for financial participation by the State which shall, effective January 1, 1962, extend to all aspects of the State plan;

(3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan;

(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for assistance under the plan is denied or is not acted upon with reasonable promptness;

(5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan;

(6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

(7) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the State plan;

(8) provide that all individuals wishing to make application for assistance under the plan shall have opportunity to do so, and that such assistance shall be furnished with reasonable promptness to all eligible individuals;

(9) if the State plan includes old-age assistance—

(A) provide that the State agency shall, in determining need for such assistance, take into consideration any other income and resources of an individual claiming old-age assistance;

(B) provide reasonable standards, consistent with the objectives of this title, for determining eligibility for and the extent of such assistance;

(C) provide a description of the services (if any) which the State agency makes available to applicants for and recipients of such assistance to help them attain self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services;

(10) provide, if the plan includes payments of old-age assistance to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions;

(11) if the State plan includes medical assistance for the aged—

(A) provide for inclusion of some institutional and some noninstitutional care and services;

(B) provide that no enrollment fee, premium, or similar charge will be imposed as a condition of any individual's eligibility for medical assistance for the aged under the plan;

(C) provide for inclusion, to the extent required by regulations prescribed by the Secretary, of provisions (conforming to such regulations) with respect to the furnishing of such assistance to individuals who are residents of the State but are absent therefrom;

(D) provide reasonable standards, consistent with the objectives of this title, for determining eligibility for and the extent of such assistance;

(E) provide that no lien may be imposed against the property of any individual prior to his death on account of medical assistance for the aged paid or to be paid on his behalf under the plan (except pursuant to the judgment of a court on account of benefits incorrectly paid on behalf of such individual), and that there shall be no adjustment or recovery (except, after the death of such individual and his surviving spouse, if any, from such individual's estate) of any medical assistance for the aged correctly paid on behalf of such individual under the plan.

(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 assistance under the plan—*

- (1) *an age requirement of more than sixty-five years; or*
- (2) *any residence requirement which (A) in the case of applicants for old-age assistance, excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application, and (B) in the case of applicants for medical assistance for the aged, excludes any individual who resides in the State; or*
- (3) *any citizenship requirement which excludes any citizen of the United States.*

PAYMENT TO STATES

【Sec. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1958, (1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

【(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$30 multiplied by the total number of recipients of old-age assistance for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received old-age assistance in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as old-age assistance in the form of medical or any other type of remedial care); plus

【(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds the product of \$65 multiplied by the total number of such recipients of old-age assistance for such month; and (2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds \$35 multiplied by the total number of recipients of old-age assistance for such month; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of old-age assistance to help them attain self-care.】

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has a plan approved under this

title, for each quarter, beginning with the quarter commencing October 1, 1960—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$30 multiplied by the total number of recipients of old-age assistance for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received old-age assistance in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as old-age assistance in the form of medical or any other type of remedial care); plus

(B) the Federal percentage (as defined in section 1101(a)(8) of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds the product of \$65 multiplied by the total number of such recipients of old-age assistance for such month; plus

(C) the larger of the following: (i) the Federal medical percentage (as defined in section 6(c)) of the amount by which such expenditures exceed the maximum which may be counted under clause (B), not counting so much of any expenditure with respect to any month as exceeds (I) the product of \$77 multiplied by the total number of such recipients of old-age assistance for such month, or (II) if smaller, the total expended as old-age assistance in the form of medical or any other type of remedial care with respect to such month plus the product of \$65 multiplied by such total number of such recipients, or (ii) 15 per centum of the total of the sums expended during such quarter as old-age assistance under the State plan in the form of medical or any other type of remedial care, not counting so much of any expenditure with respect to any month as exceeds the product of \$12 multiplied by the total number of such recipients of old-age assistance for such month; and

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

(A) one-half of the total of the sums expended during such quarter as old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds \$35 multiplied by the total number of recipients of old-age assistance for such month; plus

(B) the larger of the following amounts: (i) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (I) the product of \$41 multiplied by the total number of such recipients of old-

age assistance for such month, or (II) if smaller, the total expended as old-age assistance in the form of medical or any other type of remedial care with respect to such month plus the product of \$35 multiplied by the total number of such recipients, or (ii) 15 per centum of the total of the sums expended during such quarter as old-age assistance under the State plan in the form of medical or any other type of remedial care, not counting so much of any expenditure with respect to any month as exceeds the product of \$6 multiplied by the total number of such recipients of old-age assistance for such month; and

(3) in the case of any State, an amount equal to the Federal medical percentage (as defined in section 6(c)) of the total amounts expended during such quarter as medical assistance for the aged under the State plan; and

(4) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary, of Health, Education, and Welfare for the proper and efficient administration of the State plan, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of old-age assistance to help them attain self-care.

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

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

(2) The Secretary of Health, Education, and Welfare shall then certify to the Secretary of the Treasury the amount so estimated by the Secretary of Health, Education, and Welfare, (A) reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Secretary of Health, Education, and Welfare, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to [old-age] assistance furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the

Secretary of Health, Education, and Welfare for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

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

OPERATION OF STATE PLANS

SEC. 4. In the case of any State plan [for old-age assistance] which has been approved *under this title* by the Secretary of Health, Education, and Welfare, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan finds—

(1) that the plan has been so changed as to impose any age, residence, or citizenship requirement prohibited by section 2(b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

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

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

* * * * *

DEFINITION

SEC. 6. (a) For the purposes of this title, the term "old-age assistance" means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are sixty-five years of age or older, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual [(a)] (1) who is a patient in an institution for tuberculosis or mental diseases, or [(b)] (2) who has been diagnosed as having *pulmonary* tuberculosis or psychosis and is a patient in a medical institution as a result thereof.

(b) *For purposes of this title, the term "medical assistance for the aged" means payment of part or all of the cost of the following care and services furnished for individuals sixty-five years of age or older who are*

:

not recipients of old-age assistance but whose income and resources are insufficient to meet all of such cost—

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

State law;

except that such term shall not include any payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (A) who is a patient in an institution for tuberculosis or mental diseases, or (B) who has been diagnosed as having pulmonary tuberculosis or psychosis and is a patient in a medical institution as a result thereof.

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

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

(2) for the period beginning July 1, 1961, and ending with the close of June 30, 1963, which shall be based on the same data with respect to per capita income as the data used by the Secretary in promulgating the Federal percentage (under section 1101(a)(8)) for such State for such period (which promulgation of the Federal medical percentage shall be conclusive for such period).

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

SECTION 201. (a) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Old-Age and Survivors Insurance Trust Fund". The Federal Old-Age and Survivors Insurance Trust Fund shall consist of the securities held by the Secretary of the Treasury for the Old-Age Reserve Account and the amount standing to the credit of the Old-Age Reserve Account on the books of the Treasury on January 1, 1940, which securities and amount the Secretary of the Treasury is authorized and directed to transfer to the Federal Old-Age and Survivors Insurance Trust Fund, and, in addition, such amounts as may be appropriated to, or deposited in, the Federal Old-Age and Survivors Insurance Trust Fund as hereinafter provided. There is hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) the taxes (including interest, penalties, and additions to the taxes) received under subchapter A of chapter 9 of the Internal Revenue Code of 1939 (and covered into the Treasury) which are deposited into the Treasury by collectors of internal revenue before January 1, 1951; and

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

(3) the taxes imposed by subchapter A of chapter 9 of such Code with respect to wages (as defined in section 1426 of such Code), and by chapter 21 of the Internal Revenue Code of 1954 with respect to wages (as defined in section 3121 of such Code) reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 after December 31, 1950, or to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954 after December 31, 1954, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such subchapter or chapter 21 to such wages, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports, less the amounts specified in clause (1) of subsection (b) of this section; and

(4) the taxes imposed by subchapter E of chapter 1 of the Internal Revenue Code of 1939, with respect to self-employment income (as defined in section 481 of such Code), and by chapter 2 of the Internal Revenue Code of 1954 with respect to self-employment income (as defined in section 1402 of such Code) reported to the Commissioner of Internal Revenue on tax returns

under such subchapter or to the Secretary of the Treasury, or his delegate on tax returns under subtitle F of such Code, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such subchapter or chapter to such self-employment income, 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, less the amounts specified in clause (2) of subsection (b) of this section.

The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the Federal Old-Age and Survivors Insurance Trust Fund, and the amounts appropriated by clauses (1) and (2) of subsection (b) shall be transferred from time to time from the general fund in the Treasury to the Federal Disability Insurance Trust Fund, such amounts to be determined on the basis of estimates by the Secretary of the Treasury of the taxes, specified in clauses (3) and (4) of this subsection, paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the taxes specified in such clauses (3) and (4) of this subsection.

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

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

(2) $\frac{3}{8}$ of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, 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.

(c) With respect to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (hereinafter in this title called the "Trust Funds") there is hereby created a body to be known as the Board of Trustees of the Trust Funds (hereinafter in this title called the "Board of Trustees") which Board

of Trustees shall be composed of the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare, all ex officio. The Secretary of the Treasury shall be the Managing Trustee of the Board of Trustees (hereinafter in this title called the "Managing Trustee"). The Commissioner of Social Security shall serve as Secretary of the Board of Trustees. *The Board of Trustees shall meet not less frequently than once each six months.* It shall be the duty of the Board of Trustees to—

(1) Hold the Trust Funds;

(2) Report to the Congress not later than the first day of March of each year on the operation and status of the Trust Funds during the preceding fiscal year and on their expected operation and status during the next ensuing five fiscal years;

[(3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that during the ensuing five fiscal years either of the Trust Funds will exceed three times the highest annual expenditures from such Trust Fund anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of either of the Trust Funds is unduly small; and]

(3) *Report immediately to the Congress whenever the Board of Trustees is of the opinion that the amount of either of the Trust Funds is unduly small;*

(4) Recommend improvements in administrative procedures and policies designed to effectuate the proper coordination of the old-age and survivors insurance and Federal-State unemployment compensation [program.] *program; and*

(5) *Review the general policies followed in managing the Trust Funds, and recommend changes in such policies, including necessary changes in the provisions of the law which govern the way in which the Trust Funds are to be managed.*

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Funds during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the Trust Funds during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Funds. Such report shall be printed as a House document of the session of the Congress to which the report is made.

[(d) It shall be the duty of the Managing Trustee to invest such portion of the Trust Funds as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of public-debt obligations for purchase by the Trust Funds. Such obligations issued for purchase by the Trust Funds shall have maturities fixed with due regard for the needs of the Trust Funds, and bear interest at a rate equal to the average rate of interest, computed as to the end of the calendar month next preceding the date of such issue, borne by all

marketable interest-bearing obligations of the United States then forming a part of the Public Debt that are not due or callable until after the expiration of five years from the date of original issue; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligations shall be the multiple of one-eighth of 1 per centum nearest such average rate. Such obligations shall be issued for purchase by the Trust Funds only if the Managing Trustee determines that the purchase in the market of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest:]

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

(e) Any obligations acquired by the Trust Funds (except [special] public-debt obligations issued exclusively to the Trust Funds) may be sold by the Managing Trustee at the market price, and such [special] public-debt obligations may be redeemed at par plus accrued interest.

(f) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall be credited to and form a part of the Federal Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund, respectively.

(g)(1) The Managing Trustee is directed to pay from the Trust Funds into the Treasury the amounts estimated by him and the Secretary of Health, Education, and Welfare which will be expended, out of moneys appropriated from the general funds in the Treasury, during a three-month period by the Department of Health, Education, and Welfare and the Treasury Department for the administration of titles II and VIII of this Act and subchapter E of chapter 1 and sub-

chapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. There are hereby authorized to be made available for expenditure, out of either or both of the Trust Funds, such amounts as the Congress may deem appropriate to pay the costs of administration of this title. After the close of each fiscal year, the Secretary of Health, Education, and Welfare shall analyze the costs of administration of this title incurred during such fiscal year in order to determine the portion of such costs which should have been borne by each of the Trust Funds and shall certify to the Managing Trustee the amount, if any, which should be transferred from one to the other of such Trust Funds in order to insure that each of the Trust Funds has borne its proper share of the costs of administration of this title incurred during such fiscal year. The Managing Trustee is authorized and directed to transfer any such amount from one to the other of such Trust Funds in accordance with any certification so made.

(2) The Managing Trustee is directed to pay from time to time from the Trust Funds into the Treasury the amount estimated by him as taxes which are subject to refund under section 6413(c) of the Internal Revenue Code of 1954 with respect to wages (as defined in section 1426 of the Internal Revenue Code of 1939 and section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1950. Such taxes shall be determined on the basis of the records of wages established and maintained by the Secretary of Health, Education, and Welfare in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 and to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, and the Secretary shall furnish the Managing Trustee such information as may be required by the Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections. Payments pursuant to the first sentence of this paragraph shall be made from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund in the ratio in which amounts were appropriated to such Trust Funds under clause (3) of subsection (a) of this section and clause (1) of subsection (b) of this section.

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

(h) Benefit payments required to be made under section 223, and benefit payments required to be made under subsection (b), (c), or (d) of section 202 to individuals entitled to benefits on the basis of the wages and self-employment income of an individual entitled to disability insurance benefits, shall be made only from the Federal Dis-

ability Insurance Trust Fund. All other benefit payments required to be made under this title shall be made only from the Federal Old-Age and Survivors Insurance Trust Fund.

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

Old-Age Insurance Benefits

SEC. 202. (a) Every individual who—

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

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

and

(3) has filed application for old-age insurance benefits or was entitled to disability insurance benefits for the month preceding the month in which he attained the age of 65,

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

Wife's Insurance Benefits

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

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

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

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

shall be entitled to a wife's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, no child of her husband is entitled to a child's insurance benefit and she has not attained retirement age, [she becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of an old-age or disability insurance benefit of her husband,] or her husband is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

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

Husband's Insurance Benefits

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

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

(B) has attained retirement age,

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

(i) if she had a period of disability which did not end prior to the month in which she became entitled to old-age or disability insurance benefits, at the beginning of such period or at the time she became entitled to such benefits, or

(ii) if she did not have such a period of disability, at the time she became entitled to such benefits,

and filed proof of such support within two years after the month in which she filed application with respect to such period of disability or after the month in which she became entitled to such benefits, as the case may be, or, if she did not have such a period, two years after the month in which she became entitled to such benefits, and

(D) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits each of which is less than one-half of the primary insurance amount of his wife, shall be entitled to a husband's insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month preceding the month in which any of the following occurs: he dies, his wife dies, they are divorced a vinculo matrimonii, [or he becomes entitled to an old-age or disability insurance benefit equal to or exceeding one-half of the primary insurance amount of his wife,] or his wife is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

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

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

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

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

Child's Insurance Benefits

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

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

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

[(C) was dependent upon such individual—

(i) if such individual had a period of disability which did not end prior to the month in which he became entitled to old-age or disability insurance benefits or (if he has died) prior to the month in which he died, at the beginning of such period or at the time he became entitled to such benefits or died,

(ii) if such individual did not have such a period and is living, at the time such application was filed, or

(iii) if such individual did not have such a period and has died, at the time of such death,]

(C) was dependent upon such individual—

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

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

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

shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950 in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a step-parent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), or attains the age of eighteen and is not under a disability (as defined in section 223 (c)) which began before he attained such age[, or ceases to be under a disability (as so defined) on or after the day on which he attains age eighteen]. Entitlement of any child to benefits under this subsection shall also end with the month preceding the third month following the month in which he ceases to be under a disability (as so defined) after the month in which he attains age eighteen. Entitlement of any child to benefits under this subsection on the basis of the wages and self-employment income of an individual entitled to disability insurance benefits shall also end with the month before the first month for which such individual is not entitled to such benefits unless such individual is, for such later month, entitled to old-age insurance benefits or unless he dies in such month. In the case of an individual entitled to disability insurance benefits, the provisions of clause (i) of subparagraph (C) of this paragraph shall not apply to a child of such individual unless he (A) is the natural child or stepchild of such individual (including such a child who was legally

adopted by such individual (B) or was legally adopted by such individual before the end of the twenty-four month period beginning with the month after the month in which such individual most recently became entitled to disability insurance benefits, but only if (i) proceedings for the adoption of such child had been instituted by such individual in or before the month in which began the period of disability upon the basis of which such individual most recently became entitled to disability insurance benefits, or (ii) such child was living with such individual in such month.

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

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

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

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

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

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

(4) A child shall be deemed dependent upon his stepfather at the time specified in paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

(5) A child shall be deemed dependent upon his natural or adopting mother at the time specified in paragraph (1)(C) if such mother or adopting mother was a currently insured individual. A child shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1)(C) if, at such time, (A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

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

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

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

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

Widow's Insurance Benefits

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

(A) has not remarried,

(B) has attained retirement age,

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

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

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

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

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

(A) who marries another individual, and

(B) whose marriage to the individual referred to in subparagraph (A) is terminated by his death which occurs within one year after such marriage and he did not die a fully insured individual the marriage to the individual referred to in clause (A) shall, for the purposes of paragraph (1), be deemed not to have occurred. No benefits shall be payable under this subsection by reason of the preceding sentence for any month prior to whichever of the following is the latest: (i) the month in which the death referred to in subparagraph (B) of the preceding sentence occurs, (ii) the twelfth month before the month in which such widow files application for purposes of this paragraph, or (iii) November 1956.

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

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

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d), such widow's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death.

Widower's Insurance Benefits

(f)(1) The widower (as defined in section 216(g)) of an individual who died a fully and currently insured individual [after August 1950], if such widower—

(A) has not remarried,

(B) has attained retirement age,

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

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

(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of his deceased wife, shall be entitled to a widower's insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month pre-

ceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of his deceased wife.

(2) The requirement in paragraph (1) that the deceased fully insured individual also be a currently insured individual, and the provisions of subparagraph (D) of such paragraph, shall not be applicable in the case of any individual who—

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

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

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

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

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

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

such widower's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage.

Mother's Insurance Benefits

(g)(1) The widow and every former wife divorced (as defined in section 216(d)) of an individual who died a fully or currently insured individual [after 1939], if such widow or former wife divorced—

(A) has not remarried,

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

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

(D) has filed application for mother's insurance benefits, or was entitled to wife's insurance benefits on the basis of the wages and self-employment income of such individual for the month preceding the month in which he died,

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

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

shall be entitled to a mother's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

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

(3) In the case of any widow or former wife divorced of an individual—

(A) who marries another individual, and

(B) whose marriage to the individual referred to in subparagraph (A) is terminated by his death but she is not, and upon filing application therefor in the month in which he died would not be, entitled to benefits for such month on the basis of his wages and self-employment income,

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

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

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

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

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

Parent's Insurance Benefits

(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual **【after 1939】**, if such parent—

(A) has attained retirement age,

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

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

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

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

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

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

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

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

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

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

Lump-Sum Death Payments

(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount, or an amount equal to \$255, whichever is the smaller, shall be paid in a lump sum to the person, if any, determined by the Secretary to be the widow or widower of the deceased and to have been living in the same household with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be [paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual, or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died.] *paid—*

(1) *if all or part of the burial expenses of such insured individual which are incurred by or through a funeral home or funeral homes remains unpaid, to such funeral home or funeral homes to the extent of such unpaid expenses, but only if (A) any person who assumed the responsibility for the payment of all or any part of such burial expenses files an application, prior to the expiration of two years after the date of death of such insured individual, requesting that such payment be made to such funeral home or funeral homes, or (B) at least 90 days have elapsed after the date of death of such insured individual and prior to the expiration of such 90 days no person has assumed responsibility for the payment of any of such burial expenses;*

(2) *if all of the burial expenses of such insured individual which were incurred by or through a funeral home or funeral homes have been paid (including payments made under clause (1)), to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid such burial expenses; or*

(3) *if any part of the amount payable under this subsection remains after payments have been made pursuant to clauses (1) and (2), to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid other expenses in connection with the burial of such insured individual, in the following order of priority: (A) expenses of opening and closing the grave of such insured individual, (B) expenses of providing the burial plot of such insured individual, and (C) any remaining expenses in connection with the burial of such insured individual.*

No payment (except a payment authorized pursuant to clause (1)(A) of the preceding sentence) shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual, or unless such person was entitled to wife's or husband's insurance benefits, on the basis

of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died. In the case of any individual who died outside the forty-eight States and the District of Columbia after December 1953 and before January 1, 1957, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment. In the case of any individual who died outside the forty-nine States and the District of Columbia after December 1956 while he was performing service, as a member of a uniformed service, to which the provisions of section 210(m)(1) are applicable, and who is returned to any of such States or the District of Columbia, or to any Territory or possession of the United States, for interment or reinterment, the provisions of the third sentence of this subsection shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.

Application for Monthly Insurance Benefits

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

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

(3) Notwithstanding the provisions of paragraph (1), [a woman may, at her option,] *an individual may, at his option,* waive entitlement to old-age insurance benefits, [or] wife's insurance benefits, or husband's insurance benefits for any one or more consecutive months which occur—

(A) after the month before the month in which [she] *such individual* attains [the age of 62] *retirement age,*

(B) prior to the month in which [she] *such individual* attains the age of sixty-five, and

(C) prior to the month in which [she] *such individual* files application for such benefits. and, in such case, [she] *such individual* shall not be considered as entitled to such benefits for any such month or months before [she] *he* filed such application. [A woman] *An individual* shall be deemed to have waived such entitlement for any such month for which such benefit would, under the second sentence of paragraph (1), be reduced to zero.

Simultaneous Entitlement to Benefits

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

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

(B) Any individual who, under the preceding provisions of this section and under the provisions of section 223, is entitled for any month to more than one monthly insurance benefit (other than old-age or disability insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this subparagraph (B)) would otherwise be entitled for such month.

(3) If an individual is entitled to an old-age or disability insurance benefit for any month and to any other monthly insurance benefit for such month; such other insurance benefit for such month, after any reduction under subsection (q) and any reduction under section 203(a), shall be reduced, but not below zero, by an amount equal to such old-age or disability insurance benefit (after reduction under such subsection (q)).

Entitlement to Survivor Benefits Under Railroad Retirement Act

(l) If any person would be entitled, upon filing application therefor to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act) no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month thereafter, shall be paid under this section to any person on the basis of the wages and self-employment income of such employee.

Minimum Survivor's or Dependent's Benefit

(m) In any case in which the benefit of any individual for any month under this section (other than subsection (a)) is, prior to reduction under subsection (k)(3) and subsection (q), less than the first figure in column IV of the table in section 215(a) and no other individual is (without the application of section 202(j)(1)) entitled to a benefit under this section for such month on the basis of the same wages and self-employment income, such benefit for such month shall, prior to reduction under such subsection (k)(3) and subsection (q), be increased to the first figure in column IV of the table in section 215(a).

Termination of Benefits Under Deportation of Primary Beneficiary

(n) (1) If any individual is (after the date of enactment of this subsection) deported under paragraph (1), (2), (4), (5), (6), (7), (10), (11), (12), (14), (15), (16), (17), or (18) of section 241 (a) of the Immigration and Nationality Act, then, notwithstanding any other provisions of this title—

(A) no monthly benefit under this section or section 223 shall be paid to such individual, on the basis of his wages and self-employment income, for any month occurring (i) after the month in which the Secretary is notified by the Attorney General that such individual has been so deported, and (ii) before the month in which such individual is thereafter lawfully admitted to the United States for permanent residence,

(B) if no benefit could be paid to such individual (or if no benefit could be paid to him if he were alive) for any month by reason of subparagraph (A), no monthly benefit under this section shall be paid, on the basis of his wages and self-employment income, for such month to any other person who is not a citizen of the United States and is outside the United States for any part of such month, and

(C) no lump-sum death payment shall be made on the basis of such individual's wages and self-employment income if he dies (i) in or after the month in which such notice is received, and (ii) before the month in which he is thereafter lawfully admitted to the United States for permanent residence.

Section 203 (b) and (c) of this Act shall not apply with respect to any such individual for any month for which no monthly benefit may be paid to him by reason of this paragraph.

(2) As soon as practicable after the deportation of any individual under any of the paragraphs of section 241 (a) of the Immigration and Nationality Act enumerated in paragraph (1) in this subsection, the Attorney General shall notify the Secretary of such deportation.

Application for Benefits by Survivors of Members and Former Members of the Uniformed Services

(o) In the case of any individual who would be entitled to benefits under subsection (d), (e), (g), or (h) upon filing proper application therefor, the filing with the Administrator of Veterans' Affairs by or on behalf of such individual of an application for such benefits,

on the form prescribed under section 601 of the Servicemen's and Veterans' Survivor Benefits Act, shall satisfy the requirement of such subsection (d), (e), (g), or (h) that an application for such benefits be filed.

Extension of Period for Filing Proof of Support and Applications for Lump-Sum Death Payment

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

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

(2) to file, in the case of a death after 1946, application for a lump-sum death payment under subsection (i), or under subsection (g) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subsection,

and it is shown to the satisfaction of the Secretary that there was good cause for failure to file such proof or application, as the case may be, within such period, such proof or application shall be deemed to have been filed within such period if it is filed within two years following such period or within two years following August 1956, whichever is later. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.

Adjustment of Old-Age and Wife's Insurance Benefit Amounts in Accordance With Age of Female Beneficiary

[(q)(1) The old-age insurance benefit of any woman for any month prior to the month in which she attains the age of sixty-five shall be reduced by—

[(A) $\frac{5}{100}$ of 1 per centum, multiplied by

[(B) the number equal to the number of months in the period beginning with the first day of the first month for which she is entitled to an old-age insurance benefit and ending with the last day of the month before the month in which she would attain the age of sixty-five.

[(2) The wife's insurance benefit of any wife for any month after the month preceding the month in which she attains the age of sixty-two and prior to the month in which she attains the age of sixty-five shall be reduced by—

[(A) $\frac{2}{100}$ of 1 per centum, multiplied by

[(B) the number equal to the number of months in the period beginning with the first day of the first month for which she is entitled to such wife's insurance benefit and ending with the last day of the month before the month in which she would attain the age of sixty-five, except that in no event shall such period start earlier than the first day of the month in which she attains the age of sixty-two.

The preceding provisions of this paragraph shall not apply to the benefit for any month in which such wife has in her care (individually or jointly with the individual on whose wages and self-employment income such wife's insurance benefit is based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income. With respect to any month in the period specified in clause (B) of the first sentence, if such wife does not have in such month such a child in her care (individually or jointly with such individual), she shall be deemed to have such a child in her care in such month for the purposes of the preceding sentence unless there is in effect for such month a certificate filed by her with the Secretary, in accordance with regulations prescribed by him, in which she elects to receive wife's insurance benefits reduced as provided in this subsection. Any certificate filed pursuant to the preceding sentence shall be effective for purposes of such sentence—

[(i) for the month in which it is filed, and for any month thereafter, if in such month she does not have such a child in her care (individually or jointly with such individual), and

[(ii) for the period of one or more consecutive months (not exceeding twelve) immediately preceding the month in which such certificate is filed which is designated by her (not including as part of such period any month in which she had such a child in her care (individually or jointly with such individual)).

If such a certificate is filed, the period referred to in clause (B) of the first sentence of this paragraph shall commence with the first day of the first month (i) for which she is entitled to a wife's insurance benefit, (ii) which occurs after the month preceding the month in which she attained the age of sixty-two, and (iii) for which such certificate is effective.

[(3) In the case of any woman who is entitled to an old-age insurance benefit to which paragraph (1) is applicable and who, for the first month for which she is so entitled (but not for any prior month) or for any later month occurring before the month in which she attains the age of sixty-five, is entitled to a wife's insurance benefit to which paragraph (2) is applicable, the amount of such wife's insurance benefit for any month prior to the month in which she attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (2), be reduced by the sum of—

[(A) an amount equal to the amount by which such old-age insurance benefit for such month is reduced under paragraph (1), plus

[(B) an amount equal to—

[(i) the number equal to the number of months specified in clause (B) of paragraph (2), multiplied by

[(ii) $2\frac{5}{16}$ of 1 per centum, and further multiplied by

[(iii) the excess of such wife's insurance benefit prior to reduction under this subsection over the old-age insurance benefit prior to reduction under this subsection.

[(4) In the case of any woman who is or was entitled to a wife's insurance benefit to which paragraph (2) is applicable and who, for any month after the first month for which she is or was so entitled (but not for such first month or any earlier month) occurring before the month in which she attains the age of sixty-five, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit

for any month prior to the month in which she attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (1), be reduced by the sum of—

[(A) an amount equal to the amount by which such wife's insurance benefit is reduced under paragraph (2) for such month (or, if she is not entitled to a wife's insurance benefit for such month, by an amount equal to the amount by which such benefit was reduced for the last month for which she was entitled thereto), plus

[(B) if the old-age insurance benefit for such month prior to reduction under this subsection exceeds such wife's insurance benefit prior to reduction under this subsection, an amount equal to—

[(i) the number equal to the number of months specified in clause (B) of paragraph (1), multiplied by

[(ii) $\frac{5}{8}$ of 1 per centum, and further multiplied by

[(iii) the excess of such old-age insurance benefit over such wife's insurance benefit.

[(5) In the case of any woman who is entitled to an old-age insurance benefit for the month in which she attains the age of sixty-five or any month thereafter, such benefit for such month shall, if she was also entitled to such benefit for any one or more months prior to the month in which she attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (1) or (4), be reduced as provided in such paragraph, except that there shall be subtracted, from the number specified in clause (B) of such paragraph—

[(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b),

and except that, in the case of any such benefit reduced under paragraph (4), there also shall be subtracted from the number specified in clause (B) of paragraph (2), for the purpose of computing the amount referred to in clause (A) of paragraph (4)—

[(B) the number equal to the number of months for which the wife's insurance benefit was reduced under such paragraph (2), but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b), under section 203(c), or under section 222(b).

[(C) the number equal to the number of months occurring after the first month for which such wife's insurance benefit was reduced under such paragraph (2) in which she had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits, and

[(D) the number equal to the number of months for which such wife's insurance benefit was reduced under such paragraph (2), but in or after which her entitlement to wife's insurance benefits was terminated because her husband ceased to be under a disability, not including in such number of months any month after such termination in which she was entitled to wife's insurance benefits.

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three. For purposes of clauses (B) and (C) of this paragraph, a wife's insurance benefit shall not be considered terminated for any reason prior to the month in which she attains the age of sixty-five.

[(6) In the case of any woman who is entitled to a wife's insurance benefit for the month in which she attains the age of sixty-five or any month thereafter, such benefit for such month shall, if she was also entitled to such benefit for any one or more months prior to the month in which she attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (2) or (3), be reduced as provided in such paragraph, except that there shall be subtracted from the number specified in clause (B) of such paragraph—

[(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under section 203(b) (1) or (2), under section 203(c), or under section 222(b),

[(B) the number equal to the number of months, occurring after the first month for which such benefit was reduced under such paragraph, in which she had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits,

and except that, in the case of any such benefit reduced under paragraph (3), there also shall be subtracted from the number specified in clause (B) of paragraph (1), for the purpose of computing the amount referred to in clause (A) of paragraph (3) and—

[(C) the number equal to the number of months for which such benefit was reduced under such paragraph, but in or after which her entitlement to wife's insurance benefits was terminated because her husband ceased to be under a disability, not including in such number of months any month after such termination in which she was entitled to wife's insurance benefits.

(D) the number equal to the number of months for which the old-age insurance benefit was reduced under such paragraph (1) but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b).

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three.

[(7) In the case of a woman who is entitled to an old-age insurance benefit to which paragraph (5) is applicable and who, for the month in which she attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to a wife's insurance benefit, the amount of such wife's insurance benefit for any month shall be reduced by an amount equal to the amount by which the old-age insurance benefit is reduced under paragraph (5) for such month.

[(8) In the case of a woman who is or was entitled to a wife's insurance benefit to which paragraph (2) was applicable and who, for the month in which she attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit for any month shall be reduced by an amount equal to the amount by which the wife's

insurance benefit is reduced under paragraph (6) for such month (or, if she is not entitled to a wife's insurance benefit for such month, by (i) an amount equal to the amount by which such benefit for the last month for which she was entitled thereto was reduced, or (ii) if smaller, an amount equal to the amount by which such benefit would have been reduced under paragraph (6) for the month in which she attained the age of sixty-five if entitlement to such benefit had not terminated before such month).

[(9) The preceding paragraphs shall be applied to old-age insurance benefits and wife's insurance benefits after reduction under section 203(a) and application of section 215(g). If the amount of any reduction computed under paragraph (1), under paragraph (2), under clause (A) or clause (B) of paragraph (3), or under clause (A) or clause (B) of paragraph (4) is not a multiple of \$0.10, it shall be reduced to the next lower multiple of \$0.10.]

Adjustment of Old-Age, Wife's, and Husband's Insurance Benefit Amounts in Accordance With Age of Beneficiary

(q)(1) *The old-age insurance benefit of any individual for any month prior to the month in which such individual attains the age of sixty-five shall be reduced by—*

(A) *five-ninths of 1 per centum, multiplied by*

(B) *the number equal to the number of months in the period beginning with the first day of the first month for which such individual is entitled to an old-age insurance benefit and ending with the last day of the month before the month in which such individual would attain the age of sixty-five.*

(2) *The wife's or husband's insurance benefit of any individual for any month after the month preceding the month in which such individual attains retirement age and prior to the month in which such individual attains the age of sixty-five shall be reduced by—*

(A) *twenty-five thirty-sixths of 1 per centum, multiplied by*

(B) *the number equal to the number of months in the period beginning with the first day of the first month for which such individual is entitled to such wife's or husband's (as the case may be) insurance benefit and ending with the last day of the month before the month in which such individual would attain the age of sixty-five, except that in no event shall such period start earlier than the first day of the month in which such individual attains retirement age.*

In the case of an individual entitled to wife's insurance benefits, the preceding provisions of this paragraph shall not apply to the benefit for any month in which such individual has in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefit is based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income. With respect to any month in the period specified in clause (B) of the first sentence of this paragraph, if (in the case of an individual entitled to wife's insurance benefits) such individual does not have in such month such a child in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefit is based), she shall be deemed to have such a child in her care in such month for the purposes of the preceding sentence unless there is in effect for such month a certificate filed by her with the Secretary, in accordance with

regulations prescribed by him, in which she elects to receive wife's insurance benefits reduced as provided in this subsection. Any certificate filed pursuant to the preceding sentence shall be effective for purposes of such sentence—

(i) for the month in which it is filed, and for any month thereafter, if in such month she does not have such a child in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefit is based), and

(ii) for the period of one or more consecutive months (not exceeding twelve) immediately preceding the month in which such certificate is filed which is designated by her (not including as part of such period any month in which she had such a child in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefit is based)).

* * * * *

If such a certificate is filed, the period referred to in clause (B) of the first sentence of this paragraph shall commence with the first day of the first month (i) for which such individual is entitled to a wife's insurance benefit, (ii) which occurs after the month preceding the month in which she attains retirement age, and (iii) for which such certificate is effective.

(3) In the case of any individual who is entitled to an old-age insurance benefit to which paragraph (1) is applicable and who, for the first month for which such individual is so entitled (but not for any prior month) or for any later month occurring before the month in which such individual attains the age of sixty-five, is entitled to a wife's or husband's insurance benefit to which paragraph (2) is applicable, the amount of such wife's or husband's insurance benefit for any month prior to the month in which such individual attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (2), be reduced by the sum of—

(A) an amount equal to the amount by which such old-age insurance benefit for such month is reduced under paragraph (1), plus

(B) an amount equal to—

(i) the number equal to the number of months specified in clause (B) of paragraph (2), multiplied by

(ii) twenty-five thirty-sixths of 1 per centum, and further multiplied by

(iii) the excess of such wife's or husband's insurance benefit (as the case may be) prior to reduction under this subsection over the old-age insurance benefit prior to reduction under this subsection.

(4) In the case of any individual who is or was entitled to a wife's or husband's insurance benefit to which paragraph (2) is applicable and who, for any month after the first month for which such individual is or was so entitled (but not for such first month or any earlier month) occurring before the month in which such individual attains the age of sixty-five, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit for any month prior to the month in which such individual attains the age of sixty-five shall, in lieu of the reduction provided in paragraph (1), be reduced by the sum of—

(A) an amount equal to the amount by which such wife's or husband's (as the case may be) insurance benefit is reduced under paragraph (2) for such month (or, if such individual is not entitled to a wife's or husband's insurance benefit for such month, by an amount equal to the amount by which such benefit was reduced for

the last month for which such individual was entitled to such a benefit), plus

(B) if the old-age insurance benefit for such month prior to reduction under this subsection exceeds such wife's or husband's (as the case may be) insurance benefit prior to reduction under this subsection, and amount equal to—

(i) the number equal to the number of months specified in clause (B) of paragraph (1), multiplied by

(ii) five-ninths of 1 per centum, and further multiplied by

(iii) the excess of such old-age insurance benefit over such wife's or husband's (as the case may be) insurance benefit.

(5) In the case of any individual who is entitled to an old-age insurance benefit for the month in which such individual attains the age of sixty-five or any month thereafter, such benefit for such month shall, if such individual was also entitled to such benefit for any one or more months prior to the month in which such individual attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (1) or (4), be reduced as provided in such paragraph, except that there shall be subtracted, from the number specified in clause (B) of such paragraph—

(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b),

and except that, in the case of any such benefit reduced under paragraph (4), there also shall be subtracted from the number specified in clause (B) of paragraph (2), for the purpose of computing the amount referred to in clause (A) of paragraph (4)—

(B) the number equal to the number of months for which the wife's or husband's (as the case may be) insurance benefit was reduced under such paragraph (2), but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b), under section 203(c), or under section 222(b),

(C) in case of a wife's insurance benefit, the number equal to the number of months occurring after the first month for which such benefit was reduced under paragraph (2) in which such individual had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits, and

(D) the number equal to the number of months for which such wife's or husband's (as the case may be) insurance benefit was reduced under such paragraph (2), but in or after which such individual's entitlement to wife's or husband's insurance benefits was terminated because such individual's spouse ceased to be under a disability, not including in such number of months any month after such termination in which such individual was entitled to wife's or husband's insurance benefits.

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three. For purposes of clauses (B) and (C) of this paragraph, the wife's or husband's insurance benefit of an individual shall not be considered terminated for any reason prior to the month in which such individual attained the age of sixty-five.

(6) *In the case of any individual who is entitled to a wife's or husband's insurance benefit for the month in which such individual attains the age of sixty-five or any month thereafter, such benefit for such month shall, if such individual was also entitled to such benefit for any one or more months prior to the month in which such individual attained the age of sixty-five and such benefit for any such prior month was reduced under paragraph (2) or (3), be reduced as provided in such paragraph, except that there shall be subtracted from the number specified in clause (B) of such paragraph—*

(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under section 203(b) (1) or (2), under section 203(c), or under section 222(b),

(B) in case of a wife's insurance benefit, the number equal to the number of months, occurring after the first month for which such benefit was reduced under such paragraph, in which such individual had in her care (individually or jointly with the individual on whose wages and self-employment income such benefit is based) a child of such individual entitled to child's insurance benefits, and

(C) the number equal to the number of months for which such wife's or husband's (as the case may be) insurance benefit was reduced under such paragraph, but in or after which such individual's entitlement to wife's or husband's insurance benefits was terminated because such individual's spouse ceased to be under a disability, not including in such number of months any month after such termination in which such individual was entitled to wife's or husband's insurance benefits,

and except that, in the case of any such benefit reduced under paragraph (3), there also shall be subtracted from the number specified in clause (B) of paragraph (1), for the purpose of computing the amount referred to in clause (A) of paragraph (3)—

(D) the number equal to the number of months for which the old-age insurance benefit was reduced under such paragraph (1) but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203(b).

Such subtraction shall be made only if the total of such months specified in clauses (A), (B), (C), and (D) of the preceding sentence is not less than three.

(7) *In the case of an individual who is entitled to an old-age insurance benefit to which paragraph (5) is applicable and who, for the month in which such individual attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to a wife's or husband's insurance benefit, the amount of such wife's or husband's insurance benefit for any month shall be reduced by an amount equal to the amount by which the old-age insurance benefit is reduced under paragraph (5) for such month.*

(8) *In the case of an individual who is or was entitled to a wife's or husband's insurance benefit to which paragraph (2) was applicable and who, for the month in which such individual attains the age of sixty-five (but not for any prior month) or for any later month, is entitled to an old-age insurance benefit, the amount of such old-age insurance benefit for any month shall be reduced by an amount equal to the amount by which the wife's or husband's (as the case may be) insurance benefit is reduced under paragraph (6) for such month (or, if such individual is not entitled to a wife's or husband's insurance benefit for such month, by (i)*

an amount equal to the amount by which such benefit for the last month for which such individual was entitled thereto was reduced, or (ii) if smaller, an amount equal to the amount by which such benefit would have been reduced under paragraph (6) for the month in which such individual attained the age of sixty-five if entitlement to such benefit had not terminated before such month).

(9) The preceding paragraphs shall be applied to old-age insurance benefits, wife's insurance benefits, and husband's insurance benefits after reduction under section 203(a) and application of section 215(g). If the amount of any reduction computed under paragraph (1), under paragraph (2), under clause (A) or clause (B) of paragraph (3), or under clause (A) or clause (B) of paragraph (4) is not a multiple of \$0.10, it shall be reduced to the next lower multiple of \$0.10.

【Presumed Filing of Application by Woman Eligible for Old-Age and Wife's Insurance Benefits

【(r) Any woman who becomes entitled to an old-age insurance benefit for any month prior to the month in which she attains the age of sixty-five and who is eligible for a wife's insurance benefit for the same month shall be deemed to have filed an application in such month for wife's insurance benefits. Any woman who becomes entitled to a wife's insurance benefit for any month prior to the month in which she attains the age of sixty-five and who is eligible for an old-age insurance benefit for the same month shall be deemed, unless she has in such month a child in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefits are based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income, to have filed an application in such month for old-age insurance benefits. For purposes of this subsection an individual shall be deemed eligible for a benefit for a month if, upon filing application therefor in such month, she would have been entitled to such benefit for such month.】

Presumed Filing of Application by Individual Eligible for Old-Age and Wife's or Husband's Insurance Benefits

(r) Any individual who becomes entitled to an old-age insurance benefit for any month prior to the month in which such individual attains the age of sixty-five and who is eligible for a wife's or husband's insurance benefit for the same month shall be deemed to have filed an application in such month for wife's or husband's (as the case may be) insurance benefits. Any individual who becomes entitled to a wife's or husband's insurance benefit for any month prior to the month in which such individual attains the age of sixty-five and who is eligible for an old-age insurance benefit for the same month shall be deemed, unless (in the case of an individual entitled to wife's insurance benefits) such individual has in such month in her care (individually or jointly with the individual on whose wages and self-employment income her wife's insurance benefits are based) a child entitled to child's insurance benefits on the basis of such wages and self-employment income, to have filed an application in such month for old-age insurance benefits. For purposes of this subsection an individual shall be deemed eligible for a benefit for a month if, upon filing application therefor in such month, such individual would have been entitled to such benefit for such month.

Female Disability Insurance Beneficiary

[(s) (1) If any woman becomes entitled to a widow's insurance benefit or parent's insurance benefit for a month before the month in which she attains the age of sixty-five, or becomes entitled to an old-age insurance benefit or wife's insurance benefit for a month before the month in which she attains the age of sixty-five which is reduced under the provisions of subsection (q), such individual may not thereafter become entitled to disability insurance benefits under this title.

[(2) If a woman would, but for the provisions of subsection (k) (2) (B), be entitled for any month to a disability insurance benefit and to a wife's insurance benefit, subsection (q) shall be applicable to such wife's insurance benefit for such month only to the extent it exceeds such disability insurance benefit for such month.

[(3) The entitlement of any woman to disability insurance benefits shall terminate with the month before the month in which she becomes entitled to old-age insurance benefits.]

Disability Insurance Beneficiary

(s) (1) If any individual becomes entitled to a widow's insurance benefit, widower's insurance benefit, or parent's insurance benefit for a month before the month in which such individual attains the age of sixty-five, or becomes entitled to an old-age insurance benefit, wife's insurance benefit, or husband's insurance benefit for a month before the month in which such individual attains the age of sixty-five which is reduced under the provisions of subsection (q), such individual may not thereafter become entitled to disability insurance benefits under this title.

(2) If an individual would, but for the provisions of subsection (k)(2) (B), be entitled for any month to a disability insurance benefit and to a wife's or husband's insurance benefit, subsection (q) shall be applicable to such wife's or husband's insurance benefit (as the case may be) for such month only to the extent it exceeds such disability insurance benefit for such month.

(3) The entitlement of any individual to disability insurance benefits shall terminate with the month before the month in which such individual becomes entitled to old-age insurance benefits."

Suspension of Benefits of Aliens Who Are Outside the United States

(t) (1) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section or under section 223 to any individual who is not a citizen or national of the United States for any month which is—

(A) after the sixth consecutive calendar month during all of which the Secretary finds, on the basis of information furnished to him by the Attorney General or information which otherwise comes to his attention, that such individual is outside the United States, and

(B) prior to the first month thereafter for all of which such individual has been in the United States.

(2) Paragraph (1) shall not apply to any individual who is a citizen of a foreign country which the Secretary finds has in effect a social insurance or pension system which is of general application in such country and under which—

(A) periodic benefits, or the actuarial equivalent thereof, are paid on account of old age, retirement, or death, and

(B) individuals who are citizens of the United States but not citizens of such foreign country and who qualify for such benefits are permitted to receive such benefits or the actuarial equivalent thereof while outside such foreign country without regard to the duration of the absence.

(3) Paragraph (1) shall not apply in any case where its application would be contrary to any treaty obligation of the United States in effect on the date of the enactment of this subsection.

(4) Paragraph (1) shall not apply to any benefit for any month if—

(A) not less than forty of the quarters elapsing before such month are quarters of coverage for the individual on whose wages and self-employment income such benefit is based, or

(B) the individual on whose wages and self-employment income such benefit is based has, before such month, resided in the United States for a period or periods aggregating ten years or more, or

(C) the individual entitled to such benefit is outside the United States while in the active military or naval service of the United States, or

(D) the individual on whose wages and self-employment income such benefit is based died, before such month, either (i) while on active duty or inactive duty training (as those terms are defined in section 210(m) (2) and (3)) as a member of a uniformed service (as defined in section 210(n)), or (ii) as the result of a disease or injury which the Administrator of Veterans' Affairs determines was incurred or aggravated in line of duty while on active duty (as defined in section 210(m)(2)), or an injury which he determines was incurred or aggravated in line of duty while on inactive duty training (as defined in section 210(m)(3)), as a member of a uniformed service (as defined in section 210(n)), if the Administrator determines that such individual was discharged or released from the period of such active duty or inactive duty training under conditions other than dishonorable, and if the Administrator certifies to the Secretary his determinations with respect to such individual under this clause, or

(E) the individual on whose employment such benefit is based had been in service covered by the Railroad Retirement Act which was treated as employment covered by this Act pursuant to the provisions of section 5 (k) (1) of the Railroad Retirement Act.

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

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

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

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

Conviction of Subversive Activities, Etc.

(u) (1) If any individual is convicted of any offense (committed after the date of the enactment of this subsection) under—

(A) chapter 37 (relating to espionage and censorship), chapter 105 (relating to sabotage), or chapter 115 (relating to treason, sedition, and subversive activities) of title 18 of the United States Code, or

(B) section 4, 112, or 113 of the Internal Security Act of 1950, as amended,

then the court may, in addition to all other penalties provided by law, impose a penalty that in determining whether any monthly insurance benefit under this section or section 223 is payable to such individual for the month in which he is convicted or for any month thereafter, and in determining the amount of any such benefit payable to such individual for any such month, there shall not be taken into account—

(C) any wages paid to such individual or to any other individual in the calendar quarter in which such conviction occurs or in any prior calendar quarter, and

(D) any net earnings from self-employment derived by such individual or by any other individual during a taxable year in which such conviction occurs or during any prior taxable year.

(2) As soon as practicable after an additional penalty has, pursuant to paragraph (1), been imposed with respect to any individual, the Attorney General shall notify the Secretary of such imposition.

(3) If any individual with respect to whom an additional penalty has been imposed pursuant to paragraph (1) is granted a pardon of the offense by the President of the United States, such additional penalty shall not apply for any month beginning after the date on which such pardon is granted.

REDUCTION OF INSURANCE BENEFITS

Maximum Benefits

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

(1) when any of such individuals so entitled would (but for the provisions of section 202(k)(2)(A)) be entitled to child's

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

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

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

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

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

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

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

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

(B) he died, which ever first occurred,

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

(C) [the last figure in column V of the table appearing in section 215 (a)] *the amount determined under this subsection without regard to this paragraph, or \$206.60, whichever is larger, or*

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

(i) such primary insurance amount, over

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

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

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

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

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

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

(3) in which such individual, if a wife under age 65 entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit and such wife's insurance benefit for such month was not reduced under the provisions of section 202 (q); or

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

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

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

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

(c)(1) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to old-age insurance benefits to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—

(A) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age

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

(B) in which the individual referred to in subparagraph (A) is under the age of seventy-two and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States.

(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or from any mother's insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or mother's insurance benefit or benefits under section 202 for any month—

(A) in which such child or person entitled to mother's insurance benefit is married to an individual entitled to old-age insurance benefits under section 202(a) who is under the age of seventy-two and for which month such individual is charged with any earnings under the provisions of subsection (e) of this section, or

(B) in which such child or person entitled to mother's insurance benefits is married to the individual referred to in subparagraph (A) and on seven or more different calendar days of which such individual engaged in noncovered remunerative activity outside the United States.

Occurrence of More Than One Event

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

Months to Which Earnings Are Charged

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

(1) If an individual's earnings for a taxable year of twelve months are not more than \$1,200, no month in such year shall be charged with any earnings. If an individual's earnings for a taxable year of less than twelve months are not more than the product of **[\$100]** \$150 times the number of months in such year, no month in such year shall be charged with any earnings.

(2) If an individual's earnings for a taxable year of twelve months are in excess of **[\$1,200,]** \$1,800, the amount of his earnings in excess of **[\$1,200]** \$1,800 shall be charged to months as follows: The first \$80 of such excess shall be charged to the first month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of \$80 per month to each succeeding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. If an individual's earnings for a taxable year of less than twelve months are more than the product of **[\$100]** \$150 times the number of months in such year, the amount of such earnings in excess of such product shall be charged to months as follows: The first \$80 of such excess shall be charged to the first month of such taxable year, and the balance, if any, shall be charged at the rate of \$80 per month to each succeeding month in such year to which such charging is not

prohibited by the last sentence of this paragraph, until all of such balance has been applied. Notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month (A) for which the individual whose earnings are involved was not entitled to a benefit under this title, (B) in which an event described in paragraph (2), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-two or over, or (D) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (4) of this subsection) of more than \$100.

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

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

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

(ii) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (4) of this subsection) of more than \$100 until it is shown to the satisfaction of the Secretary that such individual did not render such services in such month for more than such amount.

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

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

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

be employment as so defined if the remuneration for such services is not includible in computing his net earnings or net loss from self-employment.

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

Penalty for Failure To Report Certain Events

(f) Any individual in receipt of benefits subject to deduction under subsection (b) **or (c)**, (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event specified in subsection (b)(1) **or (c)(1)**), who fails to report such occurrence to the Secretary prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred, shall suffer an additional deduction equal to that imposed under subsection (b) **or (c)**, except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

Report of Earnings to Secretary

(g)(1)(A) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (4) of subsection (e), in excess of the product of **[\$100]** \$150 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of his earnings (or wages) for such taxable year. Such report shall be made on or before the fifteenth day of the fourth month following the close of such year, and shall contain such information and be made in such manner as the Secretary may by regulations prescribe. Such report need not be made for any taxable year (i) beginning with or after the month in which such individual attained the age of 72, or (ii) if benefit payments for all months (in such taxable year) in which such individual is under age 72 have been suspended under the provisions of the first sentence of paragraph (3) of this subsection.

(B) If the benefit payments of an individual have been suspended for all months in any taxable year under the provisions of the first sentence of paragraph (3) of subsection (g), no benefit payment shall be made to such individual for any such month in such taxable year after the expiration of the period of three years, three months, and fifteen days following the close of such taxable year unless within such period the individual, or some other person entitled to benefits under this title on the basis of the same wages and self-employment

income, files with the Secretary information showing that a benefit for such month is payable to such individual.

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

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

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

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

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

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

puted pursuant to paragraph (4) of subsection (e)) for such taxable year or any other information with respect to such earnings which the Secretary may specify, and the individual fails to comply with such request, such failure shall in itself constitute justification for a determination that such individual's benefits are subject to deductions under subsection (b)(1) for each month in such taxable year (or only for such months thereof as the Secretary may specify) by reason of his earnings for such year.

Circumstances Under Which Deductions and Reductions Not Required

(h) In the case of any individual, deductions by reason of the provisions of subsection (b), (f), or (g) of this section, or the provisions of section 222(b), shall, notwithstanding such provisions, be made from the benefits to which such individual is entitled only to the extent that such deductions reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to such individual and the other individuals living in the same household.

for purposes of this subsection shall be made in accordance with regulations of the Secretary.

OVERPAYMENTS AND UNDERPAYMENTS

SEC. 204. (a) Whenever an error has been made with respect to payments to an individual under this title (including payments made prior to January 1, 1940), proper adjustments shall be made, under regulations prescribed by the Secretary, by increasing or decreasing subsequent payments to which such individual is entitled. If such individual dies before such adjustment has been completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages and self-employment income which were the basis of benefits of such deceased individual.

(b) There shall be no adjustment or recovery by the United States in any case where incorrect payment has been made to an individual who is without fault (including payments made prior to January 1, 1940), and where adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience.

(c) No certifying or disbursing officer shall be held liable for any amount certified or paid by him to any person where the adjustment or recovery of such amount is waived under subsection (b), or where adjustment under subsection (a) is not completed prior to the death of all persons against whose benefits deductions are authorized.

EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. (a) The Secretary shall have full power and authority to make rules and regulations and to establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out such provisions, and shall adopt reasonable and proper rules and regulations to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the same in order to establish the right to benefits hereunder.

(b) The Secretary is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Upon request by any such individual or upon request by a wife, widow, former wife divorced, husband, widower, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Secretary has rendered, he shall give such applicant and such other individual reasonable notice and opportunity for a hearing with respect to such decision, and, if a hearing is held, shall, on the basis of evidence adduced at the hearing, affirm, modify, or reverse his findings of fact and such decision. Any such request with respect to such a decision must be filed within such period after such decision as may be prescribed in regulations of the Secretary, except that the period so prescribed may not be less than six months after notice of such decision is mailed to the individual making such request. The Secretary is further authorized, on his own motion, to hold such hearings and to conduct such investigations and other proceedings as he may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, he may administer oaths and affirmations, examine wit-

nesses, and receive evidence. Evidence may be received at any hearing before the Secretary even though inadmissible under rules of evidence applicable to court procedure.

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

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

(B) The term “time limitation” means a period of three years, three months, and fifteen days.

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

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

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

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

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

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

(C) the absence of an entry in the Secretary’s records as to the self-employment income alleged to have been derived by an individual in such year shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such year unless it is shown that he filed a tax return of his self-employment income for such year before the

expiration of the time limitation following such year, in which case the Secretary shall include in his records the self-employment income of such individual for such year.

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

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

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

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

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

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

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

(F) to conform his records to—

(i) *tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A of chapter 9*

of the Internal Revenue Code of 1939, under chapter 2 or 21 of the Internal Revenue Code of 1954, or under regulations made under authority of such title, subchapter, or chapter;

(ii) wage reports filed by a State pursuant to an agreement under section 218 or regulations of the Secretary thereunder; or

(iii) assessments of amounts due under an agreement pursuant to section 218, if such assessments are made within the period specified in subsection (q) of such section, or allowances of credits or refunds of overpayments by a State under an agreement pursuant to such section;

except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Secretary's records pursuant to this subparagraph;

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

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

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

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

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

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

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

(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within his jurisdiction hereunder, the Secretary shall have power to issue subpoenas requiring the attendance and testimony of witnesses and the production of any evidence that relates to any matter under investigation or in question before the Secretary. Such attendance of witnesses and production of evidence at the designated place of such hearing, investigation, or other proceeding may be required from any place in the United States or in any Territory or possession thereof. Subpoenas of the Secretary shall be served by anyone authorized by him (1) by delivering a copy thereof to the individual named therein, or (2) by registered mail addressed to such individual at his last dwelling place or principal place of business. A verified return by the individual so serving the subpoena setting forth the manner of service, or, in the case of service by registered mail, the returned post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpoenaed shall be paid the same fees and mileage as are paid witnesses in the district courts of the United States.

(e) In case of contumacy by, or refusal to obey a subpoena duly served upon, any person, any district court of the United States for the judicial district in which said person charged with contumacy or refusal to obey is found or resides or transacts business, upon application by the Secretary, shall have jurisdiction to issue an order requiring such person to appear and give testimony, or to appear and produce evidence, or both; any failure to obey such order of the court may be punished by said court as contempt thereof.

(f) No person so subpoenaed or ordered shall be excused from attending and testifying or from producing books, records, correspondence, documents, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no person shall be prosecuted or subjected to any penalty or forfeiture for, or on account of, any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, except that such person so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

(g) Any individual, after any final decision of the Secretary made after a hearing to which he was a party, irrespective of the amount in controversy, may obtain a review of such decision by a civil action commenced within sixty days after the mailing to him of notice of such decision or within such further time as the Secretary may allow. Such action shall be brought in the district court of the United States for the judicial district in which the plaintiff resides, or has his principal place of business, or, if he does not reside or have his principal place of business within any such judicial district, in the District Court of the United States for the District of Columbia. As part of his answer the Secretary shall file a certified copy of the transcript of the record including the evidence upon which the findings and decision complained of are based. The court shall have power to enter,

upon the pleadings and transcript of the record, a judgment affirming, modifying, or reversing the decision of the Secretary, with or without remanding the cause for a rehearing. The findings of the Secretary as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Secretary or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Secretary, because of failure of the claimant or such individual to submit proof in conformity with any regulation prescribed under subsection (a) hereof, the court shall review only the question of conformity with such regulations and the validity of such regulations. The court shall, on motion of the Secretary made before he files his answer, remand the case to the Secretary for further action by the Secretary, and may, at any time, on good cause shown, order additional evidence to be taken before the Secretary, and the Secretary shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm his findings of fact or his decision, or both, and shall file with the court any such additional and modified findings of fact and decision, and a transcript of the additional record and testimony upon which his action in modifying or affirming was based. Such additional or modified findings of fact and decision shall be reviewable only to the extent provided for review of the original findings of fact and decision. The judgment of the court shall be final except that it shall be subject to review in the same manner as a judgment in other civil actions. *Any action instituted in accordance with this subsection shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.*

(h) The findings and decision of the Secretary after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Secretary shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Secretary, or any officer or employee thereof shall be brought under section 24 of the Judicial Code of the United States to recover on any claim arising under this title.

(i) Upon final decision of the Secretary, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Secretary shall certify to the Managing Trustee the name and address of the person so entitled to receive such payment or payments, the amount of such payment or payments, and the time at which such payment or payments should be made, and the Managing Trustee, through the Fiscal Service of the Treasury Department, and prior to any action thereon by the General Accounting Office, shall make payment in accordance with the certification of the Secretary: *Provided*, That where a review of the Secretary's decision is or may be sought under subsection (g) the Secretary may withhold certification of payment pending such review. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Secretary.

(j) When it appears to the Secretary that the interest of an applicant entitled to a payment would be served thereby, certification of payment may be made, regardless of the legal competency or incompetency of the individual entitled thereto, either for direct payment

to such applicant, or for his use and benefit to a relative or some other person.

(k) Any payment made after December 31, 1939, under conditions set forth in subsection (j), any payment made before January 1, 1940, to, or on behalf of, a legally incompetent individual, and any payment made after December 31, 1939, to a legally incompetent individual without knowledge by the Secretary of incompetency prior to certification of payment, if otherwise valid under this title, shall be a complete settlement and satisfaction of any claim, right, or interest in and to such payment.

(l) The Secretary is authorized to delegate to any member, officer or employee of the Department of Health, Education, and Welfare designated by him any of the powers conferred upon him by this section, and is authorized to be represented by his own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

(m) [Repealed.]

(n) The Secretary may, in his discretion, certify to the Managing Trustee any two or more individuals of the same family for joint payment of the total benefits payable to such individuals.

Crediting of Compensation Under the Railroad Retirement Act

(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f)(1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210(a)(9) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under subsection (a) or (e) of section 217 of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages and self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.

Special Rules in Case of Federal Service

(p)(1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, including service, performed as a member of a uniformed service, to which the provisions of subsection (m)(1) of such section are applicable, the Secretary shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or the periods in

which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 3122 of the Internal Revenue Code of 1954 and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

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

(3) The provisions of paragraphs (1) and (2) shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; and for purposes of paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality. The provisions of paragraphs (1) and (2) shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of paragraphs (1) and (2) the Secretary of the Treasury shall be deemed to be the head of such instrumentality.

REPRESENTATION OF CLAIMANTS BEFORE THE SECRETARY

SEC. 206. The Secretary may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Secretary, and may require of such agents or other persons, before being recognized as representatives of claimants that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimant valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good standing who is admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Secretary. The Secretary may, after due notice and opportunity for hearing, suspend or prohibit from further practice before him any such person, agent, or attorney who refuses to comply with the Secretary's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Secretary may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in

connection with any claim before the Secretary under this title, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this title by word, circular, letter, or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee, prescribed by the Secretary shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding \$500 or by imprisonment not exceeding one year, or both.

ASSIGNMENT

SEC. 207. The right of any person to any future payment under this title shall not be transferable or assignable, at law or in equity, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

PENALTIES

SEC. 208. Whoever—

(a) for the purpose of causing an increase in any payment authorized to be made under this title, or for the purpose of causing any payment to be made where no payment is authorized under this title, shall make or cause to be made any false statement or representation (including any false statement or representation in connection with any matter arising under subchapter E of chapter 1, or subchapter A or E of chapter 9 of the Internal Revenue Code of 1939, or chapter 2 or 21 or subtitle F of the Internal Revenue Code of 1954) as to—

(1) whether wages were paid or received for employment (as said terms are defined in this title and the Internal Revenue Code), or the amount of wages or the period during which paid or the person to whom paid; or

(2) whether net earnings from self-employment (as such term is defined in this title and in the Internal Revenue Code) were derived, or as to the amount of such net earnings or the period during which or the person by whom derived; or

(3) whether a person entitled to benefits under this title had earnings in or for a particular period (as determined under section 203 (e) of this title for purposes of deductions from benefits), or as to the amount thereof; or

(b) makes or cause to be made any false statement or representation of a material fact in any application for any payment or for a disability determination under this title; or

(c) at any time makes or causes to be made any false statement or representation of a material fact for use in determining rights to payment under this title; or

(d) having knowledge of the occurrence of any event affecting (1) his initial or continued right to any payment under this title, or (2) the initial or continued right to any payment of any other individual in whose behalf he has applied for or is receiving

such payment, conceals or fails to disclose such event with an intent fraudulently to secure payment either in a greater amount than is due or when no payment is authorized; or

(e) having made application to receive payment under this title for the use and benefit of another and having received such a payment, knowingly and willfully converts such a payment, or any part thereof, to a use other than for the use and benefit of such other person:

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$1,000 or imprisoned for not more than one year, or both.

DEFINITION OF WAGES

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

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

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

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

(b) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (1) retirement, or (2) sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

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

(d) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf

of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

(e) Any payment made to, or on behalf of, an employee or his beneficiary (1) from or to a trust exempt from tax under section 165(a) of the Internal Revenue Code of 1939 at the time of such payment or, in the case of a payment after 1954, under sections 401 and 501(a) of the Internal Revenue Code of 1954, unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165(a) (3), (4), (5), and (6) of the Internal Revenue Code of 1939 or, in the case of a payment after 1954, the requirements of sections 401 and 501(a) of the Internal Revenue Code of 1954;

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

(g)(1) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than \$50. As used in this paragraph, the term "domestic service in a private home of the employer" does not include service described in section 210(f)(5);

(3) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than \$50. As used in this paragraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in section 210(f)(5);

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

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

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

in this subsection, the term "sick pay" includes remuneration for service in the employ of a State, a political subdivision (as defined in section 218 (b)(2)) of a State, or an instrumentality of two or more States, paid to an employee thereof for a period during which he was absent from work because of sickness, or

(j) Remuneration paid by an employer in any quarter to an employee for service described in section 210(k)(3)(C) (relating to home workers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than \$50.

For purposes of this title, in the case of domestic service described in subsection (g)(2), any payment of cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this title, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to \$1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (g)(2).

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

DEFINITION OF EMPLOYMENT

SEC. 210. For the purposes of this title—

Employment

(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee (i) of an American employer (as defined in subsection (e)), or (ii) of a foreign subsidiary (as defined in section 3121 (l) of the Internal Revenue Code of 1954) of a domestic corporation (as determined in accordance with section 7701 of the Internal Revenue Code of 1954) during any period for which there is in effect an agreement, entered into pursuant to section 3121 (l) of the Internal

Revenue Code of 1954, with respect to such subsidiary; except that, in the case of service performed after 1950, such term shall not include—

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

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

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

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

(5) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 3111 of the Internal Revenue Code of 1954 by virtue of any provision of law which specifically refers to such section in granting such exemption;

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

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

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

(ii) service performed in the employ of a *Federal land bank*, a *Federal intermediate credit bank*, a *bank for cooperatives*, a national farm loan association, a production credit association, a Federal Reserve Bank, a Federal Home Loan Bank, or a Federal Credit Union;

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

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

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

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

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

(ii) in the legislative branch;

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

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

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

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

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

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

(B) Service performed in the employ of a religious, charitable, educational, or other organization described in section 501 (c)(3) of the Internal Revenue Code of 1954, which is exempt from income tax under section 501(a) of such Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 3121(k) of the Internal Revenue Code of 1954, is in effect if such service is performed by an employee—

(i) whose signature appears on the list filed by such organization under such section 3221(k),

(ii) who became an employee of such organization after the calendar quarter in which the certificate (other than a certificate referred to in clause (iii)) was filed, or

(iii) who, after the calendar quarter in which the certificate was filed with respect to a group described in paragraph (1)(E) of such section 3121(k), became a member of such group,

except that this subparagraph shall apply with respect to service performed by an employee as a member of a group described in paragraph (1)(E) of such section 3121(k) with respect to which no certificate is in effect;

(9) Service performed by an individual as an employee or employee representative as defined in section 3231 of the Internal Revenue Code of 1954;

(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 501 of the Internal Revenue Code of 1954, if the remuneration for such service is less than \$50;

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

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

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

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

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to sim-

ilar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

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

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

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

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

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

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

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

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

(17) Service in the employ of any organization which is performed (A) in any quarter during any part of which such organization is registered, or there is in effect a final order of the

Subversive Activities Control Board requiring such organization to register, under the Internal Security Act of 1950, as amended, as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization, and (B) after June 10, 1956.

(18) Service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual under the age of sixteen.

Included and Excluded Service

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

American Vessel

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

American Aircraft

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

American Employer

(e) The term "American employer" means an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

Agricultural Labor

(f) The term "agricultural labor" includes all service performed—

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

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

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

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

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

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

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

Farm

(g) The term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges,

greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

State

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

United States

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

Citizen of Puerto Rico

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

Employee

(k) The term "employee" means—

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

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

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

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

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

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

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual;

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

Covered Transportation Service

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

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

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

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

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

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

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

(4) For the purposes of this subsection—

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

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

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

Service in the Uniformed Services

(m)(1) Except as provided in paragraph (4), the term “employment” shall, notwithstanding the provisions of subsection (a) of this section, include service performed after December 1956 by an individual as a member of a uniformed service on active duty; but such term shall not include any such service which is performed while on leave without pay.

(2) The term “active duty” means “active duty” as described in section 102 of the Servicemen’s and Veterans’ Survivor Benefits Act, except that it shall also include “active duty for training” as described in such section.

(3) The term “inactive duty training” means “inactive duty training” as described in such section 102.

(4) (A) Paragraph (1) of this subsection shall not apply in the case of any service, performed by an individual as a member of a uniformed service, which is creditable under section 4 of the Railroad Retirement Act of 1937. The Railroad Retirement Board shall notify the Secretary of Health, Education, and Welfare, as provided in section 4(p)(2) of that Act, with respect to all such service which is so creditable.

(B) In any case where benefits under this title are already payable on the basis of such individual’s wages and self-employment income at the time such notification (with respect to such individual) is received by the Secretary, the Secretary shall certify no further benefits for payment under this title on the basis of such individual’s wages and self-employment income, or shall recompute the amount of any further benefits payable on the basis of such wages and self-employment income, as may be required as a consequence of subparagraph (A) of this paragraph. No payment of a benefit to any person on the basis of such individual’s wages and self-employment income, certified by the Secretary prior to the end of the month in which he receives such notification from the Railroad Retirement Board, shall be deemed by reason of this subparagraph to have been an erroneous

payment or a payment to which such person was not entitled. The Secretary shall, as soon as possible after the receipt of such notification from the Railroad Retirement Board, advise such Board whether or not any such benefit will be reduced or terminated by reason of subparagraph (A), and if any such benefit will be so reduced or terminated, specify the first month with respect to which such reduction or termination will be effective.

Member of a Uniformed Service

(n) The term "member of a uniformed service" means any person appointed, enlisted, or inducted in a component of the Army, Navy, Air Force, Marine Corps, or Coast Guard (including a reserve component of a uniformed service as defined in section 102(3) of the Servicemen's and Veterans' Survivor Benefits Act), or in one of those services without specification of component, or as a commissioned officer of the Coast and Geodetic Survey or the Regular or Reserve Corps of the Public Health Service, and any person serving in the Army or Air Force under call or conscription. The term includes—

(1) a retired member of any of those services;

(2) a member of the Fleet Reserve or Fleet Marine Corps Reserve;

(3) a cadet at the United States Military Academy, a midshipman at the United States Naval Academy, and a cadet at the United States Coast Guard Academy or United States Air Force Academy;

(4) a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps, or the Air Force Reserve Officers' Training Corps, when ordered to annual training duty for fourteen days or more, and while performing authorized travel to and from that duty; and

(5) any person while en route to or from, or at, a place for final acceptance or for entry upon active duty in the military or naval service—

(A) who has been provisionally accepted for such duty;

or

(B) who, under the Universal Military Training and Service Act, has been selected for active military or naval service;

and has been ordered or directed to proceed to such place.

The term does not include a temporary member of the Coast Guard Reserve.

Crew Leader

(o) The term "crew leader" means an individual who furnishes individuals to perform agricultural labor for another person, if such individual pays (either on his own behalf or on behalf of such person) the individuals so furnished by him for the agricultural labor performed by them and if such individual has not entered into a written agreement with such person whereby such individual has been designated as an employee of such person; and such individuals furnished by the crew leader to perform agricultural labor for another person shall be deemed to be the employees of such crew leader. A crew leader shall, with respect to services performed in furnishing individuals to perform agricultural labor for another person and

services performed as a member of the crew, be deemed not to be an employee of such other person.

SELF-EMPLOYMENT

SEC. 211. For the purposes of this title—

Net Earnings From Self-Employment

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

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

(2) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 35 of the Internal Revenue Code of 1954) are received in the course of a trade of business as a dealer in stocks or securities;

(3) There shall be excluded any gain or loss (A) which is considered under Subtitle A of the Internal Revenue Code of 1954 as gain or loss from the sale or exchange of a capital asset, (B) from the cutting of timber, or the disposal of timber or coal, if section 1231 of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

(4) The deduction for net operating losses provided in section 172 of such code shall not be allowed;

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

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

(6)(A) In the case of any taxable year beginning before the effective date specified in section 219, the term "possession of the United States" when used in section 931 of the Internal Revenue Code of 1954 with respect to citizens of the United States shall include Puerto Rico;

(B) In the case of any taxable year beginning on or after the effective date specified in section 219, a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 933 of such code;

(7) An individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order shall compute his net earnings from self-employment derived from the performance of service described in subsection (c)(4) without regard to section 107 (relating to rental value of parsonages) and section 119 (relating to meals and lodging furnished for the convenience of the employer) of the Internal Revenue Code of 1954 and, in addition, if he is a citizen of the United States performing such service as an employee of an American employer (as defined in section 210(e)) or as a minister in a foreign country who has a congregation which is composed predominantly of citizens of the United States, without regard to section 911 (relating to earned income from sources without the United States) and section 931 (relating to income from sources within possessions of the United States) of such Code.

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

ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year. In the case of any trade or business which is carried on by an individual or by a partnership and in which, if such trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210(f)—

(i) in the case of an individual, if the gross income derived by him from such trade or business is not more than \$1,800, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be 66% percent of such gross income; or

(ii) in the case of an individual, if the gross income derived by him from such trade or business is more than \$1,800 and the net earnings from self-employment derived by him from such trade or business (computed under this subsection without regard to this sentence) are less than \$1,200, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be \$1,200; and

(iii) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) of the Internal Revenue Code of 1954 applies) is not more than \$1,800, his distributive share of income described in section 702(a)(9) of such Code derived from such trade or business may, at his option, be deemed to be an amount equal to 66% percent of his distributive share of such gross income (after such gross income has been so reduced); or

(iv) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) of the Internal Revenue Code of 1954 applies) is more than \$1,800 and his distributive share (whether or not distributed) of income described in section 702(a)(9) of such Code derived from such trade or business (computed under this subsection without regard to this sentence) is less than \$1,200, his distributive share of income described in such section 702(a)(9) derived from such trade or business may, at his option, be deemed to be \$1,200.

For purposes of the preceding sentence, gross income means—

(v) in the case of any such trade or business in which the income is computed under a cash receipts and disbursements method, the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the provisions of paragraphs (1) through (6) of this subsection; and

(vi) in the case of any such trade or business in which the income is computed under an accrual method, the gross income from such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (6) of this subsection;

and, for purposes of such sentence, if an individual (including a member of a partnership) derives gross income from more than one such

trade or business, such gross income (including his distributive share of the gross income of any partnership derived from any such trade or business) shall be deemed to have been derived from one trade or business.

Self-Employment Income

(b) The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a non-resident alien individual) during any taxable year beginning after 1950; except that such term shall not include—

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

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

(B) For any taxable year ending after 1954 and prior to 1959, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

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

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

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

Trade or Business

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

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

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

(2) *The performance of service by an individual as an employee, other than—*

(A) service described in section 210(a)(14)(B) performed by an individual who has attained the age of eighteen,

(B) service described in section 210(a)(16),

(C) service described in section 210(a)(11) or (12) performed in the United States by a citizen of the United States, and

(D) service described in paragraph (4) of this subsection;

(3) The performance of service by an individual as an employee or employee representative as defined in section 3231 of the Internal Revenue Code of 1954.

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

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

The provisions of paragraph (4) or (5) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by such individual under section 1402(e) of the Internal Revenue Code of 1954 is in effect. The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during the period for which a certificate filed by him under section 1402(e) of the Internal Revenue Code of 1954 is in effect.

Partnership and Partner

(d) The term "partnership" and the term "partner" shall have the same meaning as when used in subchapter K of chapter 1 of the Internal Revenue Code of 1954.

Taxable Year

(e) The term "taxable year" shall have the same meaning as when used in subtitle A of the Internal Revenue Code of 1954; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of subtitle A of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such subtitle A.

Partner's Taxable Year Ending as Result of Death

(f) In computing a partner's net earnings from self-employment for his taxable year which ends as a result of his death (but only if such taxable year ends within, and not with, the taxable year of the partnership), there shall be included so much of the deceased partner's distributive share of the partnership's ordinary income or loss for the partnership taxable year as is not attributable to an interest in the partnership during any period beginning on or after the first day of the first calendar month following the month in which such partner died. For purposes of this subsection—

(1) in determining the portion of the distributive share which is attributable to any period specified in the preceding sentence, the ordinary income or loss of the partnership shall be treated as

having been realized or sustained ratably over the partnership taxable year; and

(2) the term "deceased partner's distributive share" includes the share of his estate or of any other person succeeding, by reason of his death, to rights with respect to his partnership interest.

CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR QUARTERS

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

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

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

QUARTER AND QUARTER OF COVERAGE

Definitions

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

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

[(2) (A) The term "quarter of coverage" means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid \$50 or more in wages, except that no quarter any part of which was included in a period of disability (as defined in section 216(i)), other than the initial quarter of such period, shall be a quarter of coverage. In the case of any individual who has been paid, in a calendar year prior to 1951, \$3,000 or more in wages, each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled, and excepting any quarter any part of which was included in a period of disability, other than the initial quarter of such period.

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

[(i) no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;

[(ii) if the wages paid to any individual in any calendar year equal]

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

(i) *no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;*

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

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

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

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

If, in the case of any individual who has attained retirement age or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216 (i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters.

Crediting of Wages Paid in 1937

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

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

SEC. 214. For the purposes of this title—

Fully Insured Individual

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

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

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

[(B) forty quarters of coverage,
not counting as an elapsed quarter for purposes of subparagraph (A) any quarter any part of which was included in a period of disability (as defined in section 216(i)) unless such quarter was a quarter of coverage.

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

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

(a) The term "fully insured individual" means any individual who had not less than—

(1) one quarter of coverage (whenever acquired) for each two of the quarters elapsing—

(A) after (i) December 31, 1950, or (ii) if later, December 31 of the year in which he attained the age of twenty-one, and

(B) prior to (i) the year in which he died, or (ii) if earlier, the year in which he attained retirement age, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

(2) forty quarters of coverage; or

(3) in the case of an individual who died prior to September 1, 1950, six quarters of coverage;

not counting as an elapsed quarter for purposes of subparagraph (1) any quarter any part of which was included in a period of disability (as defined in section 216(i)) unless such quarter was a quarter of coverage. When the number of elapsed quarters referred to in subparagraph (1) is not a multiple of two such number shall, for purposes of such subparagraph, be reduced to the next lower multiple of two.

Currently Insured Individual

(b) The term "currently insured individual" means any individual who has not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section, or (4) in the case of any individual entitled to disability insurance benefits, the quarter in which he most recently became entitled to disability insurance benefits, not counting as part of such thirteen-quarter period any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage.

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 became entitled to old-age insurance benefits or died, the amount in column IV which is equal to his disability insurance benefit.

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1954 Act)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
	\$10.00		\$30.00		\$54	\$33	\$53.00
\$10.01	10.48	\$30.10	31.00	\$55	56	34	54.00
10.49	11.00	31.10	32.00	57	58	35	55.00
11.01	11.48	32.10	33.00	59	60	36	56.00
11.49	12.00	33.10	34.00	61	61	37	57.00
12.01	12.48	34.10	35.00	62	63	38	58.00
12.49	13.00	35.10	36.00	64	65	39	59.00
13.01	13.48	36.10	37.00	66	67	40	60.00
13.49	14.00	37.10	38.00	68	69	41	61.50
14.01	14.48	38.10	39.00	70	70	42	63.00
14.49	15.00	39.10	40.00	71	72	43	64.50
15.01	15.60	40.10	41.00	73	74	44	66.00
15.61	16.20	41.10	42.00	75	76	45	67.50
16.21	16.84	42.10	43.00	77	78	46	69.00
16.85	17.60	43.10	44.00	79	80	47	70.50
17.61	18.40	44.10	45.00	81	81	48	72.00
18.41	19.24	45.10	46.00	82	83	49	73.50
19.25	20.00	46.10	47.00	84	85	50	75.00
20.01	20.64	47.10	48.00	86	87	51	76.50
20.65	21.28	48.10	49.00	88	89	52	78.00
21.29	21.88	49.10	50.00	90	90	53	79.50
21.89	22.28	50.10	50.90	91	92	54	81.00
22.29	22.68	51.00	51.80	93	94	55	82.50
22.69	23.08	51.90	52.80	95	96	56	84.00
23.09	23.44	52.90	53.70	97	97	57	85.50
23.45	23.76	53.80	54.60	98	99	58	87.00
23.77	24.20	54.70	55.60	100	101	59	88.50
24.21	24.60	55.70	56.50	102	102	60	90.00
24.61	25.00	56.60	57.40	103	104	61	91.50
25.01	25.48	57.50	58.40	105	106	62	93.00
25.49	25.92	58.50	59.30	107	107	63	94.50
25.93	26.40	59.40	60.20	108	109	64	96.00
26.41	26.94	60.30	61.20	110	113	65	97.50
26.95	27.46	61.30	62.10	114	118	66	99.00
27.47	28.00	62.20	63.00	119	122	67	100.50
28.01	28.68	63.10	64.00	123	127	68	102.00
28.69	29.25	64.10	64.90	128	132	69	105.60
29.26	29.68	65.00	65.80	133	136	70	108.80
29.69	30.36	65.90	66.80	137	141	71	112.80
30.37	30.92	66.90	67.70	142	146	72	116.80
30.93	31.36	67.80	68.60	147	150	73	120.00
31.37	32.00	68.70	69.60	151	155	74	124.00
32.01	32.60	69.70	70.50	156	160	75	128.00
32.61	33.20	70.60	71.40	161	164	76	131.20
33.21	33.88	71.50	72.40	165	169	77	135.20
33.89	34.50	72.50	73.30	170	174	78	139.20
34.51	35.00	73.40	74.20	175	178	79	142.40
35.01	35.80	74.30	75.20	179	183	80	146.40
35.81	36.40	75.30	76.10	184	188	81	150.40
36.41	37.08	76.20	77.10	189	193	82	154.40
37.09	37.60	77.20	78.00	194	197	83	157.60
37.61	38.20	78.10	78.90	198	202	84	161.60
38.21	39.12	79.00	79.90	203	207	85	165.60
39.13	39.68	80.00	80.80	208	211	86	168.80
39.69	40.33	80.90	81.70	212	216	87	172.80
40.34	41.12	81.80	82.70	217	221	88	176.80
41.13	41.76	82.80	83.60	222	225	89	180.00

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

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1954 Act)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
\$41.77	\$42.44	\$83.70	\$84.50	\$226	\$230	\$90	\$184.00
42.45	43.20	84.60	85.50	231	235	91	188.00
43.21	43.76	85.60	86.40	236	239	92	191.20
43.77	44.44	86.50	87.30	240	244	93	195.20
44.45	44.88	87.40	88.30	245	249	94	199.20
44.89	45.60	88.40	89.20	250	253	95	202.40
		89.30	90.10	254	258	96	206.40
		90.20	91.10	259	263	97	210.40
		91.20	92.00	264	267	98	213.60
		92.10	92.90	268	272	99	217.60
		93.00	93.90	273	277	100	221.60
		94.00	94.80	278	281	101	224.80
		94.90	95.80	282	286	102	228.80
		95.90	96.70	287	291	103	232.80
		96.80	97.60	292	295	104	236.00
		97.70	98.60	296	300	105	240.00
		98.70	99.50	301	305	106	244.00
		99.60	100.40	306	309	107	247.20
		100.50	101.40	310	314	108	251.20
		101.50	102.30	315	319	109	254.00
		102.40	103.20	320	323	110	254.00
		103.30	104.20	324	328	111	254.00
		104.30	105.10	329	333	112	254.00
		105.20	106.00	334	337	113	254.00
		106.10	107.00	338	342	114	254.00
		107.10	107.90	343	347	115	254.00
		108.00	108.50	348	351	116	254.00
				352	356	117	254.00
				357	361	118	254.00
				362	365	119	254.00
				366	370	120	254.00
				371	375	121	254.00
				376	379	122	254.00
				380	384	123	254.00
				385	389	124	254.00
				390	393	125	254.00
				394	398	126	254.00
				399	400	127	254.00

【Average Monthly Wage

【(b)(1) For the purposes of column III of the table appearing in subsection (a) of this section, an individual's "average monthly wage" shall be the quotient obtained by dividing the total of his wages and self-employment income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), by the number of months elapsing after such starting date and prior to such closing date, excluding from such elapsed months—

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

【(B) the months in any year any part of which was included in a period of disability except the months in the year in which

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

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

[(2) An individual's "starting date" shall be—

[(A) December 31, 1950, or

[(B) if later, the last day of the year in which he attains the age of twenty-one,

whichever results in the higher primary insurance amount.

[(3) An individual's "closing date" shall be whichever of the following results in the higher primary insurance amount;

[(A) the first day of the year in which he died or became entitled to old-age insurance benefits, whichever first occurred; or

[(B) the first day of the first year in which he both was fully insured and had attained retirement age:

except that if the Secretary determines, on the basis of the evidence available to him at the time of the computation of the individual's primary insurance amount with respect to which such closing date is applicable, that it would result in a higher primary insurance amount for such individual, his closing date shall be the first day of the year following the year referred to in subparagraph (A).

[(4) In the case of any individual, the Secretary shall determine the five or fewer full calendar years after his starting date and prior to his closing date which, if the months of such years and his wages and self-employment income for such years were excluded in computing his average monthly wage, would produce the highest primary insurance amount. Such months and such wages and self-employment income shall be excluded for purposes of computing such individual's average monthly wage.

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

[(A) who becomes entitled to benefits under section 202(a) or section 223 after December 1958, or

[(B) who dies after such month without being entitled to benefits under such section 202(a) or section 223, or

[(C) who files an application for a recomputation under section 215(f)(2)(A) after such month and is (or would, but for the provisions of section 215(f)(6), be) entitled to have his primary insurance amount recomputed under such section, or

[(D) who dies after such month and whose survivors are (or would, but for the provisions of section 215(f)(6), be) entitled to a recomputation of his primary insurance amount under section 215(f)(4); or

[(E) who files an application for a recomputation under subparagraph (B) of section 102(f)(2) of the Social Security Amendments of 1954 after such month and is (or would, but for the fact that such recomputation would not result in a higher primary insurance amount for such individual, be) entitled to have his primary insurance amount recomputed under such subparagraph.]

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

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

(B) the number of months in such years.

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

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

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

(i) after December 31, 1950, and

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

(3) For the purposes of paragraph (2), an individual's "elapsed years" shall be the number of calendar years—

(A) after (i) December 31, 1950, or (ii) if later, December 31 of the year in which he attained the age of twenty-one, and

(B) prior to (i) the year in which he died, or (ii) if earlier, the first year after December 31, 1960, in which he both was fully insured and had attained retirement age.

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

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

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

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

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

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

(5) *In the case of any individual—*

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

(B) *(i) prior to 1961, met the requirements of this paragraph including subparagraph (E) thereof) as in effect prior to the enactment of the Social Security Amendments of 1960, or (ii) after 1960, meets the conditions of subparagraph (E) of this paragraph as in effect prior to such enactment, then the provisions of this subsection as in effect prior to such enactment shall apply to such individual for the purposes of column III of the table appearing in subsection (a) of this section.*

Primary Insurance Amount Under 1954 Act

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

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

(A) who became entitled to benefits under section 202(a) or section 223 or died prior to January 1959, and

[(B) to whom the provisions of paragraph (5) of subsection (b) are not applicable.]

(B) *to whom the provisions of neither paragraph (4) nor paragraph (5) are applicable.*

Primary Insurance Benefit Under 1939 Act

(d)(1) For the purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as provided in this title as in effect prior to the enactment of the Social Security Act Amendments of 1950, except that—

(A) In the computation of such benefit, such individual's average monthly wage shall (in lieu of being determined under section 209(f) of [such] this title as in effect prior to the enactment of such amendments) be determined as provided in subsection (b) of this section (but without regard to [paragraph] paragraphs (4) and (5) thereof), except that [his starting date shall be December 31, 1936] *for the purposes of paragraphs (2)(C)(i) and (3)(A)(i) of subsection (b), December 31, 1936, shall be used instead of December 31, 1950.*

(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.

(C) The 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of the Social Security Act Amendments of 1950 shall be applicable only with respect to calendar years prior to 1951, except that any wages paid in any year prior to such year [any part] all of which was included in a period of disability shall not be counted. [Not-

withstanding the preceding sentence, the wages paid in the year in which such period of disability began shall be counted if the counting of such wages would result in a higher primary insurance amount.】

(D) The provisions of subsection (e) shall be applicable to such computation.

(2) The provisions of this subsection shall be applicable only in the case of an individual—

(A) with respect to whom at least one of the quarters elapsing prior to 1951 is a quarter of coverage;

(B) who meets the requirements of any of the subparagraphs of paragraph 【(5)】 (4) of subsection (b) of this section; and

(C) who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951.

(3) *The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of 1960 shall be applicable in the case of an individual who meets the requirements of subsection (b) (5) (as in effect after such enactment) but without regard to whether such individual has six quarters of coverage after 1950.*

Certain Wages and Self-Employment Income Not to be Counted

(e) For the purposes of subsections (b) and (d)—

(1) in computing an individual's average monthly wage there shall not be counted the excess over \$3,600 in the case of any calendar year after 1950 and before 1955, the excess over \$4,200 in the case of any calendar year after 1954 and before 1959, and the excess over \$4,800 in the case of any calendar year after 1958, of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212);

(2) if an individual's average monthly wage computed under subsection (b) or for the purposes of subsection (d) is not a multiple of \$1, it shall be reduced to the next lower multiple of \$1; and

【(3) if an individual's closing date is determined under paragraph (3) (A) of subsection (b) and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he becomes entitled to old-age insurance benefits, there shall not be counted, in determining his average monthly wage, his self-employment income in such taxable year, except as provided in section 215(f)(3)(C); and】

(3) *if an individual has self-employment income in a taxable year which begins prior to the calendar year in which he becomes entitled to old-age insurance benefits and ends after the last day of the month preceding the month in which he becomes so entitled, his self-employment income in such taxable year shall not be counted in determining his benefit computation years, except as provided in subsection (f)(3)(C).*

【(4) in computing an individual's average monthly wage, there shall not be counted—

【(A) any wages paid such individual in any year any part of which was included in a period of disability, or

[(B) any self-employment income of such individual credited pursuant to section 212 to any year any part of which was included in a period of disability, unless the months of such year are included as elapsed months pursuant to section 215(b)(1)(B).]

Recomputation of Benefits

(f)(1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who died prior to July 27, 1954, as provided in section 217(b).

(2)(A) Upon application filed after [1954] 1960 by an individual entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount if—

(i) he has not less than six quarters of coverage in the period after 1950 and prior to the quarter in which such application is filed,

(ii) he has wages and self-employment income of more than \$1,200 in a calendar year which occurs after 1953 (not taking into account any year prior to the calendar year in which the last previous recomputation, if any, of his primary insurance amount was effective) and after the year in which he became (without the application of section 202(j)(1)) entitled to old-age insurance benefits or filed an application for recomputation (to which he is entitled) under section 102(e)(5)(B) or 102(f)(2)(B) of the Social Security Amendments of 1954, whichever of such events is the latest, and

(iii) he filed such application [no earlier than six months] after such calendar year referred to in clause (ii) in which he had such wages and self-employment income.

Such recomputation shall be effective for and after the twelfth month before the month in which he filed such application for recomputation but in no event earlier than the month following such calendar year referred in clause (ii). For the purposes of this subparagraph an individual's self-employment income shall be allocated to calendar quarters in accordance with section 212.

[(B) A recomputation pursuant to subparagraph (A) shall be made as provided in subsection (a) of this section and as though the individual first became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, but only if the provisions of subsection (b)(4) were not applicable to the last previous computation of his primary insurance amount. If the provisions of subsection (b)(4) were applicable to such previous computation, the recomputation under subparagraph (A) of this paragraph shall be made only as provided in subsection (a)(1) (other than subparagraph (B) thereof) and for such purposes his average monthly wage shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed the application for recomputation under subparagraph (A), except that, of the provisions of paragraph (3) of subsection (b), only the provisions of subparagraph (A) thereof shall be applicable.]

(B) A recomputation pursuant to subparagraph (A) shall be made—
 (i) only as provided in subsection (a)(1), if the provisions of subsection (b), as amended by the Social Security Amendments of 1960, were applicable to the last previous computation of the individual's primary insurance amount, or

(ii) as provided in subsection (a) (1) and (3), in all other cases. Such recomputation shall be made as though the individual became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, except that if clause (i) of this subparagraph is applicable to such recomputation, the computation base years referred to in subsection (b)(2) shall include only calendar years occurring prior to the year in which he filed his application for such recomputation.

[(3) (A) Upon application by an individual—

[(i) who became (without the application of section 202(j)(1)) entitled to old-age insurance benefits under section 202(a) after August 1954, or

[(ii) whose primary insurance amount was recomputed under section 103(e)(5) or 102(f)(2)(B) of the Social Security Amendments of 1954, or

[(iii) whose primary insurance amount was recomputed as provided in the first sentence of paragraph (2)(B) of this subsection on the basis of an application filed after August 1954,

the Secretary shall recompute his primary insurance amount if such application is filed after the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made in the manner provided in the preceding subsections of this section for computation of his primary insurance amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of the preceding sentence, whichever is the later. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

[(B) In the case of an individual who dies after August 1954—

[(i) who, at the time of death, was not entitled to old-age insurance benefits under section 202(a), or who became entitled to old-age insurance benefits under section 202(a) after August 1954, or whose primary insurance amount was recomputed under paragraph (2) or (4) of this subsection, or section 102(e)(5) or section 102(f)(2)(B) of the Social Security Amendments of 1954, on the basis of an application filed after August 1954; and

[(ii) with respect to whom the last previous computation or recomputation of his primary insurance amount was based upon a closing date determined under subparagraph (A) or (B) of subsection (b)(3) of this section,

the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount, except that his closing date for purposes of subsection (b) shall be the day following the year of death in case he died without becoming entitled to old-age insurance benefits, or, in case he was entitled to old-age insurance benefits, the day following the year in which was filed the application for the last previous computation of his primary insurance amount or in which the individual died, whichever first occurred. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

[(C) If an individual's closing date is determined under paragraph (3)(A) of subsection (b) of this section and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount after the close of such taxable year, taking into account only such self-employment income in such taxable year as is, pursuant to section 212, allocated to calendar quarters prior to such closing date. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.]

(3) (A) *Upon application by an individual—*

(i) *who became entitled to old-age insurance benefits under section 202(a) after December 1960, or*

(ii) *whose primary insurance amount was recomputed as provided in paragraph (2)(B)(ii) of this subsection on the basis of an application filed after December 1960,*

the Secretary shall recompute his primary insurance amount if such application is filed after the calendar year in which he became entitled to old-age insurance benefits or in which he filed application for the recomputation of his primary insurance amount under clause (ii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made as provided in subsection (a) (1) and (3) of this section, except that such individual's computation base years referred to in subsection (b)(2) shall include the calendar year referred to in the preceding sentence. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

(B) *In the case of an individual who dies after December 1960 and—*

(i) *who, at the time of death was not entitled to old-age insurance benefits under section 202(a), or*

(ii) *who became entitled to such old-age insurance benefits after December 1960, or*

(iii) *whose primary insurance amount was recomputed under paragraph (2) of this subsection on the basis of an application filed after December 1960, or*

(iv) whose primary insurance amount was recomputed under paragraph (4) of this subsection, the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of such individual's wages and self-employment income. Such recomputation shall be made as provided in subsection (a) (1) and (3) of this section, except that such individual's computation base years referred to in subsection (b)(2) shall include the calendar year in which he died in the case of an individual who was not entitled to old-age insurance benefits at the time of death or whose primary insurance amount was recomputed under paragraph (4) of this subsection, or in all other cases, the calendar year in which he filed his application for the last previous computation of his primary insurance amount. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

(C) In the case of an individual who becomes entitled to old-age insurance benefits in a calendar year after 1960, if such individual has self-employment income in a taxable year which begins prior to such calendar year and ends after the last day of the month preceding the month in which he became so entitled, the Secretary shall recompute such individual's primary insurance amount after the close of such taxable year and shall take into account in determining the individual's benefit computation years only such self-employment income in such taxable year as is credited, pursuant to section 212, to the year preceding the year in which he became so entitled. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

(4) Upon the death after [1954] 1960 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if—

(A) the decedent would have been entitled to a recomputation under paragraph (2) (A) [(without the application of clause (iii) thereof)] if he had filed application therefor in the month in which he died; or

(B) the decedent during his lifetime was paid compensation which was treated under section 205 (o) as remuneration for employment.

If the recomputation is permitted by subparagraph (A) the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) (A) in the month in which he died [, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the closing date which would have been applicable under such paragraph]. If the recomputation is permitted by subparagraph (B) the recomputation shall take into account only the wages and self-employment income which were [taken into account] considered in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him [prior to the closing date applicable to such computation] in the years in which such wages were

paid or to which such self-employment income was credited. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

(5) In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year which began in 1952 (and without the application of section 202(j)(1)), or who died in 1952 or in a taxable year which began in 1952 but did not become entitled to such benefits prior to 1952, and who had self-employment income for a taxable year which ended within or with 1952 or which began in 1952, then upon application filed [after the close of such taxable year by such individual or (if he died without filing such application)] *by such individual after the close of such taxable year and prior to January 1961 or (if he died without filing such application and such death occurred prior to January 1961)* by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Secretary shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsection (b)(4)(A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by such individual, for and after the first month in which he became entitled to old-age insurance benefits, and (B) in the case of an application filed by any other person, for and after the month in which such person who filed such application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph pursuant to an application filed after such individual's death shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Secretary prior to the effective date of the recomputation.

(6) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

Rounding of Benefits

(g) The amount of any primary insurance amount and the amount of any monthly benefit computed under section 202 or 223 which (after reduction under section 203(a)) is not a multiple of \$0.10 shall be raised to the next higher multiple of \$0.10.

Remuneration for Service as Public Health Officer

(h)(1) Notwithstanding the provisions of the Civil Service Retirement Act, remuneration paid for service to which the provisions of section 210(m)(1) of this Act are applicable and which is performed by an individual as a commissioned officer of the Reserve Corps of the Public Health Service prior to July 1, 1959, shall not be included in computing entitlement to or the amount of any monthly benefit under this title, on the basis of his wages and self-employment income, for any month after June 1959 and prior to the first month

with respect to which the Civil Service Commission certifies to the Secretary that, by reason of a waiver filed as provided in paragraph (2), no further annuity will be paid to him, his wife, and his children, or, if he has died, to his widow and children, under the Civil Service Retirement Act on the basis of such service.

(2) In the case of a monthly benefit for a month prior to that in which the individual, on whose wages and self-employment income such benefit is based, dies, the waiver must be filed by such individual; and such waiver shall be irrevocable and shall constitute a waiver on behalf of himself, his wife, and his children. If such individual did not file such a waiver before he died, then in the case of a benefit for the month in which he died or any month thereafter, such waiver must be filed by his widow, if any, and by or on behalf of all his children, if any; and such waivers shall be irrevocable. Such a waiver by a child shall be filed by his legal guardian or guardians, or, in the absence thereof, by the person (or persons) who has the child in his care.

OTHER DEFINITIONS

SEC. 216. For the purposes of this title—

Retirement Age

- (a) The term “retirement age” means [—
 (1) in the case of a man, age sixty-five, or
 (2) in the case of a woman, age sixty-two.] *age 62.*

Wife

(b) The term “wife” means the wife of an individual, but only if she (1) is the mother of his son or daughter, (2) was married to him for a period of not less than three years immediately preceding the day on which her application is filed, or (3) in the month prior to the month of her marriage to him (A) was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (e) or (h) of section 202, or (B) had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Widow

(c) The term “widow” (except when used in section 202 (i)) means the surviving wife of an individual, but only if (1) she is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (4) she was married to him at the time both of them legally adopted a child under the age of eighteen, (5) she was married to him for a period of not less than one year immediately prior to the day on which he died, or (6) in the month prior to the month of her marriage to him (A) she was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (e) and (h) of

section 202, or (B) she had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Former Wife Divorced

(d) The term "former wife divorced" means a woman divorced from an individual, but only if (1) she is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (4) she was married to him at the time both of them legally adopted a child under the age of eighteen.

Child

(e) The term "child" means (1) the child or legally adopted child of an individual, and (2) in the case of a living individual, a stepchild who has been such stepchild for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. For purposes of clause (1), a person shall be deemed, as of the date of death of an individual, to be the legally adopted child of such individual if such person was at the time of such individual's death living in such individual's household and was legally adopted by such individual's surviving spouse after such individual's death but before the end of two years after the day on which such individual died or the date of enactment of this Act; except that this sentence shall not apply if at the time of such individual's death such person was receiving regular contributions toward his support from someone other than such individual or his spouse, or from any public or private welfare organization which furnishes services or assistance for children. *For purposes of clause (2), a person who is not the stepchild of an individual shall be deemed the stepchild of such individual if such individual was not the mother or adopting mother or the father or adopting father of such person and such individual and the mother or adopting mother, or the father or adopting father, as the case may be, of such person went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of subsection (h)(1)(B), would have been a valid marriage.*

Husband

(f) the term "husband" means the husband of an individual, but only if (1) he is the father of her son or daughter, (2) he was married to her for a period of not less than three years immediately preceding the day on which his application is filed, or (3) in the month

prior to the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (f) or (h) of section 202, or (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Widower

(g) The term "widower" (except when used in section 202(i)) means the surviving husband of an individual, but only if (1) he is the father of her son or daughter, (2) he legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (3) she legally adopted his son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (4) he was married to her at the time both of them legally adopted a child under the age of eighteen, (5) he was married to her for a period of not less than one year immediately prior to the day on which she died, or (6) in the month before the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (f) or (h) of section 202, or (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section.

Determination of Family Status

(h)(1)(A) An applicant is the wife, husband, widow, or widower of a fully or currently insured individual for purposes of this title if the courts of the State in which such insured individual is domiciled at the time such applicant files an application, or, if such insured individual is dead, the courts of the State in which he was domiciled at the time of death, or, if such insured individual is or was not so domiciled in any State, the courts of the District of Columbia, would find that such applicant and such insured individual were validly married at the time such applicant files such application or, if such insured individual is dead, at the time he died. If such courts would not find that such applicant and such insured individual were validly married at such time, such applicant shall, nevertheless be deemed to be the wife, husband, widow, or widower, as the case may be, of such insured individual if such applicant would, under the laws applied by such courts in determining the devolution of intestate personal property, have the same status with respect to the taking of such property as a wife, husband, widow, or widower of such insured individual.

(B) In any case where under subparagraph (A) an applicant is not (and is not deemed to be) the wife, widow, husband, or widower of a fully or currently insured individual, or where under subsection (b), (c), (f), or (g) such applicant is not the wife, widow, husband, or widower of such individual, but it is established to the satisfaction of the Secretary that such applicant in good faith went through a marriage ceremony with such individual resulting in a purported marriage between them which, but for a legal impediment not known to the applicant at the time of such

ceremony, would have been a valid marriage, and such applicant and the insured individual were living in the same household at the time of the death of such insured individual or (if such insured individual is living) at the time such applicant files the application, then, for purposes of subparagraph (A) and subsections (b), (c), (f), and (g), such purported marriage shall be deemed to be a valid marriage. The provisions of the preceding sentence shall not apply (i) if another person is or has been entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual and such other person is (or is deemed to be) a wife, widow, husband, or widower of such insured individual under subparagraph (A) at the time such applicant files the application, or (ii) if the Secretary determines, on the basis of information brought to his attention, that such applicant entered into such purported marriage with such insured individual with knowledge that it would not be a valid marriage. The entitlement to a monthly benefit under subsection (b), (c), (e), (f), or (g) of section 202, based on the wages and self-employment income of such insured individual, of a person who would not be deemed to be a wife, widow, husband, or widower of such insured individual but for this subparagraph, shall end with the month before the month (i) in which the Secretary certifies, pursuant to section 205(i), that another person is entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual, if such other person is (or is deemed to be) the wife, widow, husband, or widower of such insured individual under subparagraph (A), or (ii) if the applicant is entitled to a monthly benefit under subsection (b) or (c) of section 202, in which such applicant entered into a marriage, valid without regard to this subparagraph, with a person other than such insured individual. For purposes of this subparagraph, a legal impediment to the validity of a purported marriage includes only an impediment (i) resulting from the lack of dissolution of a previous marriage or otherwise arising out of such previous marriage or its dissolution, or (ii) resulting from a defect in the procedure followed in connection with such purported marriage.

(2) (A) In determining whether an applicant is the child or parent of a fully or currently insured individual for purposes of this title, the Secretary shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or, if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a child or parent shall be deemed such.

(B) *If an applicant is a son or daughter of a fully or currently insured individual but is not (and is not deemed to be) the child of such insured individual under subparagraph (A), such applicant shall nevertheless be deemed to be the child of such insured individual if such insured individual and the mother or father, as the case may be, of such applicant went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of paragraph (1) (B), would have been a valid marriage.*

Disability; Period of Disability

(i) (1) Except for purposes of sections 202 (d), 223, and 225, the term "disability" means (A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, or (B) blindness; and the term "blindness" means central visual acuity of 5/200 or less in the better eye with the use of a correcting lens. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purpose of this paragraph as having a central visual acuity of 5/200 or less. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required. Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

(2) [The term "period of disability" means a continuous period of not less than six full calendar months (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)).] *The term "period of disability" means a continuous period (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)), but only if such period is of not less than six full calendar months' duration or such individual was entitled to benefits under section 223 for one or more months in such period.* No such period shall begin as to any individual unless such individual, while under such disability, files an application for a disability determination with respect to such period; and no such period shall begin as to any individual after such individual attains the age of sixty-five. Except as provided in paragraph (4), a period of disability shall begin—

(A) if the individual satisfies the requirements of paragraph

(3) on such day,

(i) on the day the disability began, or

(ii) on the first day of the eighteen-month period which ends with the day before the day on which the individual files such application,

whichever occurs later;

(B) If such individual does not satisfy the requirements of paragraph (3) on the day referred to in subparagraph (A), then on the first day of the first quarter thereafter in which he satisfies such requirements.

A period of disability shall end with the close of the last day of [the first month in which either the disability ceases or the individual attains the age of sixty-five.] *the month preceding whichever of the following months is the earlier: the month in which the individual attains age sixty-five or the third month following the month in which the disability ceases.* No application for a disability determination which is filed more than three months before the first day on which a period of disability can begin (as determined under this paragraph), or, in any case in which clause (ii) of section 223(a)(1) is applicable, more than six months before the first month for which such applicant becomes en-

titled to benefits under section 223, shall be accepted as an application for purposes of this paragraph, and no such application which is filed prior to January 1, 1955, shall be accepted. Any application for a disability determination which is filed within such three months' period or six months' period shall be deemed to have been filed on such first day or in such first month, as the case may be.

(3) The requirements referred to in clauses (A) and (B) of paragraphs (2) and (4) are satisfied by an individual with respect to any quarter only if—

(A) he would have been a fully insured individual (as defined in section 214) had he attained retirement age and filed application for benefits under section 202(a) on the first day of such quarter; and

(B) he had not less than twenty quarters of coverage during the forty-quarter period which ends with such quarter, not counting as part of such forty-quarter period any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage;

except that the provisions of subparagraph (A) of this paragraph shall not apply in the case of any individual with respect to whom a period of disability would, but for such subparagraph, begin prior to 1951.

(4) If an individual files an application for a disability determination after December 1954, and before July 1961, with respect to a disability which began before July 1960, and continued without interruption until such application was filed, then the beginning day for the period of disability shall be—

(A) the day such disability began, but only if he satisfies the requirements of paragraph (3) on such day;

(B) if he does not satisfy such requirements on such day, the first day of the first quarter thereafter in which he satisfies such requirements.

Periods of Limitation Ending on Nonwork Days

(j) Where this title, any provision of another law of the United States (other than the Internal Revenue Code of 1954) relating to or changing the effect of this title, or any regulation issued by the Secretary pursuant thereto provides for a period within which an act is required to be done which affects eligibility for or the amount of any benefit or payment under this title or is necessary to establish or protect any rights under this title, and such period ends on a Saturday, Sunday, or legal holiday, or on any other day all or part of which is declared to be a nonwork day for Federal employees by statute or Executive order, then such act shall be considered as done within such period if it is done on the first day thereafter which is not a Saturday, Sunday, or legal holiday or any other day all or part of which is declared to be a nonwork day for Federal employees by statute or Executive order. For purposes of this subsection, the day on which a period ends shall include the day on which an extension of such period, as authorized by law or by the Secretary pursuant to law, ends. The provisions of this subsection shall not extend the period during which benefits under this title may (pursuant to section 202(j)(1) or 223(b) be paid for months prior to the day application for such benefits is filed, or during which an application for benefits under this title may (pursuant to section 202(j)(2) or 223(b)) be accepted as such.

BENEFITS IN CASE OF VETERANS

SEC. 217. (a)(1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any World War II veteran, and for purposes of section 216(i)(3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality. The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant of subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216(i)(3).

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Secretary of Health, Education, and Welfare shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Secretary of Health, Education, and Welfare shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Secretary of Health, Education, and Welfare, and the Secretary shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service during World War II shall, at the request of the Secretary of Health, Education, and Welfare, certify

to him, with respect to any veteran, such information as the Secretary deems necessary to carry out his functions under paragraph (2) of this subsection.

(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active military or naval service of the United States shall be deemed to have died a fully insured individual whose primary insurance amount is the amount determined under section 215(c). Notwithstanding section 215(d), the primary insurance benefit (for purposes of section 215(c)) of such veteran shall be determined as provided in this title as in effect prior to the enactment of this section, except that the 1 per centum addition provided for in section 209(e)(2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application;

(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Secretary of Health, Education, and Welfare shall make a decision without regard to paragraph (1)(B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Administration by reason of the death of such veteran. The Secretary of Health, Education, and Welfare shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Secretary of Health, Education, and Welfare and the Secretary shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Secretary of Health, Education, and Welfare on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U.S.C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Secretary of Health, Education, and Welfare, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration shall be deemed by reason of this subsection to have been an erroneous payment.

(c) In the case of any World War II veterans to whom subsection (a) is applicable, proof of support required under section 202(h) may be filed by a parent at any time prior to July 1951 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

(d) For the purposes of this section—

(1) The term "World War II" means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.

(2) The term "World War II veteran" means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of wages and self-employment income of any veteran (as defined in paragraph (4)), and for purposes of section 216(i)(3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to January 1, 1957. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1957, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lumps-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216(i)(3). In the case of monthly benefits under this title for months after December 1956 (and any lump-sum death payment under this title with respect to a death occurring after December 1956) based on the wages and self-employment income of a veteran who performed service (as a member of a uniformed service) to which the provisions

of section 210(m)(1) are applicable, wages which would, but for the provisions of clause (B), be deemed under this subsection to have been paid to such veteran with respect to his active military or naval service performed after December 1950 shall be deemed to have been paid to him with respect to such service notwithstanding the provisions of such clause, but only if the benefits referred to in such clause which are based (in whole or in part) on such service are payable solely by the Army, Navy, Air Force, Marine Corps, Coast Guard, Coast and Geodetic Survey or Public Health Service.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Secretary of Health, Education, and Welfare shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1957, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Secretary of Health, Education, and Welfare shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Secretary of Health, Education, and Welfare, and the Secretary shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to January 1, 1957, shall, at the request of the Secretary of Health, Education, and Welfare, certify to him, with respect to any veteran, such information as the Secretary deems necessary to carry out his functions under paragraph (2) of this subsection.

(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to January 1, 1957, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

(f) (1) In any case where a World War II veteran (as defined in subsection (d) (2)) or a veteran (as defined in subsection (e) (4)) has died or shall hereafter die, and his widow or child is entitled under the Civil Service Retirement Act of May 29, 1930, as amended, to an annuity in the computation of which his active military or naval service was included, clause (B) of subsection (a) (1) or clause (B)

of subsection (e) (1) shall not operate (solely by reason of such annuity) to make such subsection inapplicable in the case of any monthly benefit under section 202 which is based on his wages and self-employment income; except that no such widow or child shall be entitled under section 202 to any monthly benefit in the computation of which such service is included by reason of this subsection (A) unless such widow or child after December 1956 waives his or her right to receive such annuity, or (B) for any month prior to the first month with respect to which the Civil Service Commission certifies to the Secretary of Health, Education, and Welfare that (by reason of such waiver) no further annuity will be paid to such widow or child under such Act of May 29, 1930, as amended, on the basis of such veteran's military or civilian service. Any such waiver shall be irrevocable.

(2) Whenever a widow waives her right to receive such annuity such waiver shall constitute a waiver on her own behalf; a waiver by a legal guardian or guardians, or, in the absence of a legal guardian the person (or persons) who has the child in his care, of the child's right to receive such annuity shall constitute a waiver on behalf of such child. Such a waiver with respect to an annuity based on a veteran's service shall be valid only if the widow and all children, or, if there is no widow, all the children, waive their rights to receive annuities under the Civil Service Retirement Act of May 29, 1930, as amended, based on such veteran's military or civilian service.

(g)(1) There are hereby authorized to be appropriated to the Trust Funds annually, as benefits under this title are paid after June 1956, such sums as the Secretary of Health, Education, and Welfare determines to be necessary to meet the additional costs, resulting from subsections (a), (b), and (e), of such benefits (including lump-sum death payments).

(2) The Secretary shall, before October 1, 1958, determine the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund in the same position in which it would have been at the close of June 30, 1956, if section 210 of this Act, as in effect prior to the Social Security Act Amendments of 1950, and section 217 of this Act (including amendments thereof), had not been enacted. There are hereby authorized to be appropriated to such Trust Fund annually, during the first ten fiscal years beginning after such determination is made, sums aggregating the amount so determined, plus interest accruing on such amount (as reduced by appropriations made pursuant to this paragraph) for each fiscal year beginning after June 30, 1956, at a rate for such fiscal year equal to the average rate of interest (as determined by the Managing Trustee) earned on the invested assets of such Trust Fund during the preceding fiscal year.

Gratuitous Wage Credits for American Citizens Who Served in the Armed Forces of Allied Countries

(h) (1) For the purposes of this section, any individual who the Secretary finds—

(A) served during World War II (as defined in subsection (d) (1)) in the active military or naval service of a country which was on September 16, 1940, at war with a country with which the United States was at war during World War II;

(B) entered into such active service on or before December 8, 1941;

(C) was a citizen of the United States throughout such period of service or lost his United States citizenship solely because of his entrance into such service;

(D) had resided in the United States for a period or periods aggregating four years during the five-year period ending on the day of, and was domiciled in the United States on the day of, such entrance into such active service; and

(E) (i) was discharged or released from such service under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty, or

(ii) died while in such service,

shall be considered a World War II veteran (as defined in subsection (d) (2)) and such service shall be considered to have been performed in the active military or naval service of the United States.

(2) In the case of any individual to whom paragraph (1) applies, proof of support required under section 202(f) or (h) may be filed at any time prior to the expiration of two years after the date of such individual's death or the date of the enactment of this subsection, whichever is the later.

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

SEC. 218. (a) (1) The Secretary of Health, Education, and Welfare shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

(2) Notwithstanding section 210 (a), for the purposes of this title the term "employment" includes any service included under an agreement entered into under this section.

DEFINITIONS

(b) For the purposes of this section—

(1) The term "State" does not include the District of Columbia.

(2) The term "political subdivision" includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

(3) The term "employee" includes an officer of a State or political subdivision.

(4) The term "retirement system" means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement. Civilian employees of National Guard units of a State who are employed pursuant to section 90 of the National Defense Act of June 3, 1916 (32 U.S.C., sec. 42), and paid from funds allotted to such units by the Department of Defense, shall for purposes of this section be deemed to be employees of the State and (notwithstanding the preceding provisions of this paragraph), shall be deemed to be a separate coverage group. For purposes of this section, individuals employed pursuant to an agreement, entered into pursuant to section 205 of the Agricultural Marketing Act of 1946 (7 U.S.C. 1624) or section 14 of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499n), between a State and the United States Department of Agriculture to perform services as inspectors of agricultural products may be deemed, at the option of the State, to be employees of the State and (notwithstanding the preceding provisions of this paragraph) shall be deemed to be a separate coverage group.

Services Covered

(c)(1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3), (5), or (6) of this subsection) performed by individuals as members of such group.

(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any one or more of the following:

(A) Any service of an emergency nature;

(B) All services in any class or classes of (i) elective positions, (ii) part-time positions, or (iii) positions the compensation for which is on a fee basis;

(C) All services performed by individuals as members of a coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group, but only in the case of individuals who, on such date (or,

if later, the date on which they first occupy such positions), are not eligible to become members of such system and whose services in such positions have not already been included under such agreement pursuant to subsection (d)(3).

(4) The Secretary of Health, Education, and Welfare shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State. A modification of an agreement pursuant to clause (B) of the preceding sentence may apply to individuals to whom paragraph (3)(C) is applicable (whether or not the previous exclusion of the service of such individuals was pursuant to such paragraph), but only if such individuals are, on the effective date specified in such modification, ineligible to be members of any retirement system or if the modification with respect to such individuals is pursuant to subsection (d)(3).

(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, of service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210(a) other than paragraph (7) of such section and service the remuneration for which is excluded from wages by paragraph (2) of section 209(h).

(6) Such agreement shall exclude—

(A) service performed by an individual who is employed to relieve him from unemployment,

(B) service performed in a hospital, home, or other institution by a patient or inmate thereof,

(C) covered transportation service (as determined under section 210(l), and

(D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210(a) other than paragraph (7) of such section.

(7) No agreement may be made applicable (either in the original agreement or by any modification thereof) to service performed by any individual to whom paragraph (3)(C) is applicable unless such agreement provides (in the case of each coverage group involved) either that the service of any individual to whom such paragraph is applicable and who is a member of such coverage group shall continue to be covered by such agreement in case he thereafter becomes eligible to be a member of a retirement system, or that such service shall cease to be so covered when he becomes eligible to be a member of such a system (but only if the agreement is not already applicable to such system pursuant to subsection (d)(3)), whichever may be desired by the State.

Positions Covered by Retirement Systems

(d)(1) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage

group in positions covered by a retirement system either (A) on the date such agreement is made applicable to such coverage group, or (B) on the date of enactment of the succeeding paragraph of this subsection (except in the case of positions which are, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of enactment of such succeeding paragraph, no longer covered by a retirement system on the date referred to in clause (A), and except in the case of positions excluded by paragraph (5)(A)). The preceding sentence shall not be applicable to any service performed by an employee as a member of any coverage group in a position (other than a position excluded by paragraph (5)(A)) covered by a retirement system on the date an agreement is made applicable to such coverage group if, on such date (or, if later, the date on which such individual first occupies such position), such individual is ineligible to be a member of such system.

(2) It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the protection afforded employees in positions covered by a retirement system on the date an agreement under this section is made applicable to service performed in such positions, or receiving periodic benefits under such retirement system at such time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof.

(3) Notwithstanding paragraph (1), an agreement with a State may be made applicable (either in the original agreement or by any modification thereof) to service performed by employees in positions covered by a retirement system (including positions specified in paragraph (4) but not including positions excluded by or pursuant to paragraph (5)), if the governor of the State, *or an official of the State designated by him for the purpose*, certifies to the Secretary of Health, Education, and Welfare that the following conditions have been met:

(A) A referendum by secret written ballot was held on the question of whether service in positions covered by such retirement system should be excluded from or included under an agreement under this section;

(B) An opportunity to vote in such referendum was given (and was limited) to eligible employees;

(C) Not less than ninety days' notice of such referendum was given to all such employees;

(D) Such referendum was conducted under the supervision of the governor or an agency or individual designated by him; and

(E) A majority of the eligible employees voted in favor of including service in such positions under an agreement under this section.

An employee shall be deemed an "eligible employee" for purposes of any referendum with respect to any retirement system if, at the time such referendum was held, he was in a position covered by such retirement system and was a member of such system, and if he was in such a position at the time notice of such referendum was given as required by clause (C) of the preceding sentence; except that he shall not be deemed an "eligible employee" if, at the time the referendum was held, he was in a position to which the State agreement already applied, or if he was in a position excluded by or pursuant to paragraph

(5). No referendum with respect to a retirement system shall be valid for purposes of this paragraph unless held within the two-year period which ends on the date of execution of the agreement or modification which extends the insurance system established by this title to such retirement system, nor shall any referendum with respect to a retirement system be valid for purposes of this paragraph if held less than one year after the last previous referendum held with respect to such retirement system.

(4) For the purposes of subsection (c) of this section, the following employees shall be deemed to be a separate coverage group—

(A) all employees in positions which were covered by the same retirement system on the date the agreement was made applicable to such system (other than employees to whose services the agreement already applied on such date);

(B) all employees in positions which became covered by such system at any time after such date; and

(C) all employees in positions which were covered by such system at any time before such date and to whose services the insurance system established by this title has not been extended before such date because the positions were covered by such retirement system (including employees to whose services the agreement was not applicable on such date because such services were excluded pursuant to subsection (c)(3)(C)).

(5) (A) Nothing in paragraph (3) of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position.

(B) At the request of the State, any class or classes of positions covered by a retirement system which may be excluded from the agreement pursuant to paragraph (3) or (5) of subsection (c), and to which the agreement does not already apply, may be excluded from the agreement at the time it is made applicable to such retirement system; except that, notwithstanding the provisions of paragraph (3) (C) of such subsection, such exclusion may not include any services to which such paragraph (3)(C) is applicable. In the case of any such exclusion, each such class so excluded shall, for purposes of this subsection, constitute a separate retirement system in case of any modification of the agreement thereafter agreed to.

(6)(A) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned. *Where a retirement system covering positions of employees of a State and positions of employees of one or more political subdivisions of the State, or covering positions of employees of two or more political subdivisions of the State, is not divided into separate retirement systems pursuant to the preceding sentence or pursuant to subparagraph (C), then the State may, for purposes of subsection (f) only, deem the system to be a separate retirement system with respect to any one or more of the political subdivisions con-*

cerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned.

(B) If a retirement system covers positions of employees of one or more institutions of higher learning, then, for purposes of such preceding paragraphs, there shall, if the State so desires, be deemed to be a separate retirement system for the employees of each such institution of higher learning. For the purposes of this subparagraph, the term "institutions of higher learning" includes junior colleges and teachers colleges. *If a retirement system covers positions of employees of a hospital which is an integral part of a political subdivision, then for purposes of the preceding paragraphs there shall, if the State so desires, be deemed to be a separate retirement system for the employees of such hospital.*

(C) For the purposes of this subsection, any retirement system established by the State of California, Connecticut, Florida, Georgia, Massachusetts, Minnesota, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Vermont, Washington, Wisconsin, or the Territory of Hawaii, or any political subdivision of any such State or Territory, which, on, before, or after the date of enactment of this subparagraph, is divided into two divisions or parts, one of which is composed of positions of members of such system who desire coverage under an agreement under this section and the other of which is composed of positions of members of such system who do not desire such coverage, shall, if the State or Territory so desires and if it is provided that there shall be included in such division or part composed of members desiring such coverage the positions of individuals who become members of such system after such coverage is extended, be deemed to be a separate retirement system with respect to each such division or part. *If, in the case of a separate retirement system which is deemed to exist by reason of subparagraph (A) and which has been divided into two divisions or parts pursuant to the first sentence of this subparagraph, individuals become members of such system by reason of action taken by a political subdivision after coverage under an agreement under this section has been extended to the division or part thereof composed of positions of individuals who desire such coverage, the positions of such individuals who become members of such retirement system by reason of the action so taken shall be included in the division or part of such system composed of positions of members who do not desire such coverage if (i) such individuals, on the day before becoming such members, were in the division or part of another separate retirement system (deemed to exist by reason of subparagraph (A)) composed of positions of members of such system who do not desire coverage under an agreement under this section, and (ii) all of the positions in the separate retirement system of which such individuals so become members and all of the positions in the separate retirement system referred to in clause (i) would have been covered by a single retirement system if the State had not taken action to provide for separate retirement systems under this paragraph.*

(D) The position of any individual which is covered by any retirement system to which subparagraph (C) is applicable shall, if such individual is ineligible to become a member of such system on August 1, 1956, or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the posi-

tions of members of the division or part who do not desire coverage under the insurance system established under this title.

(E) An individual who is in a position covered by a retirement system to which subparagraph (C) is applicable and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection (other than paragraph (8)), be regarded as a member of such system; except that, in the case of any retirement system a division or part of which is covered under the agreement (either in the original agreement or by a modification thereof), which coverage is agreed to prior to 1960, the preceding provisions of this subparagraph shall apply only if the State so requests and any such individual referred to in such preceding provisions shall, if the State so requests, be treated, after division of the retirement system pursuant to such subparagraph (C), the same as individuals in positions referred to in subparagraph (F).

(F) In the case of any retirement system divided pursuant to subparagraph (C), the position of any member of the division or part composed of positions of members who do not desire coverage may be transferred to the separate retirement system composed of positions of members who desire such coverage if it is so provided in a modification of such agreement which is mailed, or delivered by other means, to the Secretary prior to 1960 or, if later, the expiration of one year after the date on which such agreement, or the modification thereof making the agreement applicable to such separate retirement system, as the case may be, is agreed to, but only if, prior to such modification or such later modification, as the case may be, the individual occupying such position files with the State a written request for such transfer.

(G) For the purposes of this subsection, in the case of any retirement system of the State of Florida, Georgia, Minnesota, North Dakota, Pennsylvania, Washington, or the Territory of Hawaii which covers positions of employees of such State or Territory who are compensated in whole or in part from grants made to such State or Territory under title III, there shall be deemed to be, if such State or Territory so desires, a separate retirement system with respect to any of the following:

- (i) the positions of such employees;
- (ii) the positions of all employees of such State or Territory covered by such retirement system who are employed in the department of such State or Territory in which the employees referred to in clause (i) are employed; or
- (iii) employees of such State or Territory covered by such retirement system who are employed in such department of such State or Territory in positions other than those referred to in clause (i).

(7) The certification by the governor (*or an official of the State designated by him for the purpose*) required under paragraph (3) shall be deemed to have been made, in the case of a division or part (created under subparagraph (C) of paragraph (6) or the corresponding provision of prior law) consisting of the positions of members of a retirement system who desire coverage under the agreement under this section, if the governor (*or the official so designated*) certifies to the Secretary of Health, Education, and Welfare that—

- (A) an opportunity to vote by written ballot on the question of whether they wish to be covered under an agreement under

this section was given to all individuals who were members of such system at the time the vote was held;

(B) not less than ninety days' notice of such vote was given to all individuals who were members of such system on the date the notice was issued;

(C) the vote was conducted under the supervision of the governor or an agency or individual designated by him; and

(D) such system was divided into two parts or divisions in accordance with the provisions of subparagraphs (C) and (D) of paragraph (6) or the corresponding provision of prior law.

For purposes of this paragraph, an individual in a position to which the State agreement already applied or in a position excluded by or pursuant to paragraph (5) shall not be considered a member of the retirement system.

(8)(A) Notwithstanding paragraph (1), if under the provisions of this subsection an agreement is, after December 31, 1958, made applicable to service performed in positions covered by a retirement system, service performed by an individual in a position covered by such a system may not be excluded from the agreement because such position is also covered under another retirement system.

(B) Subparagraph (A) shall not apply to service performed by an individual in a position covered under a retirement system if such individual, on the day the agreement is made applicable to service performed in positions covered by such retirement system, is not a member of such system and is a member of another system.

(C) If an agreement is made applicable, prior to 1959, to service in positions covered by any retirement system, the preceding provisions of this paragraph shall be applicable in the case of such system if the agreement is modified to so provide.

(D) Except in the case of agreements with the States named in subsection (p) and agreements with interstate instrumentalities, nothing in this paragraph shall authorize the application of an agreement to service in any policeman's or fireman's position.

Payments and Reports by States

(e)(1) Each agreement under this section shall provide—

[(1)] (A) that the State will pay to the Secretary of the Treasury, at such time or times as the Secretary of Health, Education, and Welfare may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954. If the services of employees covered by the agreement constituted employment as defined in section 3121 of such code; and

[(2)] (B) that the State will comply with such regulations relating to payments and reports as the Secretary of Health, Education, and Welfare may prescribe to carry out the purposes of this section.

(2) *Where—*

(A) *an individual in any calendar year performs services to which an agreement under this section is applicable (i) as the employee of two or more political subdivisions of a State or (ii) as the employee of a State and one or more political subdivisions of such State; and*

(B) such State provides all of the funds for the payment of those amounts referred to in paragraph (1)(A) which are equivalent to the taxes imposed by section 3111 of the Internal Revenue Code of 1954 with respect to wages paid to such individual for such services; and

(C) the political subdivision or subdivisions involved do not reimburse such State for the payment of such amounts or, in the case of services described in subparagraph (A)(ii), for the payment of so much of such amounts as is attributable to employment by such subdivision or subdivisions;

then, notwithstanding paragraph (1), the agreement under this section with such State may provide (either in the original agreement or by a modification thereof) that the amounts referred to in paragraph (1)(A) may be computed as though the wages paid to such individual for the services referred to in clause (A) of this paragraph were paid by one political subdivision for services performed in its employ; but the provisions of this paragraph shall be applicable only where such State complies with such regulations as the Secretary may prescribe to carry out the purposes of this paragraph. The preceding sentence shall be applicable with respect to wages paid after an effective date specified in such agreement or modification, but in no event with respect to wages paid before January 1, 1957, or before January 1 of the third year preceding the year in which such agreement or modification is mailed or delivered by other means to the Secretary, whichever such day is the later.

Effective Date of Agreement

(f)(1) **Any agreement** Except as provided in subsection (e)(2) any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification; except that **—**

[(A) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

[(B) in the case of an agreement or modification agreed to after 1954 but prior to 1958, such date may not be earlier than December 31, 1954;

[(C) in the case of an agreement or modification agreed to after 1957 but prior to 1960, such date may not be earlier than December 31, 1955; and

[(D) in the case of an agreement or modification agreed to during 1954 or after 1959, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State.]
such date may not be earlier than the last day of the sixth calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary and the State.

(2) In the case of service performed by members of any coverage group—

(A) to which an agreement under this section is made applicable, and

(B) with respect to which the agreement, or modification thereof making the agreement so applicable, specifies an effective date

earlier than the date of execution of such agreement and such modification, respectively.

the agreement shall, if so requested by the State, be applicable to such services (to the extent the agreement was not already applicable) performed before such date of execution and after such effective date by any individual as a member of such coverage group if he is such a member on a date, specified by the State, which is earlier than such date of execution, except that in no case may the date so specified be earlier than the date such agreement or such modification, as the case may be, is mailed, or delivered by other means, to the Secretary.

Termination of Agreement

(g)(1) Upon giving at least two years' advance notice in writing to the Secretary of Health, Education, and Welfare, a State may terminate, effective at end of a calendar quarter specified in the notice, its agreement with the Secretary either—

(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

(2) If the Secretary, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

(3) If any agreement entered into under this section is terminated in its entirety, the Secretary and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Secretary and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

Deposits in Trust Fund; Adjustments

(h)(1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Funds in the ratio in which amounts are appropriated to such Funds pursuant to subsections (a)(3) and (b)(1) of section 201.

(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Secretary of Health, Education, and Welfare.

(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Secretary of Health, Education, and Welfare to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Secretary of Health, Education, and Welfare.

Regulations

(i) Regulations of the Secretary of Health, Education, and Welfare to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and chapter 21 and subtitle F of the Internal Revenue Code of 1954.

Failure To Make Payments

(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Secretary of Health, Education, and Welfare may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Funds in the ratio in which amounts are deposited in such Funds pursuant to subsection (h)(1).

Instrumentalities of Two or More States

(k)(1) The Secretary of Health, Education, and Welfare may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

(2) In the case of any instrumentality of two or more States, if—

(A) employees of such instrumentality are in positions covered by a retirement system of such instrumentality or of any of such States or any of the political subdivisions thereof, and

(B) such retirement system is (on, before, or after the date of enactment of this paragraph) divided into two divisions or parts, one of which is composed of positions of members of such system who are employees of such instrumentality and who desire coverage under an agreement under this section and the other of which is composed of positions of members of such system who are employees of such instrumentality and who do not desire such coverage, and

(C) it is provided that there shall be included in such division or part composed of the positions of members desiring such coverage the positions of employees of such instrumentality who become members of such system after such coverage is extended, then such retirement system shall, if such instrumentality so desires, be deemed to be a separate retirement system with respect to each such division or part. An individual who is in a position covered by a retirement system divided pursuant to the preceding sentence and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection, be regarded as a member of such system. Coverage under the agreement of any such individual shall be provided under the same conditions, to the extent practicable, as are applicable in the case of the States to which the provisions of subsection (d)(6)(C) apply. The position of any employee of any such instrumentality which is covered by any retirement system to which the first sentence of this paragraph is applicable shall, if such individual is ineligible to become a member of such system on the date of enactment of this paragraph or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the positions of members of the division or part who do not desire coverage under the insurance system established under this title. Services in positions covered by a separate retirement system created pursuant to this subsection (and consisting of the positions of members who desire coverage under an agreement under this section) shall be covered under such agreement on compliance, to the extent practicable, with the same conditions as are applicable to coverage under an agreement under this section of services in positions covered by a separate retirement system created pursuant to subparagraph (C) of subsection (d)(6) or the corresponding provision of prior law (and consisting of the positions of members who desire coverage under such agreement).

(3) Any agreement with any instrumentality of two or more States entered into pursuant to this Act may, notwithstanding the provisions of subsection (d)(5)(A) and the references thereto in subsections (d)(1) and (d)(3), apply to service performed by employees of such instrumentality in any policeman's or fireman's position covered by a retirement system, but only upon compliance, to the extent practicable, with the requirements of subsection (d)(3). For the purpose of the preceding sentence, a retirement system which covers positions of policemen or firemen or both, and other positions shall, if the instrumentality concerned so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, or both, as the case may be.

Delegation of Functions

(1) The Secretary of Health, Education, and Welfare is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement.

Wisconsin Retirement Fund

(m)(1) Notwithstanding paragraph (1) of subsection (d), the agreement with the State of Wisconsin may, subject to the provisions of this subsection, be modified so as to apply to service performed by employees in positions covered by the Wisconsin retirement fund.

(2) All employees in positions covered by the Wisconsin retirement fund at any time on or after January 1, 1951, shall, for the purposes of subsection (c) only, be deemed to be a separate coverage group; except that there shall be excluded from such separate coverage group all employees in positions to which the agreement applies without regard to this subsection.

(3) The modification pursuant to this subsection shall exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) service performed by any individual during any period before he is included under the Wisconsin retirement fund.

(4) The modification pursuant to this subsection shall, if the State of Wisconsin requests it, exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) all service performed in policemen's positions, all service performed in women's positions, or both.

Certain Positions no Longer Covered by Retirement Systems

(n) Notwithstanding subsection (d), an agreement with any State entered into under this section prior to the date of the enactment of this subsection may, prior to January 1, 1958, be modified pursuant to subsection (c)(4) so as to apply to services performed by employees, as members of any coverage group to which such agreement already applies (and to which such agreement applied on such date of enactment), in positions (1) to which such agreement does not already apply, (2) which were covered by a retirement system on the date such agreement was made applicable to such coverage group, and (3) which, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of the enactment of this subsection, are no longer covered by a retirement system on the date such agreement is made applicable to such services.

Certain Employees of the State of Utah

(o) Notwithstanding the provisions of subsection (d), the agreement with the State of Utah entered into pursuant to this section may be modified pursuant to subsection (c)(4) so as to apply to services performed for any of the following, the employees performing services for each of which shall constitute a separate coverage group: Weber Junior College, Carbon Junior College, Dixie Junior College, Central Utah Vocational School, Salt Lake Area Vocational School, Center for the Adult Blind, Union High School (Roosevelt, Utah), Utah High School Activities Association, State Industrial School, State Training School, State Board of Education, and Utah School Employees Retirement Board. Any modification agreed to prior to January 1, 1955, may be made effective with respect to services performed by employees as members of any of such coverage groups after an effective date specified therein, except that in no case may any such date be earlier than December 31, 1950.

Policemen and Firemen in Certain States

(p) Any agreement with the State of Alabama, California, Florida, Georgia, *Hawaii*, Kansas, Maryland, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Vermont, *Virginia*, or Washington, or Territory of Hawaii entered into pursuant to this section prior to the date of enactment of this subsection may, notwithstanding the provisions of subsection (d)(5)(A) and the references thereto in subsections (d)(1) and (d)(3), be modified pursuant to subsection (c)(4) to apply to service performed by employees of such State or any political subdivision thereof in any policeman's or fireman's position covered by a retirement system in effect on or after the date of the enactment of this subsection, but only upon compliance with the requirements of subsection (d)(3). For the purposes of the preceding sentence, a retirement system which covers positions of policemen or firemen, or both, and other positions shall, if the State concerned so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, or both, as the case may be.

Time Limitation on Assessments

(q)(1) *Where a State is liable for an amount due under an agreement pursuant to this section, such State shall remain so liable until the Secretary is satisfied that the amount due has been paid to the Secretary of the Treasury.*

(2) *Notwithstanding paragraph (1), a State shall not be liable for an amount due under an agreement pursuant to this section, with respect to the wages paid to individuals, after the expiration of the latest of the following periods—*

(A) *three years, three months, and fifteen days after the year in which such wages were paid, or*

(B) *three years after the date on which such amount became due, or*

(C) *three years, three months, and fifteen days after the year following the year in which this subsection is enacted,*

unless prior to the expiration of such period the Secretary makes an assessment of the amount due.

(3) *For purposes of this subsection and section 205(c), an assessment of an amount due is made when the Secretary mails or otherwise delivers to the State a notice stating the amount he has determined to be due under an agreement pursuant to this section and the basis for such determination.*

(4) *An assessment of an amount due made by the Secretary after the expiration of the period specified in paragraph (2) shall nevertheless be deemed to have been made within such period if—*

(A) *before the expiration of such period (or, if it has previously been extended under this paragraph, of such period as so extended), the State and the Secretary agree in writing to an extension of such period (or extended period) and, subject to such conditions as may be agreed upon, the Secretary makes the assessment prior to the expiration of such extension; or*

(B) *within the 365 days immediately preceding the expiration of such period (or extended period) the State pays to the Secretary of the Treasury less than the correct amount due under an agreement*

pursuant to this section with respect to wages paid to individuals in any calendar quarters as members of a coverage group, and the Secretary of Health, Education, and Welfare makes the assessment, adjusted to take into account the amount paid by the State, no later than the 365th day after the day the State made payment to the Secretary of the Treasury; but the Secretary of Health, Education, and Welfare shall make such assessment only with respect to the wages paid to such individuals in such calendar quarters as members of such coverage group; or

(C) pursuant to subparagraph (A) or (B) of section 205(c)(5) he includes in his records an entry with respect to wages for an individual, but only if such assessment is limited to the amount due with respect to such wages and is made within the period such entry could be made in such records under such subparagraph.

(5) If the Secretary allows a claim for a credit or refund of an overpayment by a State under an agreement pursuant to this section, with respect to wages paid or alleged to have been paid to an individual in a calendar year for services as a member of a coverage group, and if as a result of the facts on which such allowance is based there is an amount due from the State, with respect to wages paid to such individual in such calendar year for services performed as a member of a coverage group, for which amount the State is not liable by reason of paragraph (2), then notwithstanding paragraph (2) the State shall be liable for such amount due if the Secretary makes an assessment of such amount due at the time of or prior to notification to the State of the allowance of such claim. For purposes of this paragraph and paragraph (6), interest as provided for in subsection (j) shall not be included in determining the amount due.

(6) The Secretary shall accept wage reports filed by a State under an agreement pursuant to this section or regulations of the Secretary thereunder, after the expiration of the period specified in paragraph (2) or such period as extended pursuant to paragraph (4), with respect to wages which are paid to individuals performing services as employees in a coverage group included in the agreement and for payment in connection with which the State is not liable by reason of paragraph (2), only if the State—

(A) pays to the Secretary of the Treasury the amount due under such agreement with respect to such wages, and

(B) agrees in writing with the Secretary of Health, Education, and Welfare to an extension of the period specified in paragraph (2) with respect to wages paid to all individuals performing services as employees in such coverage group in the calendar quarters designated by the State in such wage reports as the periods in which such wages were paid. If the State so agrees, the period specified in paragraph (2), or such period as extended pursuant to paragraph (4), shall be extended until such time as the Secretary notifies the State that such wage reports have been accepted.

(7) Notwithstanding the preceding provisions of this subsection, where there is an amount due by a State under an agreement pursuant to this section and there has been a fraudulent attempt on the part of an officer or employee of the State or any political subdivision thereof to defeat or evade payment of such amount due, the State shall be liable for such amount due without regard to the provisions of paragraph (2), and the Secretary may make an assessment of such amount due at any time.

Time Limitation on Credits and Refunds

(r)(1) No credit or refund of an overpayment by a State under an agreement pursuant to this section with respect to wages paid or alleged to have been paid to an individual as a member of a coverage group in a calendar quarter shall be allowed after the expiration of the latest of the following periods—

(A) three years, three months, and fifteen days after the year in which occurred the calendar quarter in which such wages were paid or alleged to have been paid, or

(B) three years after the date the payment which included such overpayment became due under such agreement with respect to the wages paid or alleged to have been paid to such individual as a member of such coverage group in such calendar quarter, or

(C) two years after such overpayment was made to the Secretary of the Treasury, or

(D) three years, three months, and fifteen days after the year following the year in which this subsection is enacted, unless prior to the expiration of such period a claim for such credit or refund is filed with the Secretary of Health, Education, and Welfare by the State.

(2) A claim for a credit or refund filed by a State after the expiration of the period specified by paragraph (1) shall nevertheless be deemed to have been filed within such period if—

(A) before the expiration of such period (or, if it has previously been extended under this subparagraph, of such period as so extended) the State and the Secretary agree in writing to an extension of such period (or extended period) and the claim is filed with the Secretary by the State prior to the expiration of such extension; but any claim for a credit or refund valid because of this subparagraph shall be allowed only to the extent authorized by the conditions provided for in the agreement for such extension, or

(B) The Secretary deletes from his records an entry with respect to wages of an individual pursuant to the provisions of subparagraph (A), (B), or (E) of section 205(c)(5), but only with respect to the entry so deleted.

Review by Secretary

(s) Where the Secretary has made an assessment of an amount due by a State under an agreement pursuant to this section, disallowed a State's claim for a credit or refund of an overpayment under such agreement, or allowed a State a credit or refund of an overpayment under such agreement, he shall review such assessment, disallowance, or allowance if a written request for such review is filed with him by the State within 90 days (or within such further time as he may allow) after notification to the State of such assessment, disallowance, or allowance. On the basis of the evidence obtained by or submitted to the Secretary, he shall render a decision affirming, modifying, or reversing such assessment, disallowance, or allowance. In notifying the State of his decision, the Secretary shall state the basis therefor.

Review by Court

(t)(1) *Notwithstanding any other provision of this title any State, irrespective of the amount in controversy, may file, within two years after the mailing to such State of the notice of any decision by the Secretary pursuant to subsection (s) affecting such State, or within such further time as the Secretary may allow, a civil action for a redetermination of the correctness of the assessment of the amount due, the disallowance of the claim for a refund or credit, or the allowance of the refund or credit, as the case may be, with respect to which the Secretary has rendered such decision. Such action shall be brought in the district court of the United States for the judicial district in which is located the capital of such State, or, if such action is brought by an instrumentality of two or more States, the principal office of such instrumentality. The judgment of the court shall be final, except that it shall be subject to review in the same manner as judgments of such court in other civil actions. Any action filed under this subsection shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.*

(2) *Notwithstanding the provisions of section 2411 of title 28, United States Code, no interest shall accrue to a State after final judgment with respect to a credit or refund of an overpayment made under an agreement pursuant to this section.*

(3) *The first sentence of section 2414 of title 28, United States Code, shall not apply to final judgments rendered by district courts of the United States in civil actions filed under this subsection. In such cases, the payment of amounts due to States pursuant to such final judgments shall be adjusted in accordance with the provisions of this section and with regulations promulgated by the Secretary.*

EFFECTIVE DATE IN CASE OF PUERTO RICO

SEC. 219. If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210(h), 210(i), 210(j), 211(a)(6) and 211(b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.

DISABILITY PROVISIONS INAPPLICABLE IF BENEFIT RIGHTS IMPAIRED

SEC. 220. None of the provisions of this title relating to periods of disability shall apply in any case in which their application would result in the denial of monthly benefits or a lump-sum death payment which would otherwise be payable under this title; nor shall they apply in the case of any monthly benefit or lump-sum death payment under this title if such benefit or payment would be greater without their application.

DISABILITY DETERMINATIONS

SEC. 221. (a) In the case of any individual, the determination of whether or not he is under a disability (as defined in section 216(i) or 223(c)) and of the day such disability began, and the determina-

tion of the day on which such disability ceases, shall, except as provided in subsection (g), be made by a State agency pursuant to an agreement entered into under subsection (b). Except as provided in subsections (c) and (d), any such determination shall be the determination of the Secretary for purposes of this title.

(b) The Secretary shall enter into an agreement with each State which is willing to make such an agreement under which the State agency or agencies administering the State plan approved under the Vocational Rehabilitation Act, or any other appropriate State agency or agencies, or both, will make the determinations referred to in subsection (a) with respect to all individuals in such State, or with respect to such class or classes of individuals in the State as may be designated in the agreement at the State's request.

(c) The Secretary may on his own motion review a determination, made by a State agency pursuant to an agreement under this section, that an individual is under a disability (as defined in section 216 (i) or 223 (c)) and, as a result of such review, may determine that such individual is not under a disability (as so defined) or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency.

(d) Any individual dissatisfied with any determination under subsection (a), (c), or (g) shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205 (b) with respect to decisions of the Secretary, and to judicial review of the Secretary's final decision after such hearing as is provided in section 205 (g).

(e) Each State which has an agreement with the Secretary under this section shall be entitled to receive from the Trust Funds, in advance or by way of reimbursement, as may be mutually agreed upon, the cost to the State of carrying out the agreement under this section. The Secretary shall from time to time certify such amount as is necessary for this purpose to the Managing Trustee, reduced or increased, as the case may be, by any sum (for which adjustment hereunder has not previously been made) by which the amount certified for any prior period was greater or less than the amount which should have been paid to the State under this subsection for such period; and the Managing Trustee, prior to audit or settlement by the General Accounting Office, shall make payment from the Trust Funds at the time or times fixed by the Secretary, in accordance with such certification. Appropriate adjustments between the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund with respect to the payments made under this subsection shall be made in accordance with paragraph (1) of subsection (g) of section 201 (but taking into account any refunds under subsection (f) of this section) to insure that the Federal Disability Trust Fund is charged with all expenses incurred which are attributable to the administration of section 223 and the Federal Old-Age and Survivors Insurance Trust Fund is charged with all other expenses.

(f) All money paid to a State under this section shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned to the Treasury of the United States for deposit in the Trust Funds.

(g) In the case of individuals in a State which has no agreement under subsection (b), in the case of individuals outside the United States, and in the case of any class or classes of individuals not included in an agreement under subsection (b), the determinations referred to in subsection (a) shall be made by the Secretary in accordance with regulations prescribed by him.

REHABILITATION SERVICES

Referral for Rehabilitation Services

SEC. 222. (a) It is hereby declared to be the policy of the Congress that disabled individuals applying for a determination of disability, and disabled individuals who are entitled to child's insurance benefits, shall be promptly referred to the State agency or agencies administering or supervising the administration of the State plan approved under the Vocational Rehabilitation Act for necessary vocational rehabilitation services, to the end that the maximum number of such individuals may be rehabilitated into productive activity.

Deductions on Account of Refusal to Accept Rehabilitation Services

(b) (1) Deductions, in such amounts and at such time or times as the Secretary, shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under sections 202 and 223 for any month in which such individual, if a child who has attained the age of eighteen and is entitled to child's insurance benefits or if an individual entitled to disability insurance benefits, refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act. Any individual who is a member or adherent of any recognized church or religious sect which teaches its members or adherents to rely solely, in the treatment and cure of any physical or mental impairment, upon prayer or spiritual means through the application and use of the tenets or teachings of such church or sect, and who, solely because of his adherence to the teachings or tenets of such church, or sect, refuses to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act, shall, for the purposes of the first sentence of this subsection, be deemed to have done so with good cause.

(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or from any mother's insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or such mother's insurance benefit or benefits under section 202 for any month in which such child or person entitled to mother's insurance benefits is married to an individual who is entitled to disability insurance benefits and in which such individual refuses to accept rehabilitation services and a deduction, on account of such refusal, is imposed under paragraph (1). If both this paragraph and paragraph (3) are applicable to a child's insurance benefit for any month, only an amount equal to such benefit shall be deducted.

(3) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to disability insurance benefits, to which a wife, husband, or child is entitled, until the total of such deductions equal such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month in which the individual, on the basis of whose wages and self-employment income such benefit was payable, refuses to accept rehabilitation services and deductions, on account of such refusal, are imposed under paragraph (1).

【Service Performed Under Rehabilitation Program

【(c) For purposes of sections 216(i) and 223, an individual shall not be regarded as able to engage in substantial gainful activity solely by reason of services rendered by him pursuant to a program for his rehabilitation carried on under a State plan approved under the Vocational Rehabilitation Act. This subsection shall not apply with respect to any such services rendered after the eleventh month following the first month during which such services are rendered.】

Period of Trial Work

(c) (1) *The term "period of trial work", with respect to an individual entitled to benefits under section 223 or 202(d), means a period of months beginning and ending as provided in paragraphs (3) and (4).*

(2) *For purposes of sections 216(i) and 223, any services rendered by an individual during a period of trial work shall be deemed not to have been rendered by such individual in determining whether his disability has ceased in a month during such period. For purposes of this subsection the term "services" means activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.*

(3) *A period of trial work for any individual shall begin with the month in which he becomes entitled to disability insurance benefits, or, in the case of an individual entitled to benefits under section 202(d) who has attained the age of eighteen, with the month in which he becomes entitled to such benefits or the month in which he attains the age of eighteen, whichever is later. Notwithstanding the preceding sentence, no period of trial work may begin for any individual prior to the beginning of the month following the month in which this paragraph is enacted; and no such period may begin for an individual in a period of disability of such individual in which he had a previous period of trial work.*

(4) *A period of trial work for any individual shall end with the close of whichever of the following months is the earlier:*

(A) *the ninth month, beginning on or after the first day of such period, in which the individual renders services (whether or not such nine months are consecutive); or*

(B) *the month in which his disability (as defined in section 223 (c) (2)) ceases (as determined after application of paragraph (2) of this subsection).*

(5) *In the case of an individual who becomes entitled to benefits under section 223 for any month as provided in clause (ii) of subsection (a) (1) of such section, the preceding provisions of this subsection shall not apply with respect to services in any month beginning with the first*

month for which he is so entitled and ending with the first month thereafter for which he is not entitled to benefits under section 223.

DISABILITY INSURANCE BENEFIT PAYMENTS

Disability Insurance Benefits

SEC. 223. (a) (1) Every individual who—

(A) is insured for disability insurance benefits (as determined under subsection (c) (1)),

(B) **[has attained the age of fifty and]** has not attained the age of sixty-five,

(C) has filed application for disability insurance benefits, and

(D) is under a disability (as defined in subsection (c) (2)) at the time such application is filed,

[shall be entitled to a disability insurance benefit for each month, beginning with the first month after his waiting period (as defined in subsection (c) (3)) in which he becomes so entitled to such insurance benefits] *shall be entitled to a disability insurance benefit (i) for each month, beginning with the first month after his waiting period (as defined in subsection (c) (3)) in which he becomes so entitled to such insurance benefits, or (ii) for each month, beginning with the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was entitled to disability insurance benefits which terminated, or had a period of disability (as defined in section 216(i)) which ceased, within the 60-month period preceding the first month in which he is under such disability, and ending with the month preceding [the first month in which any of the following occurs: his disability ceases, he dies, or he attains the age of sixty-five] whichever of the following months is the earliest: the month in which he dies, the month in which he attains the age of sixty-five, or the third month following the month in which his disability ceases.*

[(2) Such individual's disability insurance benefit for any month shall be equal to his primary insurance amount for such month determined under section 215 as though he became entitled to old-age insurance benefits in the first month of his waiting period].

(2) Such individual's disability insurance benefit for any month shall be equal to his primary insurance amount for such month determined under section 215 as though he had attained retirement age in—

(A) the first month of his waiting period, or

(B) in any case in which clause (ii) of paragraph (1) of this subsection is applicable, the first month for which he becomes entitled to such disability insurance benefits,

and as though he had become entitled to old-age insurance benefits in the month in which he filed his application for disability insurance benefits. For the purposes of the preceding sentence, in the case of a woman who both was fully insured and had attained retirement age in or before the first month referred to in subparagraph (A) or (B) of such sentence, as the case may be, the elapsed years referred to in section 215(b)(3) shall not include the first year in which she both was fully insured and had attained retirement age, or any year thereafter.¹

¹ The amendment to sec 223(a)(2) as shown is effective with respect to individuals becoming entitled to disability insurance benefits after 1960; except that the portion of such amendment relating to computation of disability insurance benefits in cases of second disability is effective with respect to months after the month of enactment.

Filing of Application

(b) **【No application for disability insurance benefits which is filed more than nine months before the first month for which the applicant becomes entitled to such benefits shall be accepted as a valid application for purposes of this section.】** *No application for disability insurance benefits shall be accepted as a valid application for purposes of this section (1) if it is filed more than nine months before the first month for which the applicant becomes entitled to such benefits, or (2) in any case in which clause (ii) of paragraph (1) of subsection (a) is applicable, if it is filed more than six months before the first month for which the applicant becomes entitled to such benefits; and any application filed within such nine months' period or six months' period, as the case may be, shall be deemed to have been filed in such first month.* An individual who would have been entitled to a disability insurance benefit for any month after June 1957 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month **【if he files application therefor】** *if he is continuously under a disability after such month and until he files application therefor, and he files such application prior to the end of the twelfth month immediately succeeding such month.*

Definitions

(c) For purposes of this section—

(1) An individual shall be insured for disability insurance benefits in any month if—

(A) he would have been a fully insured individual (as defined in section 214) had he attained retirement age and filed application for benefits under section 202(a) on the first day of such month, and

(B) he had not less than twenty quarters of coverage during the forty-quarter period ending with the quarter in which such first day occurred, not counting as part of such forty-quarter period any quarter any part of which was included in a period of disability (as defined in section 216(i)) unless such quarter was a quarter of coverage.

(2) The term “disability” means inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required.

(3) The term “waiting period” means, in the case of any application for disability insurance benefits, the earliest period of six consecutive calendar months—

(A) throughout which the individual who files such application has been under a disability which continues until such application is filed, and

(B) (i) which begins not earlier than with the first day of the eighteenth month before the month in which such application is filed if such individual is insured for disability insurance benefits in such eighteenth month, or (ii) if he

is not so insured in such month, which begins not earlier than with the first day of the first month after such eighteenth month in which he is so insured.

Notwithstanding the preceding provisions of this paragraph, no waiting period may begin for any individual before January 1, 1957 [; nor may any such period begin for any individual before the first day of the sixth month before the month in which he attains the age of fifty].

SEC. 224. [Repealed.]

SUSPENSION OF BENEFITS BASED ON DISABILITY

SEC. 225. If the Secretary, on the basis of information obtained by or submitted to him, believes that an individual entitled to benefits under section 223, or that a child who has attained the age of eighteen and is entitled to benefits under section 202(d), may have ceased to be under a disability, the Secretary may suspend the payment of benefits under such section 223 or 202(d) until it is determined (as provided in section 221) whether or not such individual's disability has ceased or until the Secretary believes that such disability has not ceased. In the case of any individual whose disability is subject to determination under an agreement with a State under section 221(b), the Secretary shall promptly notify the appropriate State of his action under this section and shall request a prompt determination of whether such individual's disability has ceased. For purposes of this section, the term "disability" has the meaning assigned to such term in section 223(c)(2). Whenever the benefits of an individual entitled to a disability insurance benefit are suspended for any month, the benefits of any individual entitled thereto under subsection (b), (c), or (d) of section 202, on the basis of the wages and self-employment income of such individual, shall be suspended for such month.

TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

APPROPRIATIONS

SECTION 301. For the purpose of assisting the States in the administration of their unemployment compensation laws, there is hereby authorized to be appropriated, for the fiscal year ending June 30, 1936, the sum of \$4,000,000, for each fiscal year thereafter up to and including the fiscal year ending June 30, 1938, the sum of \$49,000,000, and for the fiscal year ending June 30, 1939, and for each fiscal year thereafter, the sum of \$80,000,000, to be used as hereinafter provided.

* * * * *

PROVISIONS OF STATE LAWS

SEC. 303. (a) The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by him under the Federal Unemployment Tax Act, includes provision for—

(1) Such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary of Labor 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 of Labor to be reasonably calculated to insure full payment of unemployment compensation when due; and

(2) Payments of unemployment compensation solely through public employment offices or such other agencies as the Secretary of Labor may approve; and

(3) Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and

(4) The payment of all money received in the unemployment fund of such State (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 3305(b) of the Federal Unemployment Tax Act), immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and

* * * * *

TITLE V—GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

PART 1—MATERNAL AND CHILD HEALTH SERVICES

APPROPRIATION

SECTION 501. For the purpose of enabling each State to extend and improve, as far as practicable under the conditions in such State, services for promoting the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress, there is hereby authorized to be appropriated for each fiscal year beginning after June 30, **[1958] 1960**, the sum of **[\$21,500,000]** **\$25,000,000**. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare, State plans for such services.

ALLOTMENTS TO STATES

SEC. 502. (a)(1). [Executed. Provided for allotting \$7,500,000 for the fiscal year ending June 30, 1951, among the States on the same basis as is provided in paragraph (2).]

(2) Out of the sums appropriated pursuant to section 501 for each fiscal year beginning after June 30, **[1958] 1960**, the Secretary shall allot **[\$10,750,000]** **\$12,500,000** as follows: He shall allot to each

State ~~[\$60,000]~~ \$70,000 (even though the amount appropriated for such year is less than ~~[\$21,500,000]~~ \$25,000,000, and shall allot each State such part of the remainder of the ~~[\$10,750,000]~~ \$12,500,000, as he finds that the number of live births in such State bore to the total number of live births in the United States in the latest calendar year for which the Secretary has available statistics.

(b) Out of the sum appropriated pursuant to section 501 the Secretary shall allot to the States (in addition to the allotments made under subsection (a)) for each fiscal year beginning after June 30, ~~[1958]~~ 1960, the sum of ~~[\$10,750,000]~~ \$12,500,000. Such sums shall be allotted *from time to time* according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of live births in such State; *except that not more than 25 per centum of such sums shall be available for grants to State health agencies (administering or supervising the administration of a State plan approved under section 503), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of maternal and child health.*

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 504 until the end of the second succeeding fiscal year. No payment to a State under section 504 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

APPROVAL OF STATE PLANS

SEC. 503. (a) A State plan for material and child-health services must (1) provide for financial participation by the State; (2) provide for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) provide that the State health 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 he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for the extension and improvement of local maternal and child-health services administered by local child-health units; (6) provide for cooperation with medical, nursing, and welfare groups and organizations; and (7) provide for the development of demonstration services in needy areas and among groups in special need.

(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the State health agency of his approval.

PAYMENT TO STATES

SEC. 504. (a) From the sums appropriated therefor and the allotments available under section 502(a), the Secretary of the Treasury shall pay to each State which has an approved plan for maternal and child-health services, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary of Health, Education, and Welfare shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Health, Education, and Welfare shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health, Education, and Welfare for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Health, Education, and Welfare, the amount so certified.

(c) The Secretary of Health, Education, and Welfare shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotments available under section 502 (b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Health, Education, and Welfare. *Payments of grants for special projects under section 502(b) may be made in advance or by way of reimbursement, and in such installments, as the Secretary finds necessary to carry out the purposes of the grants.*

OPERATION OF STATE PLANS

SEC. 505. In the case of any State plan for maternal and child health services which has been approved by the Secretary of Health,

Education, and Welfare, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 503 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

PART 2—SERVICES FOR CRIPPLED CHILDREN

APPROPRIATION

SEC. 511. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State, services for locating crippled children, and for providing medical, surgical, corrective, and other services and care, and facilities for diagnosis, hospitalization, and aftercare, for children who are crippled or who are suffering from conditions which lead to crippling, there is hereby authorized to be appropriated for each fiscal year beginning after June 30, [1958] 1960, the sum of [\$20,000,000] \$25,000,000. The sums made available under this section, shall be used for making payments to States which have submitted and had approved by the Secretary of Health, Education, and Welfare, State plans for such services.

ALLOTMENTS TO STATES

SEC. 512. (a) (1) [Executed. Provided for allotting \$6,000,000 for the fiscal year ending June 30, 1951, among the States on the same basis as is provided in paragraph (2).]

(2) Out of the sums appropriated pursuant to section 511 for each fiscal year beginning after June 30, [1958] 1960, the Secretary shall allot [\$10,000,000] \$12,500,000 as follows: He shall allot to each State [\$60,000] \$70,000 (even though the amount appropriated for such year is less than [\$20,000,000] \$25,000,000) and shall allot the remainder of the [\$10,000,000] \$12,500,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

(b) Out of the sums appropriated pursuant to section 511 the Secretary shall allot to the States (in addition to the allotments made under subsection (a)) for each fiscal year beginning after June 30, [1958] 1960, the sum of [\$10,000,000] \$12,500,000. Such sums shall be allotted *from time to time* according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of crippled children in each State in need of the services referred to in section 511 and the cost of furnishing such services to them; *except that not more than 25 per centum of such sums shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 513), and to public or other nonprofit*

institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of services for crippled children.

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 514 until the end of the second succeeding fiscal year. No payment to a State under section 514 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

APPROVAL OF STATE PLANS

SEC. 513. (a) A State plan for services for crippled children must (1) provide for financial participation by the State; (2) provide for the administration of the plan by a State agency or the supervision of the administration of the plan by a State agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) 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 he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for carrying out the purposes specified in section 511; and (6) provide for cooperation with medical, health, nursing, and welfare groups and organizations and with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children.

(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the State agency of his approval.

PAYMENT TO STATES

SEC. 514. (a) From the sums appropriated therefor and the allotments available under section 512(a), the Secretary of the Treasury shall pay to each State which has an approved plan for services for crippled children, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary of Health, Education, and Welfare shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by

the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Health, Education, and Welfare shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health, Education, and Welfare for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State at the time or times fixed by the Secretary of Health, Education, and Welfare, the amount so certified.

(c) The Secretary of Health, Education, and Welfare shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotment available under section 512(b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Health, Education, and Welfare. *Payments of grants for special projects under section 512(b) may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants.*

OPERATION OF STATE PLANS

SEC. 515. In the case of any State plan for services for crippled children which has been approved by the Secretary of Health, Education, and Welfare, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 513 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

PART 3—CHILD-WELFARE SERVICES

APPROPRIATION

SEC. 521. For the purpose of enabling the United States, through the Secretary, to cooperate with State public-welfare agencies in establishing, extending, and strengthening public-welfare services

(hereinafter in this title referred to as "child-welfare services") for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, ~~1959~~ 1961, the sum of ~~17,000,000~~ \$25,000,000.

ALLOTMENTS TO STATES

SEC. 522. (a) The sums appropriated for each fiscal year under section 521 shall be allotted by the Secretary for use by cooperating State public-welfare agencies which have plans developed jointly by the State agency and the Secretary, as follows: He shall allot to each State such portion of ~~60,000~~ \$70,000 as the amount appropriated under section 521 for such year bears to the amount authorized to be so appropriated and he shall allot to each State an amount which bears the same ratio to the remainder of the sums so appropriated for such year as the product of (1) the population of such State under the age of 21 and (2) the allotment percentage of such State (as determined under section 524) bears to the sum of the corresponding products of all the States.

(b) (1) If the amount allotted to a State under subsection (a) for any fiscal year is less than such State's base allotment, it shall be increased to such base allotment, the total of the increases thereby required being derived by proportionately reducing the amount allotted under subsection (a) to each of the remaining States, but with such adjustments as may be necessary to prevent the allotment of any such remaining State under subsection (a) from being thereby reduced to less than its base allotment.

(2) For purposes of paragraph (1) the base allotment of any State for any fiscal year means the amount which would be allotted to such State for such year under the provisions of section 521, as in effect prior to the enactment of the Social Security Amendments of 1958, as applied to an appropriation of \$12,000,000.

PAYMENT TO STATES

SEC. 523. (a) From the sums appropriated therefor and the allotment available under this part, the Secretary shall from time to time pay to each State with a plan for child-welfare services developed as provided in this part an amount equal to the Federal share (as determined under section 524) of the total sum expended under such plan (including the cost of administration of the plan) in meeting the costs of district, county, or other local child-welfare services, in developing State services for the encouragement and assistance of adequate methods of community child-welfare organization, in paying the costs of returning any runaway child who has not attained the age of eighteen to his own community in another State, and of maintaining such child until such return (for a period not exceeding fifteen days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child: *Provided*, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the States and local communities as may be authorized by the State.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of subsection (a).

(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this section was greater or less than the amount which should have been paid thereunder to the State for such prior period.

ALLOTMENT PERCENTAGE AND FEDERAL SHARE

SEC. 524. (a) The "allotment percentage" for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska); except that (A) the allotment percentage shall in no case be less than 30 per centum or more than 70 per centum, and (B) the allotment percentage shall be 50 per centum in the case of Alaska and 70 per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

(b) For the fiscal year ending June 30, 1960, and each year thereafter, the "Federal share" for any State shall be 100 per centum less that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska), except that (1) in no case shall the Federal share be less than 33 $\frac{1}{3}$ per centum or more than 66 $\frac{2}{3}$ per centum, and (2) the Federal share shall be 50 per centum in the case of Alaska and 66 $\frac{2}{3}$ per centum in the case of Puerto Rico, the Virgin Islands, and Guam. For the fiscal year ending June 30, 1959, the Federal share shall be determined pursuant to the provisions of section 521 as in effect prior to the enactment of the Social Security Amendments of 1958.

(c) The Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the continental United States (excluding Alaska) for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation: *Provided*, That the Secretary shall promulgate such Federal shares and allotment percentages as soon as possible after the enactment of the Social Security Amendments of 1958, which promulgation shall be conclusive for each of the 3 fiscal years in the period ending June 30, 1961.

REALLOTMENT

SEC. 525. The amount of any allotment to a State under section 522 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in such section shall be available for reallocation from time to time, on

such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them under that section and (2) will be able to use such excess amounts during such fiscal year. Such reallocations shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallocated to a State shall be deemed part of its allotment under section 522.

RESEARCH OR DEMONSTRATION PROJECTS

Sec. 526. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine for grants by the Secretary to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare.

(b) Payments of grants for special projects under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants.

* * * * *

TITLE IX—MISCELLANEOUS PROVISIONS RELATING TO EMPLOYMENT SECURITY

* * * * *

AMOUNTS CREDITED TO FEDERAL UNEMPLOYMENT ACCOUNT

SEC. 902. Whenever any amount is transferred to the Unemployment Trust Fund under section 901(a), there shall be credited (as of the beginning of the succeeding fiscal year) to the Federal unemployment account so much of such amount as equals whichever of the following is the lesser:

- (1) The total amount so transferred; or
- (2) The amount by which **[\$200,000,000]** \$500,000,000 exceeds the adjusted balance in the Federal unemployment account at the close of the fiscal year for which the transfer is made.

For the purposes of the preceding sentence, the term "adjusted balance" means the amount by which the balance in the Federal unemployment account exceeds the sum of the outstanding advances under section **[1202(c)]** 1203 to the Federal unemployment account.

AMOUNTS CREDITED TO STATES' ACCOUNTS

SEC. 903. (a) So much of any amount transferred to the Unemployment Trust Fund at the close of any fiscal year under section 901(a) as is not credited to the Federal unemployment account under section 902 shall be credited (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund. Each State's share of the funds to be credited under this subsection as of any July 1 shall be determined by the Secretary of Labor and certified by him to the Secretary of the Treasury on or before that date on the basis of reports furnished by the States to the Secretary of Labor by June 1 and shall bear the same ratio to the total amount to be so credited as the amount of wages subject to contributions under such State unemployment compensation law during the preceding calendar year which have been reported to the State by May 1 bears to the total of wages subject to contributions under all State compensation laws during such calendar year which have been reported to the States by such May 1.

(b)(1) If the Secretary of Labor finds that on July 1 of any fiscal year—

[(1)](A) a State is not eligible for certification under section 303, or

[(2)](B) the law of a State is not approvable under section 3304 of the Federal Unemployment Tax Act,

then the amount available for crediting to such State's account shall, in lieu of being so credited, be credited to the Federal unemployment account as of the beginning of such July 1. If, during the fiscal year beginning on such July 1, the Secretary of Labor finds and certifies to the Secretary of the Treasury that such State is eligible for certification under section 303, that the law of such State is approvable under *such* section 3304, or both, the Secretary of the Treasury shall transfer such amount from the Federal unemployment account to the account of such State. If the Secretary of Labor does not so find and certify to the Secretary of the Treasury before the close of such fiscal year then the amount which was available for credit to such State's account as of July 1 of such fiscal year shall (as of the close of such fiscal year) become unrestricted as to use as part of the Federal unemployment account.

(2) *The amount which, but for this paragraph, would be transferred to the account of a State under subsection (a) or paragraph (1) of this subsection shall be reduced (but not below zero) by the balance of advances made to the State under section 1201. The sum by which such amount is reduced shall—*

(A) *be credited to the Federal unemployment account, and*

(B) *be credited against, and operate to reduce—*

(i) *first, any balance of advances made before the date of the enactment of the Employment Security Act of 1960 to the State under section 1201, and*

(ii) *second, any balance of advances made on or after such date to the State under section 1201.*

(c)(1) Amounts credited to the account of a State pursuant to subsection (a) shall, except as provided in paragraph (2), be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

(2) A State may, pursuant to a specific appropriation made by the legislative body of the State, use money withdrawn from its account in the payment of expenses incurred by it for the administration of its unemployment compensation law and public employment offices if and only if—

(A) the purposes and amounts were specified in the law making the appropriation,

(B) the appropriation law did not authorize the expenditure of such money after the close of the two-year period which began on the date of enactment of the appropriation law.

(C) the money is withdrawn and the expenses are incurred after such date of enactment, and

(D) the appropriation law limits the total amount which may be so used during a fiscal year to an amount which does not exceed the amount by which (i) the aggregate of the amounts credited to the account of such State pursuant to subsection (a) during such fiscal year and the four preceding fiscal years, exceeds (ii) the aggregate of the amounts used by the State pursuant to this paragraph and charged against the amounts credited to the account of such State during such five fiscal years.

For the purposes of subparagraph (D), amounts used by a State during any fiscal year shall be charged against equivalent amounts which were first credited and which have not previously been so charged; except that no amount used during any fiscal year may be charged against any amount credited during a fiscal year earlier than the fourth preceding fiscal year.

UNEMPLOYMENT TRUST FUND

SEC. 904. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the "Unemployment Trust Fund", hereinafter in this title called the "Fund". The Secretary of the Treasury is authorized and directed to receive and hold in the Fund all moneys deposited therein by a State agency from a State unemployment fund, or by the Railroad Retirement Board to the credit of the railroad unemployment insurance account or the railroad unemployment insurance administration fund, or otherwise deposited in or credited to the Fund or any account therein. Such deposit may be made directly with the Secretary of the Treasury, or with any Federal Reserve Bank or member bank of the Federal Reserve system designated by him for such purpose.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then

forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Obligations other than such special obligations may be acquired for the Fund only on such terms as to provide an investment yield not less than the yield which would be required in the case of special obligations if issued to the Fund upon the date of such acquisition. Advances to the Federal unemployment account pursuant to section **[1201(c)] 1203** shall not be invested.

(c) Any obligations acquired by the Fund (except special obligations issued exclusively to the Fund) may be sold at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to and form a part of the Fund.

(e) The Fund shall be invested as a single fund, but the Secretary of the Treasury shall maintain a separate book account for each State agency, the Federal unemployment account, the railroad unemployment insurance account, and the railroad unemployment insurance administration fund and shall credit quarterly (on March 31, June 30, September 30, and December 31, of each year**[,]**) to each account, on the basis of the average daily balance of such account, a proportionate part of the earnings of the Fund for the quarter ending on each date. For the purpose of this subsection, the average daily balance shall be computed—

(1) in the case of any State account, by reducing (but not below zero) the amount in the account by the aggregate of the outstanding advances under section 1201 from the Federal unemployment account, and

(2) in the case of the Federal unemployment account, (A) by adding to the amount in the account the aggregate of the reductions under paragraph (1), and (B) by subtracting from the sum so obtained the aggregate of the outstanding advances from the Treasury to the account pursuant to section **[1202(c).] 1203**.

(f) The Secretary of the Treasury is authorized and directed to pay out of the Fund to any State agency such amount as it may duly requisition, not exceeding the amount standing to the account of such State agency at the time of such payment. The Secretary of the Treasury is authorized and directed to make such payments out of the railroad unemployment insurance account for the payment of benefits and out of the railroad unemployment insurance administration fund for the payment of administrative expenses, as the Railroad Retirement Board may duly certify, not exceeding the amount standing to the credit of such account or such fund, as the case may be, at the time of such payment.

(h) There is hereby established in the Unemployment Trust Fund a Federal unemployment account. There is hereby authorized to be appropriated to such Federal unemployment account a sum equal to (1) the excess of taxes collected prior to July 1, 1946, under title IX of this Act or under the Federal Unemployment Tax Act over the total unemployment administrative expenditures made prior to July 1, 1946, plus (2) the excess of taxes collected under the Federal Unemployment Tax Act after June 30, 1946, and prior to July 1,

1953, over the unemployment administrative expenditures made after June 30, 1946, and prior to July 1, 1953. As used in this subsection, the term "unemployment administrative expenditures" means expenditures for grants under title III of this Act, expenditures for the administration of that title by the Board or the Secretary of Labor, and expenditures for the administration of title IX of this Act, or of the Federal Unemployment Tax Act by the Department of the Treasury, the Board, or the Secretary of Labor. For the purposes of this subsection, there shall be deducted from the total amount of taxes collected prior to July 1, 1943, under title IX of this Act, the sum of \$40,561,886.43 which was authorized to be appropriated by the Act of August 24, 1937 (50 Stat. 754), and the sum of \$18,451,846 which was authorized to be appropriated by section 11(b) of the Railroad Unemployment Insurance Act.

* * * * *

TITLE X—GRANTS TO STATES FOR AID TO THE BLIND

STATE PLANS FOR AID TO THE BLIND

SEC. 1002. (a) A State plan for aid to the blind must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act or aid to dependent children under the State plan approved under section 402 of this Act; [(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first \$50 per month of earned income;] (8) *provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that in making such determination, the State agency shall disregard either (i) the first \$50 per month of earned income or (ii) the first \$1,000 per annum of earned income plus one-half of earned income in excess of \$1,000 per annum.*

NOTE: Effective July 1, 1961 clause (8) is amended to read as follows:

(8) *provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first \$1,000 per annum of net earned income increased by one-half of that part of net earned income which is in excess of \$1,000 per annum.*

(9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the blind; (10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished with reasonable promptness to all eligible individuals; (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions; and (13) provide a description of the services (if any) which the State agency makes available to applicants for and recipients of aid to the blind to help them attain self-support or self-care, including a description of the steps taken to assure, in the provision of such services maximum utilization of other agencies providing similar or related services.

(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 aid to the blind under the plan—

(1) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for aid and has resided therein continuously for one year immediately preceding the application; or

(2) Any citizenship requirement which excludes any citizen of the United States.

TITLE XI—GENERAL PROVISIONS

* * * * *

LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 1108. The total amount certified by the Secretary of Health, Education, and Welfare under titles I (*other than section 3(a)(3)*), IV, X, and XIV, for payment to Puerto Rico with respect to any fiscal year, shall not exceed ~~[\$8,500,000]~~ \$9,000,000, of which \$500,000 may be used only for payments certified with respect to section 3(a)(2)(B); the total amount certified by the Secretary under such titles for payment to the Virgin Islands in respect to any fiscal year shall not

exceed **[\$300,000]** \$315,000, of which \$15,000 may be used only for payments certified in respect to section 3(a)(2)(B); and the total amount certified by the Secretary under such titles for payment to Guam with respect to any fiscal year shall not exceed **[\$400,000]** \$420,000, of which \$20,000 may be used only for payments certified in respect to section 3(a)(2)(B).

*MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSISTANCE
AND MEDICAL ASSISTANCE FOR THE AGED*

SEC. 1112. In order to assist the States to extend the scope and content, and improve the quality, of medical care and medical services for which payments are made to or on behalf of needy and low-income individuals under this Act and in order to promote better public understanding about medical care and medical assistance for needy and low-income individuals, the Secretary shall develop and revise from time to time guides or recommended standards as to the level, content, and quality of medical care and medical services for the use of the States in evaluating and improving their public assistance medical care programs and their programs of medical assistance for the aged; shall secure periodic reports from the States on items included in, and the quantity of, medical care and medical assistance for which expenditures under such programs are made; and shall from time to time publish data secured from these reports and other information necessary to carry out the purposes of this section.

TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

[SECTION 1201. (a) If—

[(1) the balance in the unemployment fund of a State in the Unemployment Trust Fund at the close of September 30, 1953, or at the close of the last day in any ensuing calendar quarter, is less than the total compensation paid out under the unemployment compensation law of such State during the twelve-month period ending at the close of such day;

[(2) the Governor of such State applies to the Secretary of Labor during the calendar quarter following such day for an advance under this subsection; and

[(3) the Secretary of Labor finds that the conditions specified in paragraphs (1) and (2) have been met.

the Secretary of Labor shall certify to the Secretary of the Treasury such amounts as may be specified in the application of the Governor, but the aggregate of the amounts so certified pursuant to any such application shall not exceed the highest total compensation paid out under the unemployment compensation law of such State during any one of the four calendar quarters preceding the quarter in which such application was made. For the purposes of this subsection, (A), the application shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under this title, and (B) the term "compensation" means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.]

ADVANCES TO STATE UNEMPLOYMENT FUNDS

SEC. 1201. (a) (1) *Advances shall be made to the States from the Federal unemployment account in the Unemployment Trust Fund as provided in this section, and shall be repayable, without interest, in the manner provided in sections 903(b)(2), and 1202. An advance to a State for the payment of compensation in any month may be made if—*

(A) the Governor of the State applies therefor no earlier than the first day of the preceding month, and

(B) he furnishes to the Secretary of Labor his estimate of the amount of an advance which will be required by the State for the payment of compensation in such month.

(2) *In the case of any application for an advance under this section to any State for any month, the Secretary of Labor shall—*

(A) determine the amount (if any) which he finds will be required by such State for the payment of compensation in such month, and

(B) certify to the Secretary of the Treasury the amount (not greater than the amount estimated by the Governor of the State) determined under subparagraph (A).

The aggregate of the amounts certified by the Secretary of Labor with respect to any month shall not exceed the amount which the Secretary of the Treasury reports to the Secretary of Labor is available in the Federal unemployment account for advances with respect to such month.

(3) *For purposes of this subsection—*

(A) An application for an advance shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under this title,

(B) the amount required by any State for the payment of compensation in any month shall be determined with due allowance for contingencies and taking into account all other amounts that will be available in the State's unemployment fund for the payment of compensation in such month, and

“(C) the term ‘compensation’ means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.

(b) The Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of **[any]** the State in the Unemployment Trust Fund, the **[amounts]** amount certified under subsection (a) by the Secretary of Labor (but not exceeding that portion of the balance in the Federal unemployment account at the time of **[such]** the transfer which is not restricted as to use pursuant to section 903(b)(1)). **[Any amount so transferred shall be an advance which shall be repaid (without interest) by the State to the Federal unemployment account in the manner provided in subsections (a) and (b)(1) of section 1202.]**

REPAYMENT OF STATES OF ADVANCES TO STATE UNEMPLOYMENT FUNDS

SEC. 1202. [a] The Governor of any State may at any time request that funds be transferred from the account of such State to the Federal unemployment account in repayment of part or all of [any remaining] *that* balance of advances made to such State under section 1201, *specified in the request*. The Secretary of Labor shall certify to the Secretary of the Treasury the amount [stated] *and balance specified in [such] the request*; and the Secretary of the Treasury shall promptly transfer such amount *in reduction of such balance*.

[(b)(1) There are hereby appropriated to the Unemployment Trust Fund for credit to the Federal unemployment account, out of any moneys in the Treasury not otherwise appropriated, amounts equal to the amounts by which (A) 100 per centum of the additional tax received under the Federal Unemployment Tax Act by reason of the reduced credits provision of section 3302(c)(2) of such Act and covered into the Treasury, exceeds (B) the amounts appropriated by paragraph (2). Any amount so appropriated shall be credited against, and shall operate to reduce, the remaining balance of advances under section 1201 to the State with respect to which employers paid such additional tax.

[(2) Whenever the amount of such additional tax paid, received, and covered into the Treasury exceeds the remaining balance of advances under section 1201 to the State, there is hereby appropriated to the Unemployment Trust Fund for credit to the account of such State out of any moneys in the Treasury not otherwise appropriated, an amount equal to such excess.

[(3) The amounts appropriated by paragraphs (1) and (2) shall be transferred at the close of the month in which the moneys were covered into the Treasury to the Unemployment Trust Fund for credit to the Federal unemployment account or to the account of the State, as the case may be, as of the first day of the succeeding month.]

ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

[(c)] SEC. 1203. There are hereby authorized to be appropriated to the Federal unemployment account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of this title.

DEFINITION OF GOVERNOR

SEC. [1203] 1204. When used in this title, the term "Governor" [shall include] *includes* the Commissioners of the District of Columbia.

* * * * *

INTERNAL REVENUE CODE OF 1954

* * * * *
CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME* * * * *
SEC. 1402. DEFINITIONS.
* * * * *

(c) **TRADE OR BUSINESS.**—The term “trade or business”, when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 162 (relating to trade or business expenses), except that such term shall not include—

(1) the performance of the functions of a public office;

[(2) the performance of service by an individual as an employee (other than service described in section 3121(b)(14)(B) performed by an individual who has attained the age of 18, service described in section 3121(b)(16), and service described in paragraph (4) of this subsection);]

(2) *the performance of service by an individual as an employee, other than—*

(A) service described in section 3121(b)(14)(B) performed by an individual who has attained the age of 18.

(B) service described in section 3121(b)(16),

(C) service described in section 3121(b)(11) or (12) performed in the United States (as defined in section 3121(e)(2)) by a citizen of the United States, and

(D) service described in paragraph (4) of this subsection;

(3) the performance of service by an individual as an employee or employee representative as defined in section 3231;

(4) the performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

(5) the performance of service by an individual in the exercise of his profession as a doctor of medicine or Christian Science practitioner; or the performance of such service by a partnership.

The provisions of paragraph (4) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by such individual under subsection (e) is in effect. The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during the period for which a certificate filed by him under subsection (e) is in effect.

(d) **EMPLOYEE AND WAGES.**—The term “employees” and the term “wages” shall have the same meaning as when used in chapter 21 (sec. 3101 and following, relating to Federal Insurance Contributions Act).

(e) **MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.**—

(1) **WAIVER CERTIFICATE.**—Any individual who is (A) a duly ordained, commissioned, or licensed minister of a church or a

member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) or (B) a Christian Science practitioner may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that he elects to have the insurance system established by title II of the Social Security Act extended to service described in subsection (c)(4), or service described in subsection (c)(5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner as the case may be, performed by him.

(2) TIME FOR FILING CERTIFICATE.—Any individual who desires to file a certificate pursuant to paragraph (1) must file such certificate on or before whichever of the following dates is later: (A) the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed, in the case of an individual referred to in paragraph (1)(A), without regard to subsection (c)(4), and, in the case of an individual referred to in paragraph (1)(B), without regard to subsection (c)(5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner) of \$400 or more, any part of which was derived from the performance of service described in subsection (c)(4), or from the performance of service described in subsection (c)(5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, as the case may be; or (B) the due date of the return (including any extension thereof) for his second taxable year ending after **[1956]** 1959.

[(3) EFFECTIVE DATE OF CERTIFICATE.—A certificate filed pursuant to this subsection shall be effective for the first taxable year with respect to which it is filed (but in no case shall the certificate be effective for a taxable year with respect to which the period for filing a return has expired, or for a taxable year ending prior to 1955) and all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable. Notwithstanding the first sentence of this paragraph:

[(A) A certificate filed by an individual after the date of the enactment of this subparagraph but on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1956 shall be effective for the first taxable year ending after 1955 and all succeeding taxable years.

[(B) If an individual filed a certificate on or before the date of the enactment of this subparagraph which (but for this subparagraph) is effective only for the third or fourth taxable year ending after 1954 and all succeeding taxable years, such certificate shall be effective for his first taxable year ending after 1955 and all succeeding taxable years if such individual files a supplemental certificate after the date of the enactment of this subparagraph and on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1956.

[(C) A certificate filed by an individual after the due date of the return (including any extension thereof) for his second taxable year ending after 1956 shall be effective for the taxable year immediately preceding the taxable year with respect to which it is filed and all succeeding taxable years.]

(3) (A) *EFFECTIVE DATE OF CERTIFICATE.*—A certificate filed pursuant to this subsection shall be effective for the taxable year immediately preceding the earliest taxable year for which, at the time the certificate is filed, the period for filing a return (including any extension thereof) has not expired, and for all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable.

(B) Notwithstanding the first sentence of subparagraph (A), if an individual filed a certificate on or before the date of enactment of this subparagraph which (but for this subparagraph) is effective only for the first taxable year ending after 1956 and all succeeding taxable years, such certificate shall be effective for his first taxable year ending after 1955 and all succeeding taxable years if—

(i) such individual files a supplemental certificate after the date of enactment of this subparagraph and on or before April 15, 1962,

(ii) the tax under section 1401 in respect of all such individual's self-employment income (except for underpayments of tax attributable to errors made in good faith), for his first taxable year ending after 1955 is paid on or before April 15, 1962, and

(iii) in any case where refund has been made of any such tax which (but for this subparagraph) is an overpayment, the amount refunded (including any interest paid under section 6611) is repaid on or before April 15, 1962.

The provisions of section 6401 shall not apply to any payment or repayment described in this subparagraph."

(4) *TREATMENT OF CERTAIN REMUNERATION PAID IN 1955 AND 1956 AS WAGES*—If—

(A) in 1955 or 1956 an individual was paid remuneration for service described in section 3121(b)(8)(A) which was erroneously treated by the organization employing him (under a certificate filed by such organization pursuant to section 3121(k) or the corresponding section of prior law) as employment (within the meaning of chapter 21), and

(B) on or before the date of the enactment of this paragraph the taxes imposed by sections 3101 and 3111 were paid (in good faith and upon the assumption that the insurance system established by title II of the Social Security Act had been extended to such service) with respect to any part of the remuneration paid to such individual for such service. then the remuneration with respect to which such taxes were paid, and with respect to which no credit or refund of such taxes (other than a credit or refund which would be allowable if such service had constituted employment) has been obtained on or before the date of the enactment of this paragraph, shall be deemed (for purposes of this chapter and chapter 21) to constitute remuneration paid for employment and not net earnings from self-employment.

(5) *OPTIONAL PROVISION FOR CERTAIN CERTIFICATES FILED ON OR BEFORE APRIL 15, 1962.*—In any case where an individual has derived earnings, in any taxable year ending after 1954 and before 1960, from the performance of service described in subsection (c)(4), or in subsection (c)(5) (as in effect prior to the enactment of this paragraph) insofar as it related to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, and has reported such earnings as self-employment income on a return filed on or before the date of the enactment of this paragraph and on or before the due date prescribed for filing such return (including any extension thereof)—

(A) a certificate filed by such individual (or a fiduciary acting for such individual or his estate, or his survivor within the meaning of section 205 (c)(1)(C) of the Social Security Act) after the date of the enactment of this paragraph and on or before April 15, 1962, may be effective, at the election of the person filing such certificate, for the first taxable year ending after 1954 and before 1960 for which such a return was filed, and for all succeeding taxable years, rather than for the period prescribed in paragraph (3), and

(B) a certificate filed by such individual on or before the date of the enactment of this paragraph which (but for this subparagraph) is ineffective for the first taxable year ending after 1954 and before 1959 for which such a return was filed shall be effective for such first taxable year, and for all succeeding taxable years, provided a supplemental certificate is filed by such individual (or a fiduciary acting for such individual or his estate, or his survivor within the meaning of section 205(c)(1)(C) of the Social Security Act) after the date of the enactment of this paragraph; and on or before April 15, 1962,

but only if—

(i) the tax under section 1401 in respect of all such individual's self-employment income (except for underpayments of tax attributable to errors made in good faith), for each such year ending before 1960 in the case of a certificate described in subparagraph (A) or for each such year ending before 1959 in the case of a certificate described in subparagraph (B), is paid on or before April 15, 1962, and

(ii) in any case where refund has been made of any such tax which (but for this paragraph) is an overpayment, the amount refunded (including any interest paid under section 6611) is repaid on or before April 15, 1962.

The provisions of section 6401 shall not apply to any payment or repayment described in this paragraph.

(f) *PARTNER'S TAXABLE YEAR ENDING AS THE RESULT OF DEATH.*—In computing a partner's net earnings from self-employment for his taxable year which ends as a result of his death (but only if such taxable year ends within, and not with, the taxable year of the partnership), there shall be included so much of the deceased partner's distributive share of the partnership's ordinary income or loss for the partnership taxable year as is not attributable to an interest in the partnership during any period beginning on or after the first day of the first calendar month following the month in which such partner died. For purposes of this subsection—

(1) in determining the portion of the distributive share which is attributable to any period specified in the preceding sentence, the ordinary income or loss of the partnership shall be treated as having been realized or sustained ratably over the partnership taxable year; and

(2) the term "deceased partner's distributive share" includes the share of his estate or of any other person succeeding, by reason of his death, to rights with respect to his partnership interest.

(g) TREATMENT OF CERTAIN REMUNERATION ERRONEOUSLY REPORTED AS NET EARNINGS FROM SELF-EMPLOYMENT.—If—

(1) *an amount is erroneously paid as tax under section 1401, for any taxable year ending after 1954 and before 1962, with respect to remuneration for service described in section 3121(b)(8) (other than service described in section 3121(b)(8)(A)), and such remuneration is reported as self-employment income on a return filed on or before the due date prescribed for filing such return (including any extension thereof),*

(2) *the individual who paid such amount (or a fiduciary acting for such individual or his estate, or his survivor (within the meaning of section 205(c)(1)(C) of the Social Security Act) requests that such remuneration be deemed to constitute net earnings from self-employment,*

(3) *such request is filed after the date of the enactment of this paragraph and on or before April 15, 1962,*

(4) *such remuneration was paid to such individual for services performed in the employ of an organization which, on or before the date on which such request is filed, has filed a certificate pursuant to section 3121(k), and*

(5) *no credit or refund of any portion of the amount erroneously paid for such taxable year as tax under section 1401 (other than a credit or refund which would be allowable if such tax were applicable with respect to such remuneration) has been obtained before the date on which such request is filed or, if obtained, the amount credited or refunded (including any interest under section 6611) is repaid on or before such date,*

then, for purposes of this chapter and chapter 21, any amount of such remuneration which is paid to such individual before the calendar quarter in which such request is filed (or before the succeeding quarter if such certificate first becomes effective with respect to services performed by such individual in such succeeding quarter), and with respect to which no tax (other than an amount erroneously paid as tax) has been paid under chapter 21, shall be deemed to constitute net earnings from self-employment and not remuneration for employment. For purposes of section 3121(b)(8)(B)(ii) and (iii), if the certificate filed by such organization pursuant to section 3121(k) is not effective with respect to services performed by such individual on or before the first day of the calendar quarter in which the request is filed, such individual shall be deemed to have become an employee of such organization (or to have become a member of a group described in section 3121(k)(1)(E)) on the first day of the succeeding quarter,

* * * * *

CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

* * * * *

SUBCHAPTER C—GENERAL PROVISIONS

SEC. 3121. DEFINITIONS.

(a) **WAGES.**—For purposes of this chapter, the term “wages” means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

* * * * *

[(9) any payment (other than vacation or sick pay) made to an employee after the month in which—

[(A) in the case of a man, he attains the age of 65, or
 [(B) in the case of a woman, she attains the age of 62,
 if such employee did not work for the employer in the period for which such payment is made; or]

(9) any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of 62, if such employee did not work for the employer in the period for which such payment is made; or

* * * * *

(b) **EMPLOYMENT.**—For purposes of this chapter, the term “employment” means any service performed after 1936 and prior to 1955 which was employment for purposes of subchapter A of chapter 9 of the Internal Revenue Code of 1939 under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1954 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (h)); except that, in the case of service performed after 1954, such term shall not include—

* * * * *

(16) service performed by an individual under an arrangement with the owner or tenant of land pursuant to which—

(A) such individual undertakes to produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land,

(B) the agricultural or horticultural commodities produced by such individual, or the proceeds therefrom, are to be divided between such individual and such owner or tenant, and

(C) the amount of such individual's share depends on the amount of the agricultural or horticultural commodities produced; [or]

(17) service in the employ of any organization which is performed (A) in any quarter during any part of which such organi-

zation is registered, or there is in effect a final order of the Subversive Activities Control Board requiring such organization to register, under the Internal Security Act of 1950, as amended, as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization, and (B) after June 30, 1956[.];

(18) *service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual under the age of sixteen.*

* * * * *

(k) EXEMPTION OF RELIGIOUS, CHARITABLE, AND CERTAIN OTHER ORGANIZATIONS.—

(1) WAIVER OF EXEMPTION BY ORGANIZATION.—

(A) An organization described in section 501(c)(3) which is exempt from income tax under section 501(a) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees [and that at least two-thirds of its employees concur in the filing of the certificate]. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee (*if any*) who concurs in the filing of the certificate. Such list may be amended at any time prior to the expiration of the twenty-fourth month following the calendar quarter in which the certificate is filed by filing with the prescribed official a supplemental list or lists containing the signature, address, and social security number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this chapter.

* * * * *

(E) If an organization described in subparagraph (A) employs both individuals who are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof and individuals who are not in such positions, the organization shall divide its employees into two separate groups. One group shall consist of all employees who are in positions covered by such a fund or system and (i) are members of such fund or system, or (ii) are not members of such fund or system but are eligible to become members thereof; and the other group shall consist of all remaining employees. [An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in one of the groups if at least two-thirds of the employees in such group concur in the filing of the certificate. The organization may also file such a certi-

ificate with respect to the employees in the other group if at least two-thirds of the employees in such other group concur in the filing of such certificate.】 *An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in either group, or may file a separate certificate pursuant to such subparagraph with respect to the employees in each group.*

* * * * *

CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

SEC. 3302. CREDITS AGAINST TAX.

* * * * *

[(c) LIMIT ON TOTAL CREDITS.—

[(1) The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.

[(2) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act, and if any balance of such advance or advances has not been returned to the Federal unemployment account as provided in that title before December 1 of the taxable year, then the total credits (after other reductions under this section) otherwise allowable under this section for such taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

[(A) in the case of a taxable year beginning with the fourth consecutive January 1 on which such a balance of unreturned advances existed, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

[(B) in the case of any succeeding taxable year beginning with a consecutive January 1 on which such a balance of unreturned advances existed, by an additional 5 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

For purposes of this paragraph, wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary or his delegate) to be attributable to such State.】

(c) LIMIT ON TOTAL CREDITS.—

(1) *The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.*

(2) *If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act before the date of the enactment of the Employment Security Act of 1960, then the total credits (after applying subsections (a) and (b) and paragraph (1) of this subsection) otherwise allowable under this*

section for the taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

(A) in the case of a taxable year beginning with the fourth consecutive January 1 as of the beginning of which there is a balance of such advances, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

(B) in the case of any succeeding taxable year beginning with a consecutive January 1 as of the beginning of which there is a balance of such advances, by an additional 5 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

(3) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act on or after the date of the enactment of the Employment Security Act of 1960, then the total credits (after applying subsections (a) and (b) and paragraphs (1) and (2) of this subsection) otherwise allowable under this section for the taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

(A)(i) in the case of a taxable year beginning with the second consecutive January 1 as of the beginning of which there is a balance of such advances, by 10 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

(ii) in the case of any succeeding taxable year beginning with a consecutive January 1 as of the beginning of which there is a balance of such advances, by an additional 10 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State;

(B) in the case of a taxable year beginning with the third or fourth consecutive January 1 as of the beginning of which there is a balance of such advances, by the amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage (if any) by which—

(i) 2.7 percent, exceeds

(ii) the average employer contribution rate for such State for the calendar year preceding such taxable year; and

(C) in the case of a taxable year beginning with the fifth or any succeeding consecutive January 1 as of the beginning of which there is a balance of such advances, by the amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage (if any) by which—

(i) the 5-year benefit cost rate applicable to such State for such taxable year or (if higher) 2.7 percent, exceeds

(ii) the average employer contribution rate for such State for the calendar year preceding such taxable year.

(d) DEFINITIONS AND SPECIAL RULES RELATING TO SUBSECTION (c).—

(1) *WAGES ATTRIBUTABLE TO A PARTICULAR STATE.*—For purposes of subsection (c), wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary or his delegate) to be attributable to such State.

(2) *ADDITIONAL TAXES INAPPLICABLE WHERE ADVANCES ARE REPAID BEFORE NOVEMBER 10 OF TAXABLE YEAR.*—Paragraph (2) or (3) of subsection (c) shall not apply with respect to any State for the taxable year if (as of the beginning of November 10 of such year) there is no balance of advances referred to in such paragraph.

(3) *AVERAGE EMPLOYER CONTRIBUTION RATE.*—For purposes of subparagraphs (B) and (C) of subsection (c)(3), the average employer contribution rate for any State for any calendar year is that percentage obtained by dividing—

(A) the total of the contributions paid into the State unemployment fund with respect to such calendar year, by

(B) the total of the remuneration subject to contributions under the State unemployment compensation law with respect to such calendar year.

For purposes of subparagraph (C) of subsection (c)(3), if the average employer contribution rate for any State for any calendar year (determined without regard to this sentence) equals or exceeds 2.7 percent, such rate shall be determined by increasing the amount taken into account under subparagraph (A) of the preceding sentence by the aggregate amount of employee payments (if any) into the unemployment fund of such State with respect to such calendar year which are to be used solely in the payment of unemployment compensation.

(4) *5-YEAR BENEFIT COST RATE.*—For purposes of subparagraph (C) of subsection (c)(3), the 5-year benefit cost rate applicable to any State for any taxable year is that percentage obtained by dividing—

(A) one-fifth of the total of the compensation paid under the State unemployment compensation law during the 5-year period ending at the close of the second calendar year preceding such taxable year, by

(B) the total of the remuneration subject to contributions under the State unemployment compensation law with respect to the first calendar year preceding such taxable year.

(5) *ROUNDING.*—If any percentage referred to in either subparagraph (B) or (C) of subsection (c)(3) is not a multiple of .1 percent, it shall be rounded to the nearest multiple of .1 percent.

(6) *DETERMINATION AND CERTIFICATION OF PERCENTAGES.*—The percentage referred to in subsection (c)(3) (B) or (C) for any taxable year for any State having a balance referred to therein shall be determined by the Secretary of Labor, and shall be certified by him to the Secretary of the Treasury before June 1 of such year, on the basis of a report furnished by such State to the Secretary of Labor before May 1 of such year. Any such State report shall be made as of the close of March 31 of the taxable year, and shall be made on

such forms, and shall contain such information, as the Secretary of Labor deems necessary to the performance of his duties under this section.

(7) *CROSS REFERENCE.—*

“For reduction of total credits allowable under subsection (c), see section 104 of the Temporary Unemployment Compensation Act of 1958.”

* * * * *

SOCIAL SECURITY ACT AMENDMENTS OF 1950

* * * * *

APPROVAL OF CERTAIN STATE PLANS

SEC. 344. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Secretary shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002(a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950, and ending June 30, [1961] 1964.

SOCIAL SECURITY ACT AMENDMENTS OF 1952

SEC. 5. (c)(1) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under section 202 of the Social Security Act for months after August 1952, and with respect to lump-sum death payments in the case of deaths occurring after August 1952, 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 217(e) of the Social Security Act applies, to monthly benefits under such section 202 for August 1952, 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 section 202 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 the later: August 1952 or the seventh 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. *Notwithstanding the preceding provisions of this paragraph, the primary insurance amount of an in-*

dividual shall not be recomputed under such provisions unless such individual files the application referred to in clause (A) of the first sentence of this paragraph prior to January 1961 or, if he dies without filing such application, his death occurred prior to January 1961.

* * * * *

SOCIAL SECURITY ACT AMENDMENTS OF 1954

* * * * *

INCREASE IN BENEFIT AMOUNTS

SEC. 102. (e)(5)(A) In the case of any individual who, upon filing application therefor before September 1954, would (but for the provisions of section 215(f)(6) of the Social Security Act) have been entitled to a recomputation under subparagraph (A) or (B) of section 215(f)(2) of such Act as in effect prior to the enactment of this Act, the Secretary shall recompute such individual's primary insurance amount, but only if he files an application therefor or, in case he died before filing such application, an application for monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income is filed. Such recomputation shall be made only as provided in subsection (a)(2) of section 215 of the Social Security Act, as amended by this Act, through the use of a primary insurance amount determined under subsection (d)(6) of such section in the same manner as for an individual to whom subsection (a)(1) of such section, as in effect prior to the enactment of this Act, is applicable; and such recomputation shall take into account only such wages and self-employment income as would be taken into account under section 215(b) of the Social Security Act if the month in which the application for recomputation is filed, or if the individual died without filing the application for recomputation, the month in which he died, were deemed to be the month in which he became entitled to old-age insurance benefits. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivor benefits becomes entitled to such benefits.

(B) In the case of—

(i) any individual who is entitled to a recomputation under subparagraph (A) of section 215(f)(2) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after August 1954, or who died after such month leaving any survivors entitled to a recomputation under section 215(f)(4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after

1950 was acquired after August 1954 or with respect to whom the twelfth month referred to in such subparagraph (A) occurred after such month, and

(ii) any individual who is entitled to a recomputation under section 215(f)(2)(B) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after August 1954, or who died after August 1954 leaving any survivors entitled to a recomputation under section 215(f)(4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or who did not attain the age of seventy-five prior to September 1954,

the recomputation of his primary insurance amount shall be made in the manner provided in section 215 of the Social Security Act, as amended by this Act, for computation of such amount, except that his closing date, for purposes of subsection (b) of such section 215, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for or, if he has died, in the month in which he died. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivors benefits becomes entitled to such benefits.

(C) An individual or, in case of his death, his survivors entitled to a lump-sum death payment or to monthly benefits under section 202 of the Social Security Act on the basis of his wages and self-employment income shall be entitled to a recomputation of his primary insurance amount under section 215(f)(2) or section 215(f)(4) of the Social Security Act as in effect prior to the date of enactment of this Act only if (i) he had not less than six quarters of coverage in the period after 1950 and prior to January 1, 1955, and (ii) either the twelfth month referred to in subparagraph (A) of such section 215(f)(2) occurred prior to January 1, 1955, or he attained the age of 75 prior to 1955, and (iii) he meets the other conditions of entitlement to such a recomputation. No individual shall be entitled to a recomputation under subparagraph (A) or (B) of this paragraph if his primary insurance amount has previously been recomputed under either of such subparagraphs.

(D) *Notwithstanding the provisions of subparagraphs (A), (B), and (C), the primary insurance amount of an individual shall not be recomputed under such provisions unless such individual files the application referred to in subparagraph (A) or (B) prior to January 1961 or, if he*

dies without filing such application, his death occurred prior to January 1961.

* * * * *

(8) In the case of an individual who became (without the application of section 202(j)(1)) entitled to old-age insurance benefits or died prior to September 1954, the provisions of section 215(f)(3) as in effect prior to the enactment of this Act shall be applicable as though this Act had not been enacted *but only if such individual files the application referred to in subparagraph (A) of such section prior to January 1961 or (if he dies without filing such application) his death occurred prior to January 1961.*

(f)(1) The amendments made by the preceding subsections, other than subsection (b) and paragraphs (1), (2), (3), and (4) of subsection (e), shall (subject to the provisions of paragraph (2) and notwithstanding the provisions of section 215(f)(1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after, and in the case of monthly benefits under such section for months after, August 1954.

(2)(A) The amendment made by subsection (b)(2) shall be applicable only in the case of monthly benefits for months after August 1954, and the lump-sum death payment in the case of death after August 1954, based on the wages and self-employment income of an individual (i) who does not become eligible for benefits under section 202(a) of the Social Security Act until after August 1954, or (ii) who dies after August 1954, and without becoming eligible for benefits under such section 202 (a), or (iii) who is or has been entitled to have his primary insurance amount recomputed under section 215 (f)(2) of the Social Security Act, as amended by subsection (e)(2) of this section, or under subsection (e)(5)(B) of this section, or (iv) with respect to whom not less than six of the quarters elapsing after June 1953 are quarters of coverage (as defined in such Act), or (v) who files an application for a disability determination which is accepted as an application for purposes of section 216(i) of such Act, or (vi) who dies after August 1954, and whose survivors are (or would, but for the provisions of section 215(f)(6) of such Act, be) entitled to a recomputation of his primary insurance amount under section 215(f)(4)(A) of such Act, as amended by this Act. For purposes of the preceding sentence an individual shall be deemed eligible for benefits under section 202(a) of the Social Security Act for any month if he was, or would upon filing application therefor in such month have been, entitled to such benefits for such month.

(B) In the case of any individual entitled to old-age insurance benefits under section 202(a) of the Social Security Act who was or, upon filing application therefor, would have been entitled to such benefits for August 1954, to whom subparagraph (A) is inapplicable, and with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215(f)(1) of the Social Security Act, recompute the primary insurance amount of such individual but only upon the filing of an application, after August 1954, by him or, if he dies without filing

such an application, by any person entitled to monthly survivors benefits under section 202 of such Act on the basis of such individual's wages and self-employment income. Such recomputation shall be made in the manner provided in section 215 of the Social Security Act *as in effect prior to the enactment of the Social Security Amendments of 1960* for computation of such individual's primary insurance amount, except that the provisions of subsection (f) of such section (other than paragraph (3)(C) thereof) shall not be applicable for purposes of such computation, and except that his closing date, for purposes of subsection (b) of such section, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation or, if he died without filing such application, the month in which he died. Such recomputation shall be effective (i) if the application is filed by such individual, for and after the twelfth month before the [bond] month in which the application therefor was filed by such individual but in no case before the first month of the quarter which is such individual's sixth quarter of coverage acquired after June 30, 1953, or (ii) if such application was filed by a person entitled to monthly survivors benefits under section 202 of the Social Security Act on the basis of such individual's wages and self-employment income, for and after the first month for which such person was entitled to such survivors benefits. No such recomputation of an individual's primary insurance amount shall be effective unless it results in a higher primary insurance amount for him; nor shall any such recomputation of an individual's primary insurance amount be effective if such amount has previously been recomputed under this subsection.

* * * * *

BENEFITS IN CERTAIN CASES OF DEATHS BEFORE SEPTEMBER 1950

SEC. 109. (a) * * *

(b) The provisions of subsection (a) shall be applicable only in the case of monthly benefits under section 202 of the Social Security Act for months after August 1954, on the basis of applications filed after such month *and in or prior to the month in which the Social Security Amendments of 1960 are enacted.*

* * * * *

SERVICE FOR CERTAIN TAX-EXEMPT ORGANIZATIONS PRIOR TO ENACTMENT OF THE SOCIAL SECURITY AMENDMENTS OF 1956

SEC. 403. (a) In any case in which—

(1) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of the Social Security Amendments of 1956, by an organization which is described in section 501(c)(3) of the Internal Revenue Code of 1954 and which is exempt from income tax under section 501(a) of such Code but which did not have in effect during the entire period in which the individual was so employed, a valid waiver certificate under section 1426(l)(1) of the Internal Revenue Code of 1939 or section 3121(k)(1) of the Internal Revenue Code of 1954;

(2) the service performed by such individual as an employee of such organization during the period subsequent to 1950 and prior to 1957 would have constituted employment (as defined in

section 210 of the Social Security Act and section 1426(b) of the Internal Revenue Code of 1939 or section 3121(b) of the Internal Revenue Code of 1954, as the case may be, at the time such service was performed) if such organization had filed prior to the performance of such service such a certificate accompanied by a list of the signatures of employees who concurred in the filing of such certificate and such individual's signature had appeared on such list;

(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 or sections 3101 and 3111 of the Internal Revenue Code of 1954, as the case may be, have been paid with respect to any part of the remuneration paid to such individual by such organization for such service performed during the period in which such organization did not have a valid waiver certificate in effect;

(4) part of such taxes have been paid prior to the enactment of the Social Security Amendments of 1956;

(5) so much of such taxes as have been paid prior to the enactment of the Social Security Amendments of 1956 have been paid by such organization in good faith and without knowledge that a waiver certificate was necessary or upon the assumption that a valid waiver certificate had been filed by it under section 1426(l)(1) of the Internal Revenue Code of 1939 or section 3121(k)(1) of the Internal Revenue Code of 1954, as the case may be; and

(6) no refund of such taxes has been obtained, the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual (【filed in such form and manner】, *filed on or before the date of the enactment of the Social Security Amendments of 1960 and in such form and manner and with such official, as may be prescribed by regulations under chapter 21 of the Internal Revenue Code of 1954*), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426(b) of the Internal Revenue Code of 1939 or section 3121(b) of the Internal Revenue Code of 1954, as the case may be.

* * * * *

SOCIAL SECURITY ACT AMENDMENTS OF 1956

ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

SEC. 116. (a) There is hereby established an Advisory Council on Social Security Financing for the purpose of reviewing the status of the Federal Old-Age and Survivors Insurance Trust Fund and of the Federal Disability Insurance Trust Fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program.

(b) The Council shall be appointed by the Secretary after February 1957 and before January 1958 without regard to the civil-service laws and shall consist of the Commissioner of Social Security, as chairman, and of twelve other persons who shall, to the extent possible, represent employers and employees in equal numbers, and self-employed persons and the public.

(c)(1) The Council is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

(2) Members of the Council, while serving on business of the Council (inclusive of travel time), shall receive compensation at rates fixed by the Secretary, but not exceeding \$50 per day; and shall be entitled to receive actual and necessary traveling expenses and per diem in lieu of subsistence while so serving away from their places of residence.

(d) The Council shall make a report of its findings and recommendations (including recommendations for changes in the tax rates in sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954) to the Secretary of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, such report to be submitted not later than January 1, 1959, after which date such Council shall cease to exist. Such findings and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than March 1, 1959.

[(e) Not earlier than three years and not later than two years prior to January 1 of the first year for which each ensuing scheduled increase (after 1960) in the tax rates is effective under the provisions of sections 3101 and 3111 of the Internal Revenue Code of 1954, the Secretary shall appoint an Advisory Council on Social Security Financing with the same functions, and constituted in the same manner, as prescribed in the preceding subsections of this section. Each such Council shall report its findings and recommendations, as prescribed in subsection (d), not later than January 1 of the year preceding the year in which such scheduled change in the tax rates occurs, after which date such Council shall cease to exist, and such report and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than the March 1 following such January 1.]

(e) During 1963, 1966, and every fifth year thereafter, the Secretary shall appoint an Advisory Council on Social Security Financing, with the same functions, and constituted in the same manner, as prescribed in the preceding subsections of this section. Each such Council shall report its findings and recommendations, as prescribed in subsection (d), not later than January 1 of the second year after the year in which it is appointed, after which date such Council shall cease to exist, and such report and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than the March 1 following such January 1.

SOCIAL SECURITY AMENDMENTS OF 1958

TEACHERS IN THE STATE OF MAINE

SEC. 316. For the purposes of any modification which might be made after the date of enactment of this Act and prior to [July 1, 1960], *July 1, 1961* by the State of Maine of its existing agreement made under section 218 of the Social Security Act, any retirement system of such State which covers positions of teachers and positions of other employees shall, if such State so desires, be deemed (notwithstanding the provisions of subsection (d) of such section) to consist of a separate retirement system with respect to the positions of such teachers and a separate retirement system with respect to the positions of such other employees: and for the purposes of this sentence, the term "teacher" shall mean any teacher, principal, supervisor, school nurse, school dietitian, school secretary or superintendent employed in any public school, including teachers in unorganized territory.

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

SEC. 1. * * *

(q) The terms "Social Security Act" and "Social Security Act, as amended," shall mean the Social Security Act as amended in [1958] 1960.

SECTION 104 OF THE TEMPORARY UNEMPLOYMENT TAX ACT

REPAYMENT

IN GENERAL

SEC. 104. (a) The total credits allowed under section 3302(c) of the Federal Unemployment Tax Act (26 U.S.C. 3302(c)) to taxpayers with respect to wages attributable to a State for the taxable year beginning on January 1, 1963, and for each taxable year thereafter, shall be reduced in the same manner as that provided by section 3302(c)(2) of the Federal Unemployment Tax Act for the repayment of advances made under title XII of the Social Security Act, as amended (42 U.S.C. 1321 et seq.), unless or until the Secretary of the Treasury finds that [by December 1] *before November 10* of the taxable year there have been restored to the Treasury the amounts of temporary unemployment compensation paid in the State under this Act (except amounts paid to individuals who exhausted their unemployment compensation under title XV of the Social Security Act and title IV of the Veterans' Readjustment Assistance Act of 1952 prior to their making their first claims under this Act), the amount of costs incurred in the administration of this Act with respect to the State, and the amount estimated by the Secretary of Labor as the State's proportionate share of other costs incurred in the administration of this Act.

REPAYMENTS IN EXCESS OF AMOUNT OWED

(b) Whenever the amount of additional tax paid, received, and covered into the Treasury under subsection (a) with respect to wages which are attributable to a State exceeds the sum of the amounts described in subsection (a), there is hereby appropriated to the Unemployment Trust Fund for crediting to the account of such State an amount equal to such excess. The amount so credited shall be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

REVENUE ACT OF 1951 (65 STAT. 569)**SECTION 618. PROHIBITION UPON DENIAL OF SOCIAL SECURITY ACT FUNDS**

No State or any agency or political subdivision thereof shall be deprived of any grant-in-aid or other payment to which it otherwise is or has become entitled pursuant to title I (*other than section 3(a)(3) thereof*), IV, X, or XIV of the Social Security Act, as amended, by reason of the enactment or enforcement by such State of any legislation prescribing any conditions under which public access may be had to records of the disbursement of any such funds or payments within such State, if such legislation prohibits the use of any list or names obtained through such access to such records for commercial or political purposes.

MINORITY VIEWS ON HEALTH BENEFITS FOR THE AGED

Years of systematic study, intensive analysis, and debate have been devoted to the problem of financing the costs of medical care for the aged. Dozens of volumes of research reports, of hearings, of recommendations have laid a factual foundation for the following conclusions:

1. The aged have high potential and actual disability and heavy costs of medical care.
2. The aged—especially the retired—have markedly reduced incomes and limited liquid assets which are not replenishable.
3. Private insurance policies cannot meet their needs either in terms of costs or benefits.
4. The aged should not be required to undergo the humiliation of meeting medical costs through the charity approach.
5. The aged and the aging prefer to obtain medical benefits through an insurance system to which they themselves contribute and receive benefits as a matter of right.
6. The system of OASDI now covers 9 out of 10 working Americans; it has been tested by experience; it is the efficient, effective method, and should be extended to include the financing of the basic medical needs of the aged.

After all of this study and concentrated attention and in the face of increasing demand not only by America's senior citizens, but by their children as well, we are deeply perturbed and disappointed that the majority of the Senate Finance Committee rejected the sound, dignified way of meeting the cost of medical care for the aged. Have the American people labored so long only to receive so puny a mouse? We can only raise the question: Is this the way this major issue ends, "not with a bang, but a whimper?"

THE BASIC ISSUE BEFORE THE CONGRESS

The problems of the aged today are not the same as they were at the turn of the century. Today there are 16 million persons aged 65 and over; 10 million of them 70 or older. Life expectancy is rising. The aged population has increased, and will continue to increase, at a rate greater than any other age segment of our total society.

The "problems" of the aged in the second half of the 20th century are not an old and familiar story. New trends are emerging which call for a recognition by the people of the United States of the need for programs and policies appropriate to these trends. In 1960, men and women in their sixties—retired or about to retire—are faced with the potential or actual burden of supporting parents or other relatives aged 80 and over.

For every 100 Americans aged 60 to 64, there are 34 aged 80 and over—most of them women. By 1980, the latter age group will rise to 44 for every 100 aged 60-64—by the year 2000, 67.

The committee's bill does not reflect the implications of these and related trends.

As for the specific issue now under consideration, the question of financing adequate medical care, we all concur in the statement by Senator Gore, made on August 15 on the floor of the Senate:

I believe there are still old people in America, and I hope that when my children are old there will still be old people in America, who have sufficient pride that they will not humble themselves by seeking public alms. *The committee bill follows the public-charity approach. The bill provides for public charity. It gives no old person an entitlement, a right.* Ours is a proud people. It erodes the pride of our people to place them in the ignominious position of having to take their hat in hand and go to a welfare agent and plead their poverty before receiving aid of which they are in need.

One would gather, from several remarks made on the floor of the Senate this afternoon, that this country made a great mistake when it enacted the social security program. It was with considerable surprise that I heard in the Senate, one day after the 25th anniversary of this, the greatest step in social security that mankind ever made, that it was wrong to have a program of compulsory insurance.

Furthermore, the record of the past few decades is clear that medical care provided on a charity basis is of a low quality and worse, typically on the basis of a philosophy of medicine that rejects a preventive medicine approach.

The time has come when action must be taken by the Congress to meet the health needs of the aged on a dignified insurance basis. This action can be effective only if the long-established and successful social insurance system is made the basis for financing medical care for our senior citizens. The plan that would be provided by the bill approved by the other members of the committee is certainly not the answer.

No plan that is based on a humiliating and degrading means test can satisfactorily meet the problem of the health needs of the aged. It is unthinkable to subject older workers and their families to a pauper's oath in order that they can get the medical care they need. We are surprised that after the 25 years of successful operation of the social security system there are those who would still have us rely on poor relief and public assistance methods as the sole governmental approach to meeting a major economic hazard of universal occurrence.

The 70 million workers covered under social security should be given the opportunity to contribute now, while working, toward paid-up medical-care protection in old age for themselves, their wives, and widows, so that the greatest threat to the economic security of the retired aged would be met on a planned and orderly basis—without being a drain on the general revenues of Federal, State, and local governments and in a way that supports the rights, dignity and freedom of the individual citizen.

It is not true, as implied by some, that only a small proportion of wage earners and salaried persons would contribute to such a program. All—we repeat, all—70 million would be participating, up to the first

\$4,800 of their wages and salaries. Thus, for a maximum of \$1 a month, they would be prepaying for their health protection in old age.

When asked the question in proper terms, the majority of all Americans prefer this logical and practical solution.

We do not oppose the changes in the bill which improve the program of old-age assistance under title I of the Social Security Act. But we believe the committee, in addition to these improvements they would accept for these groups, should have recommended a new program of health benefits for the aged through the old-age, survivors, and disability insurance system.

The problem of insecurity arising from the high cost of medical care during the years of retirement is not primarily the problem of the very poor or the medically indigent. The objective should be to remove for all the aged (and their adult children) the haunting fear that an expensive illness will wipe out a lifetime accumulation of savings, threaten the ownership of a home, or make a person, after a lifetime of independence, submit to the humiliation of a test of need.

Our goal is, so far as possible, to prevent dependency rather than to deal with it at the expense of the general taxpayer after it has occurred. By contributing additional small amounts from their earnings to the nearly universal social security system, workers could gain insurance protection against medical care costs in retirement and their possible future dependency could be prevented. Since about 95 percent of the American labor force, including farmers and self-employed, will get retirement benefits under the self-financed contributory social security program, and since the wives and widows of workers are also covered, the addition of this type of protection to social security would mean that in the future almost all elderly people would be protected. The need for protection against the costs of medical care is not restricted to those aged persons who are destitute or who have practically no resources. But under the plan approved by the committee many persons in need of medical protection would be denied such protection because (a) States would not be able to finance their medical needs, or (b) the standard for eligibility as determined by each of the 50 separate States would make them ineligible. In contrast, the social insurance approach has the distinct advantage of providing medical care insurance to almost all the aged. No other plan can offer this important advantage.

We wish to remind the Senate of the public position taken on June 29, 1960, by 30 Governors whose States represent more than two-thirds of our national population. In their resolution, they cited the inadequacy of the Federal-State matching formula as a basic solution to the need for financing health insurance for the aged, and instead urged the Congress to adopt the social insurance approach.

The Senate should give full weight to the views of these Governors as to the financial resources of their States which are available for the purpose of meeting this problem.

TEXT OF RESOLUTION APPROVED BY GOVERNORS'
CONFERENCE, JUNE 29, 1960, ON THE SUBJECT "PROBLEMS
OF THE AGING"

Whereas the Governors' conference for many years has been acutely aware of the growing number and complexity of problems faced by our increasing population of senior citizens,

including health and medical care, employment and income maintenance, provision of suitable housing, and enrichment of leisure time activities; and

Whereas the most pressing of these problems is the financing of adequate health and medical care: Now, therefore, be it

Resolved by the 52d annual meeting of the Governor's conference, That Congress be urged to enact legislation providing for a health insurance plan for persons 65 years of age and over to be financed principally through the contributory plan and framework of the old-age survivors and disability insurance system; and be it further

Resolved, That the States support and participate actively in the forthcoming White House Conference on Aging to the end that public and private agencies be stimulated and encouraged to develop approaches to all the problems of the aging.

Voted for (30): Patterson, Alabama; Egan, Alaska; Fannin, Arizona; Faubus, Arkansas; Brown, California; McNichols, Colorado; Ribicoff, Connecticut; Collins, Florida; Docking, Kansas; Combs, Kentucky; Reed, Maine; Furcolo, Massachusetts; Williams, Michigan; Freeman, Minnesota; Blair, Missouri; Aronson, Montana; Brooks, Nebraska; Sawyer, Nevada; Meyner, New Jersey; Burroughs, New Mexico; Rockefeller, New York; Di Salle, Ohio; Edmondson, Oklahoma; Del Sesto, Rhode Island; Herseth, South Dakota; Ellington, Tennessee; Daniel, Texas; Stafford, Vermont; Rossellini, Washington; Nelson, Wisconsin.

Voted against (13): Boggs, Delaware; Vandiver, Georgia; Smylie, Idaho; Stratton, Illinois; Handley, Indiana; Powell, New Hampshire; Hodges, North Carolina; Hollings, South Carolina; Clyde, Utah; Almond, Virginia; Underwood, West Virginia; Coleman, American Samoa; Merwin, Virgin Islands.

Absent or not voting (11): Quinn, Hawaii; Loveless, Iowa; Davis, Louisiana; Tawes, Maryland; Barnett, Mississippi; Davis, North Dakota; Hatfield, Oregon; Lawrence, Pennsylvania; Hickey, Wyoming; Boss (Acting Governor), Guam; Muñoz-Marín, Puerto Rico.

We the undersigned attending the 52d Annual Governors' Conference urge that you and your committee amend H.R. 12580 to provide health benefits under the provisions of the old-age, survivors, and disability insurance system. Such a program would enable the citizens of our country to contribute small amounts during their working lives and have as a matter of right a paid-up health insurance policy to protect them during retirement years when their medical needs are likely to be greatest and income lowest.

Governors signing: James T. Balir, Jr., Governor of Missouri; Edmund G. Brown, Governor of California; LeRoy Collins, Governor of Florida; Bert Combs, Governor of Kentucky; Michael V. Di Salle, Governor of Ohio; George Docking, Governor of Kansas; William A. Egan, Governor of Alaska; Orval E. Faubus, Governor of Arkansas; Orville L. Freeman, Governor of Minnesota; Foster Furcolo, Governor of Massachusetts; Ralph Herseth, Governor of South Dakota; Luther H. Hodges, Governor of North Carolina; Herschel C. Loveless, Governor of Iowa; Steve McNichols, Governor of Colorado; Robert B. Meyner, Governor of New Jersey; Gaylord A. Nelson, Governor of Wisconsin; Abraham A. Ribicoff, Governor of Connecticut; Albert D. Rosellini, Governor of Washington; Grant Sawyer, Governor of Nevada; G. Mennen Williams, Governor of Michigan; John Burroughs, Governor of New Mexico; Buford Ellington, Governor of Tennessee; and John Patterson, Governor of Alabama.

THE SOCIAL INSURANCE APPROACH IS A PROVEN ONE

Contributory social insurance has been applied with great success to the need for income maintenance in retirement, for survivors after the death of the chief breadwinner in the family, and for the family after the disability of the worker. The general taxpayer has been saved billions of dollars a year, and the self-respect and independence of American workers have been greatly strengthened by this approach to the problem of security planning.

There is every reason to take the same approach with regard to the expenses of medical care after retirement. The cash benefit alone is not enough to provide security. The monthly amounts paid under social security are quite inadequate (the average worker's benefit is now \$73 a month) and most retired people have barely enough to meet everyday living expenses. The cash benefit, designed to meet everyday living expenses, needs to be coupled with protection against the unforeseeable costs of illness. The retirement plan cannot give security if retired persons have no protection against the cost of medical care and have to face the costs currently at a time when their incomes are greatly reduced and the incidence and cost of illness greatly increased.

The social insurance approach would assure that benefits would definitely be available, that the individual could count on his eligibility for them, and that these benefits would be supported by adequate, advance financing.

Insofar as individuals have the resources to purchase private insurance, they would then be able to build such individual protection around the basic social insurance program. Contrary to fears that have been expressed, the development of social insurance has not interfered with the growth of commercial insurance; a tremendous growth of private protection has accompanied the development of the

old-age, survivors, and disability insurance system. We anticipate a similar result if medical care benefits are added to the OASDI program.

FREEDOM OF CHOICE WOULD BE PRESERVED

The tax that would support medical benefits under the social insurance plan would be compulsory, of course, as are all taxes, including existing social security taxes. Any program financed, in whole or in part, by Government will require tax revenues.

Under any amendment, individuals would continue to exercise whatever choice they now have in regard to the persons or institutions from whom they obtain care. Our amendment would in no way impair the freedom of physicians to practice as they choose. Nor would it affect their responsibility for recommending and certifying the type of care necessary, whether in a hospital, a skilled nursing home, or the patient's own home. On both physicians and hospitals would continue to rest responsibility for developing improved methods of caring for aged persons, utilizing less expensive forms of care when they would prove constructive, and speeding rehabilitation so as to avoid permanent invalidism.

PUBLIC ASSISTANCE IS NOT THE PROPER ANSWER

Only the social security system can provide medical care insurance for the aged in a satisfactory manner. If medical care costs are not met by social insurance, increasingly they will have to be met through the less satisfactory method of relief. Almost \$400 million a year is now being spent by Federal, State, and local governments for medical care under the old-age assistance program; the committee bill would increase this to close to about a billion dollars, and this would be just the beginning. In the absence of social insurance protection the present drain on general revenues will more than double in the next several years. A total of \$2 billion to \$2.5 billion in Federal and State funds would be required to meet the total need.

We wonder if the majority has adequately considered this particular implication of an aging population: The category of "medical indigents," if not buttressed by a social insurance program for health care for the aged, will continue to mount at a rapid pace and will constitute—as it already does in many communities—the major portion of State and local relief programs.

Although we support improvements in medical care assistance under title I, we believe that the method of assistance is greatly inferior to social insurance and that the need for such assistance should be reduced as much as possible, instead of being increased. It is necessary to recognize the inadequacies of any approach based on an income or means test, using 50 separate and different State laws, and financing the cost out of general revenues, with a large part of the burden placed upon the States, which are already burdened with heavy costs for education and other public services.

The committee bill will result in a large burden remaining on the States and on the State welfare programs for the care of the aged.

An official study by the Department of Health, Education, and Welfare of the estimated increased amount needed for medical care for old-age assistance recipients in 1958, showed that this was about

\$268 million. (Source: "Report of the Advisory Council on Public Assistance," S. Doc. 93, 86th Cong., 2d sess., Mar. 28, 1960, p. 69.) Since the majority recommendation makes available only \$140 million additional under their proposal, their plan will still result in a shortage of about \$128 million in necessary funds. Moreover, there is also an additional shortage of between \$774 million to \$786 million in funds to bring the money payments for old-age assistance recipients up to a decent minimum level. Together, these shortages amount to over \$900 million annually. These estimates are only for aged persons presently on the old-age assistance rolls; they do not include the medically needy.

The provisions approved by the committee would not prevent or even significantly reduce insecurity. On the other hand, if protection against medical care costs were provided under the OASI system, eligibility for such benefits would go along with eligibility for monthly cash benefits under the system, and each person would know where he stands. Thus, the distress and anxiety caused by periods of illness would not be aggravated by uncertainty about eligibility as it would be under a public assistance type of program.

The public assistance approach is much more expensive to administer than is social insurance. Each application for medical assistance would have to be checked in relation to the income, resources, and living requirements of the individual. This would throw a tremendous additional load on the State and local welfare agencies who would administer the new program along with their existing relief programs. The task of checking on income, resources, and living requirements would be especially difficult in the case of the large number of persons who move from State to State.

The present wording of title I of the Social Security Act permits the States to set their own standards of need. It is their own decision which has made them severe and restrictive as to assistance levels. The recommended increase in Federal matching grants will make it easier for some States to expand their aid to public assistance recipients. But experience indicates that in many States those who want to liberalize public assistance programs have great difficulty in securing liberalizing amendments and necessary State appropriations.

The provisions of the pending bill, although putting a big additional burden on general revenues, will in our opinion satisfactorily resolve the problem. Few States are in a position to raise the large amounts of money necessary to meet their share of the costs under the matching formula set up in the proposal.

An analysis of the present provisions for providing payments to the suppliers of medical care under State old-age assistance plans shows that—

1. There are only 16 States which pay for all essential medical items.
2. Eight States make no direct payments for medical services for needy aged persons.
3. Most other States have limited medical care programs.

Table 1 presents the list of States showing the extent to which they do or do not provide direct payments for medical services to needy aged persons. Table A summarizes the provisions of the State plans for medical care for the needy aged. Table B presents the State expenditures for direct payments for medical care for old-age assist-

ance. These tables indicate the grossly inadequate situation as far as the States are concerned.

SUMMARY OF PROVISIONS OF OUR PROPOSED AMENDMENT

The amendment we will support on the floor of the Senate adds hospital and related health benefits to old-age survivors and disability insurance for persons aged 68 or more. The provisions are directed to keeping within a long-range level-premium cost of 0.5 percent of payrolls, and contributions are increased sufficiently to meet estimated costs.

Social insurance is utilized as the first line of defense, in accordance with a quarter century of congressional practice. No means or income test would be required, nor any contributions after retirement, so that the dignity and the meager incomes of the aged would be protected. The burden on public assistance and general funds of the States would be diminished, and they would be able to provide more generous aid as the last resort of those for whom social insurance is unavailable or insufficient.

All financing would be through contributions during years of employment on earnings up to \$4,800 a year, equal to one-quarter of 1 percent each by employers and employees and three-eighths of 1 percent by the self-employed. The great majority of the American people would thus be enabled to contribute during their working years for health protection in their old age.

TABLE 1.—*Medical care provisions of State old age assistance plans*

(Source: Bureau of Public Assistance, Social Security Administration, June 1960)

No direct payments made for medical care (8):

Alabama	Kentucky (to be changed Jan. 1, 1961)
Alaska	South Dakota
Arizona	Texas
Delaware	
Georgia	

Direct payments for hospital care only (3):

Missouri
North Carolina
Tennessee

Direct payments for nursing-home care only (2):

Idaho
Vermont
(New Jersey also makes vendor payments for nursing home care.)

Direct payments for hospital care and nursing-home care only (4):

Maine	South Carolina
Nebraska	Virginia

Direct payments for other items—no more than 2 (4):

Florida (hospital care and drugs)
Hawaii (hospital care and other, not specified)
Iowa (practitioner and drugs)
Montana (practitioner and drugs)

More than 2 but less than comprehensive medical care through direct payments (13):

Arkansas	New Mexico ²
California ¹	Oklahoma
Colorado	Pennsylvania ¹
Louisiana ¹	Utah ²
Michigan	West Virginia ²
Nebraska	Wyoming
Nevada	

¹ Hospital care provided through public hospitals.² *Scope* of services defined broadly, but *quantity* very low.

Direct or money payments for all essential items (16):

Connecticut	New Jersey
Illinois	New York
Indiana	North Dakota
Kansas	Ohio
Maryland	Oregon
Massachusetts	Rhode Island
Minnesota	Washington
New Hampshire	Wisconsin

TABLE A.—Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)

State	Vendor payment method used	Vendor payments					Other resources for medical care available to old-age assistance (OAA) recipients
		Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other	
Alabama	No	No	No	No	No	No	Maximum OAA money payment of \$75 may be exceeded up to \$110 for nursing home care. Recipient in hospital continues to receive money payment. State has program of hospitalization for medically indigent, administered by State health department.
Alaska	No	No	No	No	No	No	Maximum OAA money payment of \$100 available for nursing home care. For nonnatives, State program of general assistance is used to meet medical needs, including hospitalization and nursing-convallescent home care not met in the money payment to the recipient. For natives, Bureau of Indian Affairs is a resource for medical care including hospitalization.
Arizona	No	No	No	No	No	No	Nursing home care provided through money payment up to maximum of \$80 for OAA recipients. Recipients in hospital continue to receive money payment. Hospitalization and general medical care are county responsibility. For reservation Indians, Indian Health Service is a resource.
Arkansas	Yes	Yes ¹	As recommended by physician for all acute illnesses and injuries. General rule: 30 days a year; extension possible.	No ²	\$80 maximum, plus \$5 in money payment for personal needs.	Yes	
California	Yes	Yes	No (vendor payments for OAA recipients in public medical institutions after 1st 60 days).	Yes	No	Yes	Nursing home care provided through money payment of \$115 or \$86 maximum (depending on recipients income). Hospitalization available in all locations from county hospitals.

See footnotes on p. 285.

TABLE A.—Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)—Continued

State	Vendor payment method used	Vendor payments						Other resources for medical care available to old-age assistance (OAA) recipients
		Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other		
Colorado.....	Yes.....	Yes.....	All recommended by physician, except for purpose of diagnosis only. General rule: 30 days; extension possible.	Yes.....	Money payment \$106, plus \$20 to \$95 vendor payment based on patient's needs.	Yes.....		
Connecticut.....	Yes.....	Yes.....	All recommended by physician for definitive medical treatment. No limitation on number of days.	Yes.....	No.....	Yes.....	Nursing home care provided through money payment to recipient. Pay budgetary deficit up to approved rate. Maximum rate: \$212.33.	
Delaware.....	No.....	No.....	No.....	No.....	No.....	No.....	Nursing home care provided through money payment. Maximum of \$75 may be supplemented up to approved rate. Hospitalization for indigent persons reported as provided by county governments.	
District of Columbia.....	Yes.....	Yes.....	All essential surgical and medical care and treatment. No limitation on number of days.	No ²	No.....	Yes ³	Nursing home care provided through money payment to \$100 maximum, plus \$10 for personal needs. Drugs available through District of Columbia Public Health.	
Florida.....	Yes.....	No.....	Limited to acute injuries and illness. Maximum: 30 days a year.	Yes.....	No.....	No.....	Nursing home care provided through money payment to \$66 maximum, which may be supplemented from other sources up to rate determined for community.	

Georgia.....	No.....	No.....	No.....	No.....	No.....	No.....	No.....	No.....	No.....	Nursing home care provided through money payment to \$65 maximum, which may be supplemented from other sources up to maximum rate. Limited hospitalization through board of commissioners. Hospital care for medically indigent enacted in 1958, but not in operation.
Guam.....	No.....	No.....	No.....	No.....	No.....	No.....	No.....	No.....	No.....	Hospitalization and other medical care available through Government hospital.
Hawaii.....	Yes.....	No.....	All recommended by physician except Hansen's disease (leprosy). No day limitation.	No.....	No.....	No.....	No.....	No.....	Yes.....	Nursing home care provided through money payment. State agency and medical care provisions being reorganized. Outpatient care provided by State paid physicians who also dispense drugs to limited extent.
Idaho.....	Yes.....	No.....	No.....	No.....	No.....	\$150 maximum, plus money payment for personal needs; maximum may be exceeded.	No.....	No.....	No.....	Hospitalization furnished under annual contract, with private hospitals in some counties; general assistance used primarily for medical care. Public assistance recipient in a public medical institution can continue to receive assistance grant.
Illinois.....	Yes.....	Yes.....	All recommended by physician. General rule: 2 weeks, with provision for extension.	Yes.....	Yes.....	To meet need for care, not to exceed "going rate" in community.	Yes.....	Yes.....	Yes.....	
Indiana.....	Yes.....	Yes.....	Limited to non-elective surgery, injuries, acute illness, diagnosis. No day limitation.	Yes.....	Yes.....	Money payment or vendor, as determined by county. Rates negotiated in each county.	Yes.....	Yes.....	Yes.....	Scope of medical care determined by individual counties in line with content recommended by State agency.
Iowa.....	Yes.....	Yes.....	No.....	Yes.....	Yes.....	No.....	No.....	No.....	No.....	Nursing home care provided through money payment to meet rate for needed care; basic rate \$80, plus amounts for additional care needed. Hospitalization available through general assistance and Iowa University Hospital.
Kansas.....	Yes.....	Yes.....	All recommended by physician. No day limitation.	Yes.....	Yes.....	No.....	No.....	Yes.....	Yes.....	Nursing home care provided through money payment to meet budgetary deficit of recipient up to the local rate. No statewide rates or ranges.

¹ Applicable only if surgery is authorized by remedial eye services section for cooperating ophthalmologist.

² Some drugs provided by vendor payment when dispensed by hospital for continuation of treatment after discharge of a patient who has received inpatient care for the same condition.

³ Vendor payments may be made for drugs, appliances, dental services, and optical supplies recommended by physician, hospital, or clinic when such are not available without cost to the agency through other services.

TABLE A.—Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)....Continued

State	Vendor payments						Other resources for medical care available to old-age assistance (OAA) recipients
	Vendor payment method used	Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other	
Kentucky	No	No	No	No	No	No	Nursing home care provided through money payment up to \$66 (for total needs). New legislation to start in 1961. Covers all types of medical care to limited amount. Some counties make contributions to local hospitals for care of needy.
Louisiana	Yes	Yes	No	Yes	\$110 maximum, plus \$17 money payment for personal needs. \$105 money payment in home not subject to license.	Yes	Practitioner services paid by vendor payment in nursing home cases only; in other circumstances, provided through money payment. Hospitalization available through State hospital program.
Maine	Yes	No	All recommended by physician. Maximum: 45 days a year.	No	\$65 maximum money payment, remainder by vendor payment up to \$130 or \$165.	No	Other medical care must be met by recipient from money payment. OAA maximum is \$66.
Maryland	Yes	Yes	All recommended by physician; 21 days for illness, exception possible upon medical recommendation.	Yes	No	Yes	Nursing home care provided through money payment up to \$115.50 for total care. Maximums of \$190, \$200, \$210 (according to group into which county is classified) on total money payment for total needs of recipient.
Massachusetts	Yes	Yes	All recommended by physician. No day limitation.	Yes	\$6.50 maximum a day; may be exceeded. All other medical needs are met.	Yes	

Michigan.....	Yes.....	Applicable only if connected with hospitalization.	.....do.....	Applicable only if connected with hospitalization.	No.....	Applicable only if connected with hospitalization.	No.....	Nursing home care provided through money payment, \$90 maximum; may be supplemented from State and local general assistance funds to maximum regional rate (\$150 to \$175). Practitioner services are in money payment. OAA maximum \$80.
Minnesota.....	Yes.....	Yes.....	All recommended by physician. Maximum: 30 days; extension on recommendation of county medical advisory committee.	Yes.....	\$60 by money payment, plus vendor up to \$150, may be exceeded.	Yes.....	Yes.....	
Mississippi.....	No.....	No.....	No.....	No.....	No.....	No.....	No.....	Nursing home care provided through money payment, \$33 administrative maximum; may be supplemented from local or private funds to \$150 maximum. Some hospitalization available through State subsidies. Some counties contribute.
Missouri.....	Yes.....	No.....	For acute illness and injury when recommended by physician. Maximum: 14 days per hospital admission.	No.....	No.....	No.....	No.....	Nursing home care provided through money payment, \$65 maximum, except \$100 for "completely bedfast and totally disabled." Other medical care by money payment. Provisions being revised.
Montana.....	Yes.....	Yes.....	Limited to remedial eye care.	Yes.....	No.....	No.....	No.....	Nursing home care and all other medical care provided through money payment, \$85 maximum. "Medical component" of nursing home care paid through general assistance. Vendor payment method limited to prevention of blindness and restoration of sight.
Nebraska.....	Yes.....	No.....	All recommended by physician. General rule: 31 days; extension possible.	No.....	Meet budgetary deficit up to fee range negotiated in each county.	No.....	No.....	Practitioner services and other medical services are in money payment up to \$70 maximum for OAA.
Nevada.....	Yes.....	Yes.....	No.....	Yes.....	No.....	Yes.....	Yes.....	Nursing home care provided through money payment, \$130 maximum, plus \$8 for personal needs. Hospitalization is responsibility of county commissioners. Hospitalized recipients may continue to receive money payments to \$75 maximum.

TABLE A.—Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)—Continued

State	Vendor payment method used	Vendor payments					Other resources for medical care available to old-age assistance (OAA) recipients
		Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other	
New Hampshire.....	Yes.....	Yes.....	All recommended by physician. General rule: 14 days; extension possible.	Yes.....	No.....	No.....	Nursing home care provided through money payment, \$150 maximum; may be exceeded in unusual circumstances.
New Jersey.....	Yes.....	No.....	No.....	No.....	\$180 basic; \$190 including physician and prescriptions. Cash payment for personal use.	No.....	All medical care except nursing home provided through money payment. No maximum.
New Mexico.....	Yes.....	Yes.....	All except elective. No maximum; 7 days with re-authorization required.	Yes.....	Yes.....	Yes.....	
New York.....	Yes.....	Yes.....	All recommended by physician. No day limitation.	Yes.....	Yes.....	Yes.....	Counties have option as to method of payment for each of the services provided subject to State approval.
North Carolina.....	Yes.....	No.....	All recommended by physician. Maximum: 180 days.	No.....	No.....	No.....	Nursing home care provided through money payment, \$175 maximum, applicable only to need for skilled nursing service following hospitalization; limited to 3 months; may be extended 3 times. All other medical care provided through money payment. No maximum. Average OAA payment, \$40.
North Dakota.....	Yes.....	Yes.....	All recommended by physician. Maximum: 60 days.	Yes.....	Yes.....	Yes.....	

Ohio.....	Yes.....	Yes.....	All recommended by physician, nonelective surgery only, except after special review; 10 days each admission with possible extension.	Yes.....	No.....	Yes.....	Nursing home care provided through money payment to meet budgetary deficit for care needed up to approved rates, \$65 to \$160.
Oklahoma.....	Yes.....	Yes.....	Limited to life endangering conditions and conditions producing or alleviating blindness; 21 days per admission.	No.....	\$66 maximum on money payment, plus \$69 vendor payment.	Yes.....	Hospitalization limited; no specific items of medical care provided in budgeting for money payment.
Oregon.....	Yes.....	Yes.....	All recommended by physician. No maximum; reauthorization every 7 days.	Yes.....	\$124 to \$184 according to care needed. Personal items in money payment.	Yes.....	In lieu of nursing-home care, housekeeping or nursing service in own home provided in special payment directly to recipient.
Pennsylvania.....	Yes.....	Yes.....	No.....	Yes.....	No.....	Yes.....	Nursing-home care provided through money payment, \$100 to \$165 maximum, according to type of care; plus \$5 for personal needs in money payment. Hospitalization through State-owned and State-aided hospitals.
Puerto Rico.....	No.....	No.....	No.....	No.....	No.....	No.....	Medical services of all types available from resources of public health department.
Rhode Island.....	Yes.....	Yes.....	All recommended by physician. General rule: 21 days with provision for extension.	Yes.....	No.....	Yes.....	Nursing-home care provided through money payment, \$182 maximum, depending on type of care, plus \$6 for clothing and personal needs.
South Carolina.....	Yes.....	No.....	Acute illness and injury. 30 days maximum.	No.....	(1) For continuing care, money payment to \$60, plus supplement to \$150 from other sources; (2) for persons who have been hospitalized, up to \$94 vendor payment, plus \$60 money payment.	No.....	Medicine provided through money payment; OAA maximum, \$60.

TABLE A.—Summary information on medical care available to old-age assistance recipients through federally aided public assistance vendor payments, and other resources (based on information supplied by Bureau of Public Assistance, June 1960)—Continued

State	Vendor pay-ment method used	Vendor payments					Other resources for medical care available to old-age assistance (OAA) recipients
		Practitioner	Hospitalization (including controls or limitations on hospital days)	Drugs	Nursing home care	Other	
South Dakota	No	No	No	No	No	No	Nursing home care provided through money payment of \$75 to \$165 depending on type of care needed. Hospitalization provided by county poor relief fund, financed in part by return to county of portion of State taxes earmarked for this purpose. Specified drugs and appliances provided in money payment. No maximum except for nursing home.
Tennessee	Yes	No	Acute illness or injury, and illnesses and injuries requiring hospitalization; 10-day maximum.	No	No	No	Nursing home care provided through money payment of \$60 maximum; may be supplemented from other sources to \$150 plus allowance for personal needs. No other items of medical care specified in provisions for money payment OAA maximum, \$55.
Texas	No	No	No	No	No	No	Nursing home care provided through money payment, \$87 maximum; may be supplemented from county funds up to \$100 for nursing care, plus \$64.50 for maintenance. Limited medical care through money payment. County commissioners generally maintain county hospitals or make payment to private hospitals.
Utah	Yes	Yes	All recommended by physician, except elective surgery. General rule: 30 days; extension possible.	Yes	No	Yes	Nursing home care provided through money payment of \$87.50, \$110 maximum, which may be supplemented from other sources to \$200; \$5 allowance for personal items.
Vermont	Yes	No	No	No	\$165 for skilled nursing care; \$135 for personal nursing service; \$5 money pay-	No	Hospitalization provided by "town" general assistance; other medical needs included in money payment. OAA maximum, \$75.

Virgin Islands.....	Yes.....	No.....	No.....	Yes.....	No.....	ment for personal needs. No.....	No.....	Other medical treatment through department of health. Hospitalization available under system of municipal hospitals.
Virginia.....	Yes.....	No.....	Extension of vendor payment provisions to hospital care effective July 1, 1960.	No.....	\$150 maximum, plus \$6 money payment for personal items.		No.....	Other medical care provided through money payment; average OAA money payment, \$37. (To July 1, 1960, hospitalization provided through State-local payments, not part of public assistance program.)
Washington.....	Yes.....	Yes.....	All recommended by physician. No day limitation.	Yes.....	\$102 to \$192 according to type of home. Personal items through money payment.		Yes.....	
West Virginia.....	Yes.....	Yes.....	Limited to acute illness, immediate surgery, diagnostic services; exceptions if will increase capacity for self-care. Maximum 30 days.	Yes.....	No.....		Yes.....	Nursing home care provided through money payment, \$60 maximum a person, \$165 a household, supplemented by general assistance under specified conditions. Practitioner services through money payment.
Wisconsin.....	Yes.....	Yes.....	All recommended by physician. No day limitation; reauthorization stipulated.	Yes.....	Pay budgetary deficit to meet rate for care needed; rates negotiated in each county. Allowance for personal needs in money payment.		Yes.....	
Wyoming.....	Yes.....	Yes.....	All recommended by physician. No day limitation.	No.....	\$85 maximum money payment for maintenance, plus vendor payment up to \$100.		No.....	Other medical services are responsibility of counties.

TABLE 3.—Old-age assistance: Payments for vendor medical bills: Total amount, amount for which type of service was not reported, and amount in all States reporting for specified type of service, by State, fiscal year 1959 (supplied by the Bureau of Public Assistance) ¹

State	Total	Type of service not reported	In all States reporting for specified type of service				
			Practitioners' services	Hospitalization	Drugs and supplies	Nursing and convalescent home care	Other
Total.....	\$220,749,925	\$24,953,705	\$21,344,694	\$71,879,997	\$31,877,084	\$56,944,998	\$13,749,447
Alabama.....	17,473		2,329	15,144			
Alaska.....							
Arizona.....							
Arkansas.....	2,989,720		21,393	1,671,037		1,294,030	3,260
California.....	22,140,019		6,649,307		13,100,862		2,389,850
Colorado.....	7,739,663		1,697,093	4,878,353	77,096	1,624,167	62,954
Connecticut.....	3,710,081		453,372	2,259,290	940,438	1,494	55,487
Delaware.....							
District of Columbia.....	202,936			196,454			6,482
Florida.....	1,390,427				1,390,427		
Georgia.....							
Hawaii.....	99,977	99,977					
Idaho.....	24,130					24,130	
Illinois.....	24,788,904		2,022,275	6,612,511	2,722,576	12,541,541	890,001
Indiana.....	6,807,135		1,277,606	1,619,147	872,201	1,849,826	188,655
Iowa.....	667,938		315,934		334,334		17,650
Kansas.....	3,913,454		622,473	1,366,940	795,779		1,128,262
Kentucky.....							
Louisiana.....	2,394,230		32,935		115,304	2,239,448	6,543
Maine.....	1,354,840			625,785		729,064	
Maryland.....							
Massachusetts.....	1,463,099	463,099	683,863	10,306,418	4,640,949	13,080,875	992,340
Michigan.....	29,634,045		1,419,212	6,027,400	1,536,242	5,354,227	386,740
Minnesota.....	14,723,821						
Mississippi.....							
Missouri.....	17,855		6,916	9,878	17		1,044
Montana.....	3,391,745			1,044,795		2,346,950	67,646
Nebraska.....	229,642		79,443		82,553		
Nevada.....	1,222,136		178,044	709,419	274,920	32,661	27,092
New Hampshire.....	5,800,800						
New Jersey.....							
New Mexico.....	5,800,800		143,955	420,400	120,940	180,197	39,416
New York.....	26,050,471			14,766,084		4,918,973	6,365,414
North Carolina.....	832,317			832,317			
North Dakota.....	2,027,898		243,415	1,085,083	219,043	421,484	57,873
Ohio.....	9,402,928		1,543,879	5,747,637	1,763,514	17,721	340,175
Oklahoma.....	11,233,765		1,688,688	4,346,186		5,182,308	16,584

Oregon.....	4,335,246	170,611	912,817	404,232	2,805,116	42,470
Pennsylvania.....	2,708,931	588,050	1,197,393	1,197,393	687,060	236,438
Puerto Rico.....	980,836					
Rhode Island.....	980,836					
South Carolina.....						
South Dakota.....						
Tennessee.....	1,394,994		1,394,994			
Texas.....						
Utah.....	583,496	71,664	130,380	264,556	88,099	38,787
Vermont.....	3,657					
Virgin Islands.....	445,582				445,582	
Virginia.....	8,326,489	1,843,036	4,113,408	913,708	1,071,294	385,133
Washington.....	743,866	113,924	591,383	19,758		20,781
West Virginia.....	12,619,592					
Wisconsin.....	403,128		178,078	100,642	49,151	
Wyoming.....						

¹ In some instances, figures are presented where no federally aided vendor payments are made; in others, no figures are presented where vendor payment programs are now in existence. These discrepancies are generally the result of the method and of the timing of the State reports. For example, Alabama, although it has no federally approved plan for vendor method payment, reports total payments of \$17,473. This amount, however, represents payments from local funds only. New York, which has a vendor program for all types of services, reported its payments for practitioners' services and drugs and supplies under the heading designated "Other." Another example is the fact that no hospitalization payments are listed for Florida, because the program did not go into effect until October 1959.

Nearly three out of four persons 68 years or older would automatically be entitled to the new benefits next year. Other groups could be covered by separate legislation, with special financing.

1. Persons eligible

All persons eligible for old-age, survivors, and disability insurance benefits who are aged 68 or more would receive lifetime health service protection, without any means or income test. Nine million persons would be eligible next year, or nearly three out of five of all persons over age 65. Table 2 presents the number eligible for health service benefits by States.

2. Health service benefits

The cost of four important types of health service is covered, subject to certain limits within 1 year:

(a) Hospital inpatient services, for up to 120 days. The individual pays the first \$75 each year.

(b) Skilled nursing home recuperative care, up to 240 days.

(c) Home health services by a nonprofit or public agency, up to 365 visits.

(d) Diagnostic outpatient hospital services, including X-ray and laboratory services.

(e) The first three types of benefits have interchangeable features with an overall ceiling. A total of 180 units of services are available in 1 year. A unit of service is equal to 1 day of inpatient hospital care, 2 days of skilled nursing home care, or three home health visits. This provision is intended to keep down costs and encourage use of other facilities than a hospital.

3. Costs and financing

The program would be fully financed and actuarially sound, according to Robert J. Myers, the Chief Actuary of the Social Security Administration. It would require no appropriations from general revenues nor any contributions by the aged after they have retired and stopped working.

(a) The level-premium or long-range cost is estimated as 50 percent of taxable payrolls.

(b) Contribution rates would be increased in 1961 as follows: one-fourth of 1 percent for employers and employees and three-eighths of 1 percent for the self-employed on earnings up to \$4,800 a year.

(c) These additional contributions would be set apart in a separate account in the OASI trust fund, from which all payments for medical services would be made.

4. Administration

(a) The Secretary of HEW would consult with a representative advisory council on policy and regulations, thus assuring full consultation with medical and consumer groups affected.

(b) Agreements relating to the provision of services would be made with the provider of service or with its authorized representative. Any qualified provider of services would have the right to participate, and individuals could choose among them. Payments would be based on the reasonable cost of rendering services.

(c) There is a specific provision that nothing in the act shall be construed to give the Secretary supervision or control of the practice

of medicine or the manner in which medical services are provided, or over the administration of participating institutions.

(d) The Secretary is to carry on studies and make recommendations on problems related to the operation and improvement of the program.

TABLE 2.—Estimated number of persons aged 68 and over eligible for health service benefits under the monthly OASDI program, by State, July 1, 1961

[In thousands]

State of residence: ¹	Number	State of residence ¹ —Cont.	Number
Total ²	9, 185	Montana.....	37
Alabama.....	120	Nebraska.....	89
Alaska.....	3	Nevada.....	9
Arizona.....	45	New Hampshire.....	42
Arkansas.....	93	New Jersey.....	345
California.....	736	New Mexico.....	22
Colorado.....	77	New York.....	1, 004
Connecticut.....	151	North Carolina.....	166
Delaware.....	21	North Dakota.....	32
District of Columbia.....	31	Ohio.....	517
Florida.....	298	Oklahoma.....	109
Georgia.....	125	Oregon.....	114
Hawaii.....	16	Pennsylvania.....	674
Idaho.....	34	Puerto Rico.....	46
Illinois.....	554	Rhode Island.....	58
Indiana.....	272	South Carolina.....	72
Iowa.....	181	South Dakota.....	39
Kansas.....	128	Tennessee.....	149
Kentucky.....	154	Texas.....	332
Louisiana.....	93	Utah.....	33
Maine.....	66	Vermont.....	26
Maryland.....	119	Virgin Islands.....	1
Massachusetts.....	342	Virginia.....	151
Michigan.....	398	Washington.....	163
Minnesota.....	193	West Virginia.....	99
Mississippi.....	85	Wisconsin.....	244
Missouri.....	263	Wyoming.....	14

¹ Distribution by State estimated.

² Excludes persons residing outside the United States.

The actuarial and financial soundness of our proposal is attested to by the Chief Actuary of the Social Security Administration in the following letters.

AUGUST 15, 1960.

Mr. ROBERT J. MYERS,
Social Security Administration,
Washington, D.C.

DEAR MR. MYERS: Would you kindly give me estimates on the cost of the attached proposal for providing health benefits for the aged as part of the old-age, survivors, and disability insurance system?

My objective is to provide a constructive program which can be adequately financed by additional contributions of one-fourth percent by employers, one fourth percent by employees, and three-eighths percent by the self-employed on earnings up to \$4,800. These contributions would start in 1961, and benefits would be payable July 1.

I would appreciate knowing (1) the level premium cost by item, and the early-year cost in percent of payrolls and in dollars; (2) whether the proposal can be considered actuarially sound.

With best wishes,
Faithfully yours,

PAUL H. DOUGLAS.

(Enclosure to letter follows:)

PROPOSAL ON HEALTH BENEFITS TO COST 0.5 PERCENT OF PAYROLLS

Persons eligible: OASDI eligibles at age 68.

1. Hospital care up to 120 days with an initial deductible of \$75.
2. Skilled nursing-home recuperative care upon transfer from the hospital up to 120 days with an additional 1½ days for each day of unused day of hospital care but not to exceed 240 days.
3. Home health services by nonprofit or public home health service agency up to 120 visits with 2 visits for each unused day of hospital care but not to exceed 360 visits.
4. Diagnostic outpatient hospital services.

Financing: One-fourth percent contribution by employers and employees, and three-eighths percent by the self-employed, starting in 1961, with a special account or trust fund.

AUGUST 15, 1960.

HON. PAUL H. DOUGLAS,
U.S. Senate, Washington, D.C.

DEAR SENATOR DOUGLAS: This is in response to your letter of August 15 requesting actuarial cost estimates for a proposal for providing health benefits for all eligibles of the old-age, survivors, and disability insurance program aged 68 and over. This would be financed by an increase in the combined employer-employee contribution rate of one-half percent (and a corresponding increase in the contribution rate for the self-employed), to go into a special account or trust fund.

Under the proposal, benefits would first be available for July 1961, while the additional contributions would begin in January 1961. The first benefit would be hospital care up to a maximum of 120 days per year, with an initial deductible of \$75; this has a level-premium cost, according to the intermediate-cost estimate, of 0.43 percent of payroll. The second benefit would be skilled nursing home recuperative care upon transfer from hospital up to a maximum of 240 days per year (but with the maximum being reduced by 1½ days for each of the first 80 days of hospital care used—or in other words, this maximum could never fall below 120 days); the level-premium cost is 0.01 percent. The third benefit would be home health services (by a nonprofit or public agency) for a maximum of 360 visits per year (but with the maximum being reduced by 2 visits for each day of hospital care used); the level-premium cost is 0.01 percent. The fourth benefit would be diagnostic outpatient hospital services (without any limits prescribed); the level-premium cost is 0.05 percent.

The total level-premium cost for the above proposal is thus 0.50 percent of payroll, which is exactly the same as the additional contributions provided, so that the proposal as it stands can be considered to be fully financed and thus actuarially sound. The total cost of the proposal in the first full year of operation is estimated at \$690 million, which is equivalent to 0.33 percent of payroll.

Sincerely yours,

ROBERT J. MYERS,
Chief Actuary.

PRIVATE INSURANCE CANNOT MEET THE PROBLEM

Private insurance cannot meet the problems of the great majority of the aged. Basically the problem for private insurance is that the costs of medical care for the aged are high and retired people cannot afford to pay the necessary premiums. Persons aged 65 and over are sick in bed an average of more than 16 days per year. Persons under 65 average only 7 days. Six times as many persons aged 65 and over have serious chronic conditions as does the population below that age.

A program based on contributions over a working lifetime for paid-up protection in retirement is not offered by private insurance. The possibility of inflation and also the possibility of changes in medical costs arising from other factors, make it impracticable for private insurers to undertake to insure against actual expenses at some future date. On the other hand, a contract providing for protection in terms of a fixed number of dollars would not give the protection needed. Moreover a requirement that commercial premiums be paid over a working lifetime means that no one obtains protection until several decades have gone by.

But little of the medical costs of the aged are now paid through insurance. Only one-fourth of the aged have even as complete medical insurance coverage as a Blue Cross policy would provide. Most of this group are little over the age of 65 and are still employed, with their protection based on such employment. Another 15 percent or so have medical insurance of a less adequate nature—usually a policy, which, for example, pays only \$10 a day toward a hospital room which costs \$20 or more. Even very inadequate protection costs an aged couple something like \$13 per month.

THE ADMINISTRATION'S PLAN IS UNSATISFACTORY

We also want to take this opportunity to join the committee in rejecting the plan submitted by Secretary Flemming for the administration (S. 3784).

In 1958 the House Committee on Ways and Means requested the Secretary of Health, Education, and Welfare to report on methods of providing insurance against the cost of hospital and nursing-home care for old-age, survivors, and disability insurance beneficiaries. A substantial report on the matter was submitted to the House committee on April 3, 1959. Testimony from a wide variety of witnesses was heard in 1958 and in July 1959. On July 13, 1959, the Secretary of Health, Education, and Welfare assured us that he would continue studying possible approaches and would report the results of his studies as soon as possible. No recommendations were received from him, however, until May 4, 1960. The House committee had by then been considering health problems of the aged and other social security amendments for more than a month.

The proposals of the administration were discussed by the House committee at some length but did not win its support, nor were they ever embodied in legislative language until after the Senate Committee on Finance had concluded its public hearings. The administration plan is unsatisfactory for the following reasons:

1. The idea on which this plan is based, that protection against medical care costs for the aged is necessary only for persons with

incomes of less than \$2,500 a year is completely untenable. A single illness may cost several thousand dollars, and meeting such costs would be completely beyond the means of most retired persons who have income enough to bar them from help under the plan.

2. The plan would place a huge additional burden on the general budgets of local, State, and Federal Governments amounting to over a billion dollars to begin with and several billion dollars later. All this without consideration of where the money will come from and at a time when it is widely recognized that the services of many State and local governments are badly outmoded and tax resources for their improvement severely limited and uncertain.

3. Although putting a large additional burden on the general taxpayer, the plan would nevertheless leave the first \$250 of medical care costs each year to the retired person and require him to pay 20 percent of all costs above this amount. Such a large deductible plus co-insurance, while perhaps appropriate for employed persons of middle income, offers little if any security to people living on the low income typical of the retirement years.

4. The administration has taken as a basic principle that a plan must be voluntary. But there is really nothing voluntary about the plan which they have proposed. Under that plan the general taxpayer is compelled to pay huge costs (except for the premium or enrollment fee paid by the beneficiary) and yet the old person will not be allowed to participate in the benefit side of the plan unless he submits to and meets an income test of \$2,500 a year. For people with retirement incomes above \$2,500, therefore, there is no choice but to have paid taxes, with no opportunity for benefits. The only sense in which the plan is voluntary is that those who have retirement incomes below \$2,500 a year can refuse to take the benefits for which they and other taxpayers in their earlier years have paid the costs. For these unfortunates it is "compulsory" dependence upon public charity.

5. The proposed premium or enrollment fee, covering about one-fifth or so of the costs of this so-called voluntary insurance, and the option of electing a private insurance contract, would mislead many people into failing to act in their own best interests. Because of the fee some would not participate and thus would refuse the benefits which had been paid for by their own taxes. At the same time the \$24 fee would be a barrier to voluntary election by the very lowest income groups. This too has a "compulsory" earmark.

6. There is no way to know when, if ever, the aged of the Nation would finally get protection under the plan. Nothing could be done until a State was able to find revenue resources to pay its share of the costs. Thus in many States it might take years before ways were found to raise the necessary revenues to permit the State to enter the plan.

ADVANTAGES OF THE OASDI APPROACH AS COMPARED WITH THE
VOLUNTARY APPROACH

The OASDI approach in our amendment has a number of very important advantages over the voluntary approach. These advantages are as follows:

1. *Contributions are collected from nearly all persons who work for a living under the bill.*—This results in a large number of persons contributing, without the adverse selection that tends to accompany voluntary community plans. This reduces the cost per person and assures a strong financial base to the whole program.

2. *Contributions are payable under our amendment only while the individual is employed.*—Since contributions are payable in relation to earnings, an individual does not pay for any period in which he has no earnings or is not working. In voluntary plans, contributions must be paid for individuals whether they are earning or not.

3. *Contributions under our amendment are levied in some measure with ability to pay.*—In voluntary plans, contributions customarily are on a flat basis in relation to number of dependents. Thus, in a voluntary plan, an individual earning \$2,000 a year and an individual earning \$6,000 a year both pay the same premium. Unequals are treated equally. In our amendment, since contributions are a uniform percentage of earnings up to a limit of \$4,800 a year, the \$2,000 individual would pay only two-fifths the amount the \$4,800 or higher individual would pay.

4. *Contributions in our amendment are levied over the individual's working lifetime and are not paid during the period when he is not earning and is retired.*—Under most voluntary plans, the individuals must continue to pay their premiums after they retire and until they die. Where employers contribute toward the cost of voluntary protection prior to retirement, such contributions usually cease on termination of employment. This is burdensome to many older people whose incomes are sharply reduced when they retire. The result is that as people grow older they may drop their voluntary insurance in order to conserve their limited funds. If they retain their voluntary insurance, the flat rate premium takes a very high proportion of a small income. Our amendment aims to solve these difficulties by requiring individuals and their employers to pay small amounts, in relation to their earnings, over an entire working lifetime and then to forgo any contributions when the individual has no earnings and is retired. The result is a financing arrangement better adapted to the lifetime earning pattern.

5. *Contributions in our amendment are not related to the number of dependents.*—In voluntary plans, the contributions usually increase with the number of dependents. Thus, in a typical plan, there is one uniform rate for an individual, a higher rate for an individual and spouse, and a still higher rate for a family. The result is that the individual with the family has to pay a higher proportion of income for his protection than the individual without a family. From a social point of view, this is not only undesirable, but unnecessary. The individual with the family has the cost of maintaining and educating his family and, since his health costs rise in relation to the size of his family but not in relation to his earnings, he is doubly penalized. In

our amendment since contributions are a uniform percentage of earnings, there is no such double penalty on the family earner.

6. *The employer is required by our amendment to pay one-half of the cost.*—Under many voluntary plans, the employer pays part of the cost, and in some voluntary plans the employer pays all of the cost. However, this trend is spotty. In many plans the employer makes no contribution. Under our amendment, the employer would be required to pay one-half of the cost. The existing law permits employers to pay a larger proportion—or all of the cost—if the employer wishes, or if this is agreed to by the employer and employee by contract or collective bargaining. Thus, where the employer now pays all the cost, this would not be disturbed by the bill.

7. *Benefits are not cancelable under our amendment.*—In many private plans benefits are cancelable at the option of the insurance carrier or the employer. They can be terminated by action of the insured when sufficient income is not available to pay the premiums. Whatever may be the reasons for these actions, they inevitably result in public agencies having to bear the cost of the care of those persons who cannot finance their medical care. This is undesirable. Our amendment provides for a paidup policy with the backing of the Federal Government. It gives patients and hospitals assurance of payment and protection superior to that of most private plans.

8. *Benefits under our amendment are not limited during a person's lifetime.*—Under many private plans benefits are limited not only in terms of days of hospitalization per year but also in terms of total dollars over a person's lifetime. This completely undermines the security provided in the plan. Under our amendment no such lifetime limit is provided nor is it necessary. Thus, the OASDI approach is much superior to the private plan.

9. *Benefits under our amendment in many cases are more adequate than under many private plans.*—In many voluntary plans, hospital insurance benefits are limited to 30 to 50 days or have a fixed dollar limit on payments per day of hospital care.

10. *The cost of administering the plan in our amendment would be less than the administrative costs under existing private insurance plans.*—Since contributions would be collected as a part of the regular social security contributions, it would not require any new machinery. There would be no salesmen or acquisition costs as in private insurance. The savings in administrative costs would make it possible to pay the same benefits as private insurance at less cost, or more adequate benefits at the same cost.

SUMMARY

In summary, it is very clear that—

1. There is a great need for protection against medical costs for the aged.

2. The provisions in the proposed bill will not meet this need.

3. The logical and certain method for meeting the need is through the contributory social insurance provisions of the social security system.

4. We believe that the American people favor this additional protection.

5. They will gladly pay the modest amounts involved during their working years in order not only to provide protection for those now old but to spread the costs of that protection over workers and employers as a group rather than having it fall unevenly on those young people who have retired parents and other relatives who get sick.

6. Most of all we believe it is in the best American tradition to make prior provision for the future by having those now young start buying paid-up insurance protection to be added to their cash benefit when they retire.

Therefore, we support the Anderson-Kennedy amendment insuring health costs of the aged on the dignified social insurance basis.

CLINTON P. ANDERSON.

PAUL H. DOUGLAS.

ALBERT GORE.

EUGENE J. McCARTHY.

VANCE HARTKE.



Calendar No. 1928

86TH CONGRESS
2^D SESSION

H. R. 12580

[Report No. 1856]

IN THE SENATE OF THE UNITED STATES

JUNE 23 (legislative day, JUNE 22), 1960

Read twice and referred to the Committee on Finance

AUGUST 19, 1960

Reported by Mr. BYRD of Virginia, with amendments

[Omit the part struck through and insert the part printed in italic]

AN ACT

To extend and improve coverage under the Federal Old-Age, Survivors, and Disability Insurance System and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such Act; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act, divided into titles and sections according to
4 the following table of contents, may be cited as the "Social
5 Security Amendments of 1960".

TABLE OF CONTENTS

TITLE I—COVERAGE

- Sec. 101. Extension of time for ministers to elect coverage.
- Sec. 102. State and local governmental employees.
- (a) Delegation by Governor of certification functions.
 - (b) Employees transferred from one retirement system to another.
 - (c) Retroactive coverage.
 - (d) Policemen and firemen.
 - (e) Limitation on States' liability for employer (and employee) contributions in certain cases.
 - (f) Statute of limitations for State and local coverage.
 - (g) Municipal and county hospitals.
 - (h) Validation of coverage for certain Mississippi teachers.
- Sec. 103. Extension of the program to Guam and American Samoa.
- Sec. 104. Doctors of medicine.
- Sec. 105. Service of parent for son or daughter.
- Sec. 106. Employees of nonprofit organizations.
- Sec. 107. American citizen employees of foreign governments and international organizations.
- Sec. 108. Domestic service and casual labor.

TITLE II—ELIGIBILITY FOR BENEFITS

- Sec. 201. Children born or adopted after onset of parent's disability.
- Sec. 202. Continued dependency of stepchild on natural father.
- Sec. 203. Payment of burial expenses.
- Sec. 204. Fully insured status.
- Sec. 205. Survivors of individuals who died prior to 1910 and of certain other individuals.
- Sec. 206. Crediting of quarters of coverage for years before 1951.
- Sec. 207. Time needed to acquire status of wife, child, or husband in certain cases.
- Sec. 208. Marriages subject to legal impediment.
- Sec. 209. Penalty deductions under foreign work test.
- Sec. 210. Extension of filing period for husband's, widower's, or parent's benefits in certain cases.

TITLE III—BENEFIT AMOUNTS

- Sec. 301. Increase in insurance benefits of children of deceased workers.
- Sec. 302. Maximum family benefits in certain cases.
- Sec. 303. Computations and recomputations of primary insurance amounts.
- Sec. 304. Elimination of certain obsolete recomputations.

TABLE OF CONTENTS—Continued

TITLE IV—DISABILITY INSURANCE BENEFITS AND THE DISABILITY
FREEZE

- Sec. 401. Elimination of requirement of attainment of age fifty for disability insurance benefits.
- Sec. 402. Elimination of the waiting period for disability insurance benefits in certain cases.
- Sec. 403. Period of trial work by disabled individual.
- Sec. 404. Special insured status test in certain cases for disability purposes.

TITLE V—EMPLOYMENT SECURITY

PART 1—SHORT TITLE

- Sec. 501. Short title.

PART 2—EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING AMENDMENTS

- Sec. 521. Amendment of title IX of the Social Security Act.
- Sec. 901. Employment security administration account.
- Sec. 902. Transfers between Federal unemployment account and employment security administration account.
- Sec. 903. Amounts transferred to State accounts.
- Sec. 904. Unemployment Trust Fund.
- Sec. 522. Amendment of title XII of the Social Security Act.
- Sec. 1201. Advances to State unemployment funds.
- Sec. 1202. Repayment by States of advances to State unemployment funds.
- Sec. 1203. Advances to Federal unemployment account.
- Sec. 1204. Definition of Governor.
- Sec. 523. Amendments to the Federal Unemployment Tax Act.
- Sec. 524. Conforming amendments.

PART 3—EXTENSION OF COVERAGE UNDER UNEMPLOYMENT COMPENSATION
PROGRAM

- Sec. 531. Federal instrumentalities.
- Sec. 532. American aircraft.
- Sec. 533. Feeder organizations, etc.
- Sec. 534. Fraternal beneficiary societies, agricultural organizations, voluntary employees' beneficiary associations, etc.
- Sec. 535. Effective date.

PART 4—EXTENSION OF FEDERAL STATE UNEMPLOYMENT COMPENSATION
PROGRAM TO PUERTO RICO

- Sec. 541. Extension of titles III, IX, and XII of the Social Security Act.
- Sec. 542. Federal employees and ex-servicemen.
- Sec. 543. Extension of Federal Unemployment Tax Act.

~~TABLE OF CONTENTS—Continued~~

~~TITLE VI—MEDICAL SERVICES FOR THE AGED~~

- ~~Sec. 601. Establishment of program. (Title XVI of the Social Security Act.)~~
- ~~Sec. 1601. Appropriation.~~
 - ~~Sec. 1602. State plans.~~
 - ~~Sec. 1603. Payments.~~
 - ~~Sec. 1604. Operation of State plans.~~
 - ~~Sec. 1605. Eligible individuals.~~
 - ~~Sec. 1606. Benefits.~~
 - ~~Sec. 1607. Benefit year.~~
- ~~Sec. 602. Improvement of medical care for old-age assistance recipients.~~
- ~~Sec. 603. Planning grants to States.~~
- ~~Sec. 604. Technical amendment.~~

~~TITLE VII—MISCELLANEOUS~~

- ~~Sec. 701. Investment of Trust Funds.~~
- ~~Sec. 702. Survival of actions.~~
- ~~Sec. 703. Periods of limitation ending on nonwork days.~~
- ~~Sec. 704. Advisory Council on Social Security Financing.~~
- ~~Sec. 705. Medical care guides and reports for public assistance and medical services for the aged.~~
- ~~Sec. 706. Temporary extension of certain special provisions relating to State plans for aid to the blind.~~
- ~~Sec. 707. Maternal and child welfare.~~
- ~~Sec. 708. Amendment preserving relationship between railroad retirement and old-age, survivors, and disability insurance.~~
- ~~Sec. 709. Meaning of term "Secretary".~~

TABLE OF CONTENTS

Title I—Coverage

- Sec. 101. Extension of time for ministers to elect coverage.*
- Sec. 102. State and local governmental employees.*
- (a) Delegation by Governor of certification functions.*
 - (b) Employees transferred from one retirement system to another.*
 - (c) Retroactive coverage.*
 - (d) Policemen and firemen.*
 - (e) Limitation on States' liability for employer (and employee) contributions in certain cases.*
 - (f) Statute of limitations for State and local coverage.*
 - (g) Municipal and county hospitals.*
 - (h) Validation of coverage for certain Mississippi teachers.*
 - (i) Justices of the peace and constables in the State of Nebraska.*
 - (j) Teachers in the State of Maine.*
- Sec. 103. Employees of nonprofit organizations.*
- Sec. 104. American citizen employees of foreign governments.*
- Sec. 105. Domestic service and casual labor.*

TABLE OF CONTENTS—Continued

Title II—Eligibility for Benefits

- Sec. 201. Children born or adopted after onset of parent's disability.*
- Sec. 202. Continued dependency of stepchild on natural father.*
- Sec. 203. Payment of burial expenses.*
- Sec. 204. Technical amendments with respect to fully insured status.*
- Sec. 205. Survivors of individuals who died prior to 1940 and of certain other individuals.*
- Sec. 206. Crediting of quarters of coverage for years before 1951.*
- Sec. 207. Marriages subject to legal impediment.*
- Sec. 208. Penalty deductions under foreign work test.*
- Sec. 209. Extension of filing period for husband's, widower's, or parent's benefits in certain cases.*
- Sec. 210. Actuarially reduced benefits for men at age 62.*
- Sec. 211. To increase the earned income limitation.*

Title III—Benefit Amounts

- Sec. 301. Increase in insurance benefits of children of deceased workers.*
- Sec. 302. Maximum family benefits in certain cases.*
- Sec. 303. Computations and recomputations of primary insurance amounts.*
- Sec. 304. Elimination of certain obsolete recomputations.*

Title IV—Disability Insurance Benefits and the Disability Freeze

- Sec. 401. Elimination of requirement of attainment of age fifty for disability insurance benefits.*
- Sec. 402. Elimination of the waiting period for disability insurance benefits in certain cases.*
- Sec. 403. Period of trial work by disabled individual.*
- Sec. 404. Special insured status test in certain cases for disability purposes.*

Title V—Employment Security

- Sec. 501. Amendments to title IX of the Social Security Act.*
- Sec. 502. Amendment of title XII of the Social Security Act.*
 - Sec. 1201. Advances to State unemployment funds.*
 - Sec. 1202. Repayment by States of advances to State unemployment funds.*
 - Sec. 1203. Advances to Federal unemployment account.*
 - Sec. 1204. Definition of Governor.*
- Sec. 503. Amendments to the Federal Unemployment Tax Act.*
- Sec. 504. Conforming amendment.*

Title VI—Medical Services for the Aged

- Sec. 601. Amendments to title I of the Social Security Act.*
- Sec. 602. Increase in Limitations on Assistance Payment to Puerto Rico, the Virgin Islands, and Guam.*
- Sec. 603. Technical amendment.*
- Sec. 604. Effective dates.*

TABLE OF CONTENTS—Continued

Title VII—Miscellaneous

Sec. 701. Investment of Trust Funds.

Sec. 702. Survival of actions.

Sec. 703. Periods of limitation ending on nonwork days.

Sec. 704. Advisory Council on Social Security Financing.

Sec. 705. Medical care guides and reports for public assistance and medical services for the aged.

Sec. 706. Temporary extension of certain special provisions relating to State plans for aid to the blind.

Sec. 707. Maternal and child welfare.

Sec. 708. Amendment preserving relationship between railroad retirement and old-age, survivors, and disability insurance.

Sec. 709. Meaning of term "Secretary".

Sec. 710. Aid to the blind.

1 TITLE I—COVERAGE

2 EXTENSION OF TIME FOR MINISTERS TO ELECT COVERAGE

3 SEC. 101. (a) Clause (B) of section 1402 (e) (2)
4 of the Internal Revenue Code of 1954 (relating to time
5 for filing waiver certificate) is amended by striking out
6 "1956" and inserting in lieu thereof "1959".

7 (b) Section 1402 (e) (3) of such Code (relating to
8 effective date of certificate) is amended to read as follows:

9 " (3) (A) EFFECTIVE DATE OF CERTIFICATE.—A
10 certificate filed pursuant to this subsection shall be effec-
11 tive for the taxable year immediately preceding the
12 earliest taxable year for which, at the time the certificate
13 is filed, the period for filing a return (including any ex-
14 tension thereof) has not expired, and for all succeeding
15 taxable years. An election made pursuant to this sub-
16 section shall be ~~irrevocable.~~ *irrevocable.*

1 “(B) Notwithstanding the first sentence of sub-
2 paragraph (A), if an individual filed a certificate
3 on or before the date of enactment of this sub-
4 paragraph which (but for this subparagraph) is
5 effective only for the first taxable year ending after
6 1956 and all succeeding taxable years, such cer-
7 tificate shall be effective for his first taxable year
8 ending after 1955 and all succeeding taxable years
9 if—

10 “(i) such individual files a supplemental
11 certificate after the date of enactment of this
12 subparagraph and on or before April 15, 1962,

13 “(ii) the tax under section 1401 in respect
14 of all such individual's self-employment income
15 (except for underpayments of tax attributable
16 to errors made in good faith), for his first taxable
17 year ending after 1955 is paid on or before
18 April 15, 1962, and

19 “(iii) in any case where refund has been
20 made of any such tax which (but for this sub-
21 paragraph) is an overpayment, the amount re-
22 funded (including any interest paid under sec-
23 tion 6611) is repaid on or before April 15,
24 1962.

1 *The provisions of section 6401 shall not apply to*
2 *any payment or repayment described in this sub-*
3 *paragraph.”*

4 (c) Section 1402 (e) of such Code is further amended
5 by adding at the end thereof the following new paragraph:

6 “(5) OPTIONAL PROVISION FOR CERTAIN CER-
7 TIFICATES FILED ON OR BEFORE APRIL 15, 1962.—In
8 any case where an individual has derived earnings, in
9 any taxable year ending after 1954 and before 1960,
10 from the performance of service described in subsection
11 (c) (4), or in subsection (c) (5) (as in effect prior
12 to the enactment of this paragraph) insofar as it related
13 to the performance of service by an individual in the
14 exercise of his profession as a Christian Science practi-
15 tioner, and has reported such earnings as self-employ-
16 ment income on a return filed on or before the date of
17 the enactment of this paragraph and on or before the
18 due date prescribed for filing such return (including any
19 extension thereof) —

20 “(A) a certificate filed by such individual (or
21 a fiduciary acting for such individual or his estate,
22 or his survivor within the meaning of section 205
23 (c) (1) (C) of the Social Security Act) after the
24 date of the enactment of this paragraph and on or
25 before April 15, 1962, may be effective, at the elec-

1 tion of the person filing such certificate, for the first
2 taxable year ending after 1954 and before 1960
3 for which such a return was filed, and for all
4 succeeding taxable years, rather than for the period
5 prescribed in paragraph (3), and

6 “(B) a certificate filed by such individual on
7 or before the date of the enactment of this
8 paragraph which (but for this subparagraph) is
9 ineffective for the first taxable year ending after
10 1954 and before 1959 for which such a return was
11 filed shall be effective for such first taxable year,
12 and for all succeeding taxable years, provided a sup-
13 plemental certificate is filed by such individual (or
14 a fiduciary acting for such individual or his estate,
15 or his survivor within the meaning of section 205
16 (c) (1) (C) of the Social Security Act) after the
17 date of the enactment of this paragraph and on or
18 before April 15, 1962,

19 but only if—

20 “(i) the tax under section 1401 in respect of
21 all such individual’s self-employment income (ex-
22 cept for underpayments of tax attributable to errors
23 made in good faith), for each such year ending
24 before 1960 in the case of a certificate described in
25 subparagraph (A) or for each such year ending

1 before 1959 in the case of a certificate described in
2 subparagraph (B), is paid on or before April 15,
3 1962, and

4 “(ii) in any case where refund has been made
5 of any such tax which (but for this paragraph) is an
6 overpayment, the amount refunded (including any
7 interest paid under section 6611) is repaid on or
8 before April 15, 1962.

9 The provisions of section 6401 shall not apply to any
10 payment or repayment described in this paragraph.”

11 (d) In the case of a certificate or supplemental certifi-
12 cate filed pursuant to section 1402 (e) (3) (B) or (5) of the
13 Internal Revenue Code of 1954—

14 (1) for purposes of computing interest, the due
15 date for the payment of the tax under section 1401
16 which is due for any taxable year ending before 1959
17 solely by reason of the filing of a certificate which is
18 effective under such section 1042 (e) (3) (B) or (5)
19 shall be April 15, 1962;

20 (2) the statutory period for the assessment of any
21 tax for any such year which is attributable to the
22 filing of such certificate shall not expire before the
23 expiration of 3 years from such due date; and

24 (3) for purposes of section 6651 of such Code (re-
25 lating to addition to tax for failure to file tax return),

1 the amount of tax required to be shown on the return
2 shall not include such tax under section 1401.

3 (e) The provisions of section 205 (c) (5) (F) of the
4 Social Security Act, insofar as they prohibit inclusion in the
5 records of the Secretary of Health, Education, and Welfare
6 of self-employment income for a taxable year when the return
7 or statement including such income is filed after the time
8 limitation following such taxable year, shall not be applicable
9 to earnings which are derived in any taxable year ending
10 before 1960 and which constitute self-employment income
11 solely by reason of the filing of a certificate which is effective
12 under section 1402 (e) (3) (B) or (5) of the Internal Rev-
13 enue Code of 1954.

14 (f) The amendments made by this section shall be
15 applicable (except as otherwise specifically indicated
16 therein) only with respect to certificates (and supplemental
17 certificates) filed pursuant to section 1402 (e) of the Internal
18 Revenue Code of 1954 after the date of the enactment of
19 this Act; except that no monthly benefits under title II of
20 the Social Security Act for the month in which this Act is
21 enacted or any prior month shall be payable or increased by
22 reason of such amendments, and no lump-sum death payment
23 under such title shall be payable or increased by reason of
24 such amendments in the case of any individual who died prior
25 to the date of the enactment of this Act.

1 STATE AND LOCAL GOVERNMENTAL EMPLOYEES

2 Delegation by Governor of Certification Functions

3 SEC. 102. (a) (1) Section 218 (d) (3) of the Social
4 Security Act is amended by inserting “, or an official of the
5 State designated by him for the purpose,” after “the governor
6 of the State”.

7 (2) Section 218 (d) (7) of such Act is amended
8 by inserting “(or an official of the State designated by him
9 for the purpose)” after “by the governor”, and by inserting
10 “(or the official so designated)” after “if the governor”.

11 Employees Transferred From One Retirement System to
12 Another

13 (b) (1) Section 218 (d) (6) (C) of the Social Secu-
14 rity Act is further amended by adding at the end thereof
15 the following new sentence: “If, in the case of a separate
16 retirement system which is deemed to exist by reason of
17 subparagraph (A) and which has been divided into two
18 divisions or parts pursuant to the first sentence of this sub-
19 paragraph, individuals become members of such system by
20 reason of action taken by a political subdivision after cover-
21 age under an agreement under this section has been extended
22 to the division or part thereof composed of positions of indi-
23 viduals who desire such coverage, the positions of such indi-
24 viduals who become members of such retirement system by
25 reason of the action so taken shall be included in the division

1 or part of such system composed of positions of members who
2 do not desire such coverage if (i) such individuals, on the
3 day before becoming such members, were in the division or
4 part of another separate retirement system (deemed to exist
5 by reason of subparagraph (A)) composed of positions
6 of members of such system who do not desire coverage under
7 an agreement under this section, and (ii) all of the positions
8 in the separate retirement system of which such individuals
9 so become members and all of the positions in the separate
10 retirement system referred to in clause (i) would have been
11 covered by a single retirement system if the State had not
12 taken action to provide for separate retirement systems un-
13 der this paragraph.”

14 (2) The amendment made by paragraph (1) shall
15 apply in the case of transfers of positions (as described
16 therein) which occur on or after the date of enactment of
17 this Act. Such amendment shall also apply in the case of
18 such transfers in any State which occurred prior to such date,
19 but only upon request of the Governor (or other official
20 designated by him for the purpose) filed with the Secretary
21 of Health, Education, and Welfare before July 1, 1961; and,
22 in the case of any such request, such amendment shall apply
23 only with respect to wages paid on and after the date on
24 which such request is filed.

1 State and one or more political subdivisions of such
2 State; and

3 “(B) such State provides all of the funds for the
4 payment of those amounts referred to in paragraph
5 (1) (A) which are equivalent to the taxes imposed
6 by section 3111 of the Internal Revenue Code of 1954
7 with respect to wages paid to such individual for such
8 services; and

9 “(C) the political subdivision or subdivisions in-
10 volved do not reimburse such State for the payment
11 of such amounts or, in the case of services described in
12 subparagraph (A) (ii), for the payment of so much
13 of such amounts as is attributable to employment by
14 such subdivision or subdivisions;

15 then, notwithstanding paragraph (1), the agreement under
16 this section with such State may provide (either in the origi-
17 nal agreement or by a modification thereof) that the
18 amounts referred to in paragraph (1) (A) may be computed
19 as though the wages paid to such individual for the services
20 referred to in clause (A) of this paragraph were paid by
21 one political subdivision for services performed in its em-
22 ploy; but the provisions of this paragraph shall be applicable
23 only where such State complies with such regulations as
24 the Secretary may prescribe to carry out the purposes of this
25 paragraph. The preceding sentence shall be applicable with

1 respect to wages paid after an effective date specified in such
 2 agreement or modification, but in no event with respect to
 3 wages paid before ~~the first day of the year following the year~~
 4 ~~in which this paragraph is enacted, or before the first day of~~
 5 *January 1, 1957, or before January 1 of the third year pre-*
 6 *ceding* the year in which such agreement or modification is
 7 mailed or delivered by other means to the Secretary, which-
 8 ever such day is the later.”

9 (2) Section 218 (f) (1) of such Act is amended by
 10 striking out “Any agreement” and inserting in lieu thereof
 11 “Except as provided in subsection (e) (2), any agreement”.

12 Statute of Limitations for State and Local Coverage

13 (f) (1) Section 218 of the Social Security Act is
 14 amended by adding at the end thereof the following new
 15 subsections:

16 “Time Limitation on Assessments

17 “(q) (1) Where a State is liable for an amount due
 18 under an agreement pursuant to this section, such State shall
 19 remain so liable until the Secretary is satisfied that the
 20 amount due has been paid to the Secretary of the Treasury.

21 “(2) Notwithstanding paragraph (1), a State shall not
 22 be liable for an amount due under an agreement pursuant to
 23 this section, with respect to the wages paid to individuals,
 24 after the expiration of the latest of the following periods—

1 “(A) three years, three months, and fifteen days
2 after the year in which such wages were paid, or

3 “(B) three years after the date on which such
4 amount became due, or

5 “(C) three years, three months, and fifteen days
6 after the year following the year in which this subsection
7 is enacted,

8 unless prior to the expiration of such period the Secretary
9 makes an assessment of the amount due.

10 “(3) For purposes of this subsection and section
11 205 (c), an assessment of an amount due is made when the
12 Secretary mails or otherwise delivers to the State a notice
13 stating the amount he has determined to be due under an
14 agreement pursuant to this section and the basis for such
15 determination.

16 “(4) An assessment of an amount due made by the
17 Secretary after the expiration of the period specified in para-
18 graph (2) shall nevertheless be deemed to have been made
19 within such period if—

20 “(A) before the expiration of such period (or, if
21 it has previously been extended under this paragraph,
22 of such period as so extended), the State and the
23 Secretary agree in writing to an extension of such period
24 (or extended period) and, subject to such conditions as

1 may be agreed upon, the Secretary makes the assess-
2 ment prior to the expiration of such extension; or

3 “(B) within the 365 days immediately pre-
4 ceding the expiration of such period (or extended
5 period) the State pays to the Secretary of the Treasury
6 less than the correct amount due under an agreement
7 pursuant to this section with respect to wages paid to
8 individuals in any calendar quarters as members of a cov-
9 erage group, and the Secretary of Health, Education, and
10 Welfare makes the assessment, adjusted to take into ac-
11 count the amount paid by the State, no later than the
12 365th day after the day the State made payment to the
13 Secretary of the Treasury; but the Secretary of Health,
14 Education, and Welfare shall make such assessment only
15 with respect to the wages paid to such individuals in such
16 calendar quarters as members of such coverage group;
17 or

18 “(C) pursuant to subparagraph (A) or (B) of
19 section 205 (c) (5) he includes in his records an entry
20 with respect to wages for an individual, but only if such
21 assessment is limited to the amount due with respect to
22 such wages and is made within the period such entry
23 could be made in such records under such subparagraph.

24 “(5) If the Secretary allows a claim for a credit or

1 refund of an overpayment by a State under an agreement
2 pursuant to this section, with respect to wages paid or alleged
3 to have been paid to an individual in a calendar year for serv-
4 ices as a member of a coverage group, and if as a result of
5 the facts on which such allowance is based there is an amount
6 due from the State, with respect to wages paid to such indi-
7 vidual in such calendar year for services performed as a
8 member of a coverage group, for which amount the State
9 is not liable by reason of paragraph (2), then notwithstand-
10 ing paragraph (2) the State shall be liable for such amount
11 due if the Secretary makes an assessment of such amount
12 due at the time of or prior to notification to the State of the
13 allowance of such claim. For purposes of this paragraph
14 and paragraph (6), interest as provided for in subsection (j)
15 shall not be included in determining the amount due.

16 “(6) The Secretary shall accept wage reports filed by
17 a State under an agreement pursuant to this section or
18 regulations of the Secretary thereunder, after the expiration
19 of the period specified in paragraph (2) or such period as
20 extended pursuant to paragraph (4), with respect to wages
21 which are paid to individuals performing services as em-
22 ployees in a coverage group included in the agreement and
23 for payment in connection with which the State is not liable
24 by reason of paragraph (2), only if the State—

25 “(A) pays to the Secretary of the Treasury the

1 amount due under such agreement with respect to such
2 wages, and

3 “(B) agrees in writing with the Secretary of
4 Health, Education, and Welfare to an extension of
5 the period specified in paragraph (2) with re-
6 spect to wages paid to all individuals performing
7 services as employees in such coverage group in the
8 calendar quarters designated by the State in such wage
9 reports as the periods in which such wages were paid.
10 If the State so agrees, the period specified in paragraph
11 (2), or such period as extended pursuant to paragraph
12 (4), shall be extended until such time as the Secretary
13 notifies the State that such wage reports have been
14 accepted.

15 “(7) Notwithstanding the preceding provisions of this
16 subsection, where there is an amount due by a State under
17 an agreement pursuant to this section and there has been a
18 fraudulent attempt on the part of an officer or employee of
19 the State or any political subdivision thereof to defeat or
20 evade payment of such amount due, the State shall be liable
21 for such amount due without regard to the provisions of para-
22 graph (2), and the Secretary may make an assessment of
23 such amount due at any time.

24 “Time Limitation on Credits and Refunds

25 “(r) (1) No credit or refund of an overpayment by a

1 State under an agreement pursuant to this section with re-
2 spect to wages paid or alleged to have been paid to an indi-
3 vidual as a member of a coverage group in a calendar quarter
4 shall be allowed after the expiration of the latest of the fol-
5 lowing periods—

6 “(A) three years, three months, and fifteen days
7 after the year in which occurred the calendar quarter
8 in which such wages were paid or alleged to have been
9 paid, or

10 “(B) three years after the date the payment which
11 included such overpayment became due under such
12 agreement with respect to the wages paid or alleged to
13 have been paid to such individual as a member of such
14 coverage group in such calendar quarter, or

15 “(C) two years after such overpayment was made
16 to the Secretary of the Treasury, or

17 “(D) three years, three months, and fifteen days
18 after the year following the year in which this subsection
19 is enacted,

20 unless prior to the expiration of such period a claim for such
21 credit or refund is filed with the Secretary of Health, Educa-
22 tion, and Welfare by the State.

23 “(2) A claim for a credit or refund filed by a State
24 after the expiration of the period specified by paragraph (1)

1 or allowance if a written request for such review is filed
2 with him by the State within 90 days (or within such further
3 time as he may allow) after notification to the State of such
4 assessment, disallowance, or allowance. On the basis of the
5 evidence obtained by or submitted to the Secretary, he shall
6 render a decision affirming, modifying, or reversing such
7 assessment, disallowance, or allowance. In notifying the
8 State of his decision, the Secretary shall state the basis
9 therefor.

10 "Review by Court

11 "(t) (1) Notwithstanding any other provision of this
12 title any State, irrespective of the amount in controversy,
13 may file, within two years after the mailing to such State of
14 the notice of any decision by the Secretary pursuant to sub-
15 section (s) affecting such State, or within such further time
16 as the Secretary may allow, a civil action for a redetermina-
17 tion of the correctness of the assessment of the amount due,
18 the disallowance of the claim for a refund or credit, or
19 the allowance of the refund or credit, as the case may be,
20 with respect to which the Secretary has rendered such deci-
21 sion. Such action shall be brought in the district court of
22 the United States for the judicial district in which is located
23 the capital of such State, or, if such action is brought by an
24 instrumentality of two or more States, the principal office
25 of such instrumentality. The judgment of the court shall

1 be final, except that it shall be subject to review in the
2 same manner as judgments of such court in other civil
3 actions. Any action filed under this subsection shall survive
4 notwithstanding any change in the person occupying the
5 office of Secretary or any vacancy in such office.

6 “(2) Notwithstanding the provisions of section 2411 of
7 title 28, United States Code, no interest shall accrue to a
8 State after final judgment with respect to a credit or refund
9 of an overpayment made under an agreement pursuant to
10 this section.

11 “(3) The first sentence of section 2414 of title 28,
12 United States Code, shall not apply to final judgments
13 rendered by district courts of the United States in civil
14 actions filed under this subsection. In such cases, the pay-
15 ment of amounts due to States pursuant to such final judg-
16 ments shall be adjusted in accordance with the provisions of
17 this section and with regulations promulgated by the
18 Secretary.”

19 (2) Section 205 (c) (5) (F) of such Act is amended to
20 read as follows:

21 “(F) to conform his records to—

22 “(i) tax returns or portions thereof (including
23 information returns and other written statements)
24 filed with the Commissioner of Internal Revenue
25 under title VIII of the Social Security Act, under

1 subchapter E of chapter 1 or subchapter A of chap-
2 ter 9 of the Internal Revenue Code of 1939, under
3 chapter 2 or 21 of the Internal Revenue Code of
4 1954, or under regulations made under authority
5 of such title, subchapter, or chapter;

6 “(ii) wage reports filed by a State pursuant
7 to an agreement under section 218 or regulations
8 of the Secretary thereunder; or

9 “(iii) assessments of amounts due under an
10 agreement pursuant to section 218, if such assess-
11 ments are made within the period specified in sub-
12 section (q) of such section, or allowances of credits
13 or refunds of overpayments by a State under an
14 agreement pursuant to such section;

15 except that no amount of self-employment income of an
16 individual for any taxable year (if such return or state-
17 ment was filed after the expiration of the time limitation
18 following the taxable year) shall be included in the
19 Secretary’s records pursuant to this subparagraph;”.

20 (3) (A) The amendments made by paragraphs (1) and
21 (2) shall become effective on the first day of the second cal-
22 endar year following the year in which this Act is enacted.

23 (B) In any case in which the Secretary of Health,
24 Education, and Welfare has notified a State prior to the
25 beginning of such second calendar year that there is an

1 amount due by such State, that such State's claim for a
2 credit or refund of an overpayment is disallowed, or that such
3 State has been allowed a credit or refund of an overpayment,
4 under an agreement pursuant to section 218 of the Social Se-
5 curity Act, then the Secretary shall be deemed to have made
6 an assessment of such amount due as provided in section
7 218 (q) of such Act or notified the State of such allowance
8 or disallowance, as the case may be, on the first day of such
9 second calendar year. In such a case the 90-day limitation
10 in section 218 (s) of such Act shall not be applicable
11 with respect to the assessment so deemed to have been made
12 or the notification of allowance or disallowance so deemed to
13 have been given the State. However, the preceding sen-
14 tences of this subparagraph shall not apply if the
15 Secretary makes an assessment of such amount due or noti-
16 fies the State of such allowance or disallowance on or after
17 the first day of the second calendar year following the
18 year in which this Act is enacted and within the period
19 specified in section 218 (q) of the Social Security Act or the
20 period specified in section 218 (r) of such Act, as the case
21 may be.

22 Municipal and County Hospitals

23 (g) Section 218 (d) (6) (B) of the Social Security Act
24 is amended by adding at the end thereof the following new
25 sentence: "If a retirement system covers positions of em-

1 ployees of a hospital which is an integral part of a political
2 subdivision, then, for purposes of the preceding paragraphs
3 there shall, if the State so desires, be deemed to be a separate
4 retirement system for the employees of such hospital.”

5 Validation of Coverage for Certain Mississippi Teachers

6 (h) For purposes of the agreement under section 218
7 of the Social Security Act entered into by the State of Mis-
8 sissippi, services of teachers in such State performed after
9 February 28, 1951, and prior to October 1, 1959, shall be
10 deemed to have been performed by such teachers as em-
11 ployees of the State. The term “teacher” as used in the
12 preceding sentence means—

13 (1) any individual who is licensed to serve in the
14 capacity of teacher, librarian, registrar, supervisor, prin-
15 cipal, or superintendent and who is principally engaged
16 in the public elementary or secondary school system of
17 the State in any one or more of such capacities;

18 (2) any employee in the office of the county super-
19 intendent of education or the county school supervisor,
20 or in the office of the principal of any county or municipi-
21 pal public elementary or secondary school in the State;
22 and

23 (3) any individual licensed to serve in the ca-
24 pacity of teacher who is engaged in any educational
25 capacity in any day or night school conducted under

1 the supervision of the State department of educa-
2 tion as a part of the adult education program provided
3 for under the laws of Mississippi or under the laws of
4 the United States.

5 JUSTICES OF THE PEACE AND CONSTABLES IN THE STATE
6 OF NEBRASKA

7 (i) Notwithstanding any provision of section 218 of
8 the Social Security Act, the agreement with the State of
9 Nebraska entered into pursuant to such section may, at the
10 option of such State, be modified so as to exclude services
11 performed within such State by individuals as justices of
12 the peace or constables, if such individuals are compensated
13 for such services on a fee basis. Any modification of such
14 agreement pursuant to this subsection shall be effective with
15 respect to services performed after an effective date specified in
16 such modification, except that such date shall not be earlier
17 than the date of enactment of this Act.

18 TEACHERS IN THE STATE OF MAINE

19 (j) Section 316 of the Social Security Amendments of
20 1958 is amended by striking out "July 1, 1960" and insert-
21 ing in lieu thereof "July 1, 1961".

22 EXTENSION OF THE PROGRAM TO GUAM AND AMERICAN
23 SAMOA

24 SEC. 103. (a)-(1)-(A) The next to the last sentence of
25 section 202(i) of the Social Security Act is amended by

1 striking out "Puerto Rico, or the Virgin Islands" and in-
2 serting in lieu thereof "the Commonwealth of Puerto Rico,
3 the Virgin Islands, Guam, or American Samoa".

4 ~~(B)~~ The last sentence of such section 202(i) is
5 amended by striking out "any of such States, or the District
6 of Columbia" and inserting in lieu thereof "any State".

7 ~~(2)~~ Section 101(d) of the Social Security Act Amend-
8 ments of 1950 and section 5(e)(2) of the Social Security
9 Act Amendments of 1952 are each amended by striking out
10 "Puerto Rico, or the Virgin Islands" and inserting in lieu
11 thereof "the Commonwealth of Puerto Rico, the Virgin
12 Islands, Guam, or American Samoa".

13 ~~(b)~~ Section 203(k) of the Social Security Act is
14 amended by striking out "Puerto Rico, or the Virgin
15 Islands" and inserting in lieu thereof "the Commonwealth of
16 Puerto Rico, the Virgin Islands, Guam, or American
17 Samoa", and by striking out "Puerto Rico and the Virgin
18 Islands" and inserting in lieu thereof "the Commonwealth of
19 Puerto Rico, the Virgin Islands, Guam, and American
20 Samoa".

21 ~~(e)~~ Section 210(a)(7) of such Act is amended to read
22 as follows:

23 ~~"(7)~~ Service performed in the employ of a State, or
24 any political subdivision thereof, or any instrumentality
25 of any one or more of the foregoing which is wholly

1 owned thereby, except that this paragraph shall not
2 apply in the case of—

3 “~~(A)~~ service included under an agreement un-
4 der section 218,

5 “~~(B)~~ service which, under subsection ~~(k)~~,
6 constitutes covered transportation service, or

7 “~~(C)~~ service in the employ of the Government
8 of Guam or the Government of American Samoa or
9 any political subdivision thereof, or of any instru-
10 mentality of any one or more of the foregoing which
11 is wholly owned thereby, performed by an officer
12 or employee thereof ~~(including a member of the~~
13 ~~legislature of any such Government or political~~
14 ~~subdivision)~~, and, for purposes of this title—

15 “~~(i)~~ any person whose service as such an
16 officer or employee is not covered by a retire-
17 ment system established by a law of the United
18 States shall not, with respect to such service, be
19 regarded as an officer or employee of the United
20 States or any agency or instrumentality thereof,
21 and

22 “~~(ii)~~ the remuneration for service de-
23 scribed in clause ~~(i)~~ ~~(including fees paid to a~~
24 ~~public official)~~ shall be deemed to have been
25 paid by the Government of Guam or the

1 Government of American Samoa or by a politi-
2 cal subdivision thereof or an instrumentality of
3 any one or more of the foregoing which is
4 wholly owned thereby, whichever is appro-
5 priate;”.

6 ~~(d)~~ Section 210(a) of such Act is further amended—

7 ~~(1)~~ by striking out “or” at the end of paragraph
8 ~~(16)~~;

9 ~~(2)~~ by striking out the period at the end of para-
10 graph ~~(17)~~ and inserting in lieu thereof a semicolon; and

11 ~~(3)~~ by adding at the end thereof the following new
12 paragraph:

13 “~~(18)~~ Service performed in Guam by a resident of
14 the Republic of the Philippines while in Guam on a
15 temporary basis as a nonimmigrant alien admitted to
16 Guam pursuant to section 101(a) ~~(15) (H) (ii)~~ of the
17 Immigration and Nationality Act ~~(8 U.S.C. 1101(a)~~
18 ~~(15) (H) (ii))~~; or”.

19 ~~(e)~~ Section 210(h) of such Act is amended to read
20 as follows:

21 “State

22 “~~(h)~~ The term ‘State’ includes the District of Columbia,
23 the Commonwealth of Puerto Rico, the Virgin Islands,
24 Guam, and American Samoa.”

1 ~~(f)~~ Section 210~~(i)~~ of such Act is amended to read
2 as follows:

3 “United States

4 ~~“(i)~~ The term ‘United States’ when used in a geo-
5 graphical sense means the States, the District of Columbia,
6 the Commonwealth of Puerto Rico, the Virgin Islands,
7 Guam, and American Samoa.”

8 ~~(g)~~ ~~(1)~~ Section 211~~(a)~~ of such Act is amended by
9 striking out the period at the end of paragraph ~~(7)~~ and in-
10 serting in lieu thereof “; and”, and by inserting after
11 paragraph ~~(7)~~ the following new paragraph:

12 ~~“(8)~~ The term ‘possession of the United States’ as
13 used in sections 931 ~~(relating to income from sources~~
14 within possessions of the United States) and 932 ~~(re-~~
15 lating to citizens of possessions of the United States) of
16 the Internal Revenue Code of 1954 shall be deemed not
17 to include the Virgin Islands, Guam, or American
18 Samoa.”

19 ~~(2)~~ Clauses ~~(v)~~ and ~~(vi)~~ in the last sentence of sec-
20 tion 211~~(a)~~ of such Act are each amended by striking out
21 “paragraphs ~~(1)~~ through ~~(6)~~” and inserting in lieu there-
22 of “paragraphs ~~(1)~~ through ~~(6)~~ and paragraph ~~(8)~~”.

23 ~~(h)~~ Section 211~~(b)~~ of such Act is amended by striking

1 out the last two sentences and inserting in lieu thereof the
2 following:

3 “An individual who is not a citizen of the United States but
4 who is a resident of the Commonwealth of Puerto Rico, the
5 Virgin Islands, Guam, or American Samoa shall not, for the
6 purposes of this subsection, be considered to be a nonresident
7 alien individual.”

8 (i) Section 218(b)(1) of such Act is amended by in-
9 serting “, Guam, or American Samoa” immediately before
10 the period at the end thereof.

11 (j)(1) Section 219 of such Act is repealed.

12 (2)(A) Section 210(j) of such Act is repealed.

13 (B) Subsections (k) through (o) of section 210 of such
14 Act are redesignated as subsections (j) through (n), re-
15 spectively.

16 (C) Sections 202(i), 215(h)(1), and 217(c)(1), and
17 the last paragraph of section 209, are each amended by strik-
18 ing out “section 210(m)(1)” and inserting in lieu thereof
19 “section 210(l)(1)”.

20 (D) Section (202)(t)(4)(D) of such Act is amended—

21 (i) by striking out “section 210(m)(2)”, “section
22 210(m)(3)”, and “section 210(m)(2) and (3)” and
23 inserting in lieu thereof “section 210(l)(2)”, “section
24 210(l)(3)”, and “section 210(l)(2) and (3)”, re-
25 spectively; and

1 ~~(ii)~~ by striking out “section 210(n)” each place
2 it appears and inserting in lieu thereof “section 210
3 ~~(m)~~”.

4 ~~(E)~~ Section 205~~(p)~~(1) of such Act is amended by
5 striking out “subsection ~~(m)~~(1)” and inserting in lieu
6 thereof “subsection ~~(l)~~(1)”.

7 ~~(F)~~ Section 209~~(j)~~ of such Act is amended by striking
8 out “section 210~~(k)~~(3)(C)” and inserting in lieu thereof
9 “section 210~~(j)~~(3)(C)”.

10 ~~(G)~~ Section 218~~(e)~~(6)(C) of such Act is amended
11 by striking out “section 210(1)” and inserting in lieu thereof
12 “section 210(k)”.

13 ~~(3)~~ Section 211~~(a)~~(6) of such Act is amended to read
14 as follows:

15 ~~(6)~~ A resident of the Commonwealth of Puerto
16 Rieo shall compute his net earnings from self-employ-
17 ment in the same manner as a citizen of the United
18 States but without regard to the provisions of section 933
19 of the Internal Revenue Code of 1954;”.

20 ~~(k)~~(1) Section 1402~~(a)~~ of the Internal Revenue Code
21 of 1954 ~~(relating to definition of net earnings from self-~~
22 ~~employment)~~ is amended by striking out the period at the
23 end of paragraph ~~(8)~~ and inserting in lieu thereof “; and”,
24 and by inserting after paragraph ~~(8)~~ the following new
25 paragraph:

1 ~~“(9)~~ the term ‘possession of the United States’ as
 2 used in sections 931 ~~(relating to income from sources~~
 3 ~~within possessions of the United States)~~ and 932 ~~(re-~~
 4 ~~lating to citizens of possessions of the United States)~~
 5 shall be deemed not to include the Virgin Islands,
 6 Guam, or American Samoa.”

7 ~~(2)~~ Clauses ~~(v)~~ and ~~(vi)~~ in the last sentence of such
 8 section 1402(a) are each amended by striking out “para-
 9 graphs ~~(1)~~ through ~~(7)~~” and inserting in lieu thereof
 10 “~~paragraphs (1) through (7) and paragraph (9)~~”.

11 ~~(1)~~ The last sentence of section 1402(b) of such Code
 12 ~~(relating to definition of self-employment income)~~ is
 13 amended by striking out “the Virgin Islands or a resi-
 14 dent of Puerto Rico” and inserting in lieu thereof “the Com-
 15 monwealth of Puerto Rico, the Virgin Islands, Guam, or
 16 American Samoa”.

17 ~~(m)~~ Section 1403(b)(2) of such Code ~~(relating to~~
 18 ~~cross references)~~ is amended by inserting “, Guam, Ameri-
 19 can Samoa,” after “Virgin Islands”.

20 ~~(n)~~ Section 3121(b)(7) of such Code ~~(relating to~~
 21 ~~definition of employment)~~ is amended to read as follows:

22 ~~(7)~~ service performed in the employ of a State
 23 or any political subdivision thereof, or any instru-
 24 mentality of any one or more of the foregoing which is

1 wholly owned thereby, except that this paragraph shall
2 not apply in the case of—

3 “(A) service which, under subsection (j), con-
4 stitutes covered transportation service, or

5 “(B) service in the employ of the Government
6 of Guam or the Government of American Samoa or
7 any political subdivision thereof, or of any instru-
8 mentality of any one or more of the foregoing which
9 is wholly owned thereby, performed by an officer
10 or employee thereof (including a member of the
11 legislature of any such Government or political sub-
12 division), and, for purposes of this title with respect
13 to the taxes imposed by this chapter—

14 “(i) any person whose service as such an
15 officer or employee is not covered by a retire-
16 ment system established by a law of the United
17 States shall not, with respect to such service,
18 be regarded as an employee of the United
19 States or any agency or instrumentally thereof,
20 and

21 “(ii) the remuneration for service de-
22 scribed in clause (i) (including fees paid to
23 a public official) shall be deemed to have
24 been paid by the Government of Guam or the

1 Government of American Samoa or by a politi-
2 cal subdivision thereof or an instrumentality
3 of any one or more of the foregoing which is
4 wholly owned thereby, whichever is appro-
5 priate;”

6 ~~(o)~~ Section 3121(b) of such Code is further amended—

7 ~~(1)~~ by striking out “or” at the end of paragraph
8 ~~(16)~~,

9 ~~(2)~~ by striking out the period at the end of para-
10 graph ~~(17)~~ and inserting in lieu thereof a semicolon, and

11 ~~(3)~~ by adding at the end thereof the following new
12 paragraph:

13 ~~“(18) service performed in Guam by a resident of~~
14 ~~the Republic of the Philippines while in Guam on a~~
15 ~~temporary basis as a nonimmigrant alien admitted to~~
16 ~~Guam pursuant to section 101(a)(15)(H)(ii) of the~~
17 ~~Immigration and Nationality Act (8 U.S.C. 1101(a)~~
18 ~~(15)(H)(ii)); or”.~~

19 ~~(p)~~ Section 3121(e) of such Code (relating to defini-
20 tion of State, United States, and citizen) is amended to read
21 as follows:

22 ~~“(e) STATE, UNITED STATES, AND CITIZEN.—For pur-~~
23 ~~poses of this chapter—~~

24 ~~“(1) STATE.—The term ‘State’ includes the District~~

1 of Columbia, the Commonwealth of Puerto Rico, the
2 Virgin Islands, Guam, and American Samoa.

3 “~~(2)~~ UNITED STATES.—The term ‘United States’
4 when used in a geographical sense includes the Common-
5 wealth of Puerto Rico, the Virgin Islands, Guam, and
6 American Samoa.

7 An individual who is a citizen of the Commonwealth of
8 Puerto Rico (but not otherwise a citizen of the United
9 States) shall be considered, for purposes of this section, as
10 a citizen of the United States.”

11 ~~(g)~~ (1) Subchapter C of chapter 21 of such Code (gen-
12 eral provisions relating to tax under Federal Insurance Con-
13 tributions Act) is amended by redesignating section 3125 as
14 section 3126, and by inserting after section 3124 the fol-
15 lowing new section:

16 “**SEC. 3125. RETURNS IN THE CASE OF GOVERNMENTAL**
17 **EMPLOYEES IN GUAM AND AMERICAN SAMOA.**

18 “~~(a)~~ **GUAM.**—The return and payment of the taxes im-
19 posed by this chapter on the income of individuals who
20 are officers or employees of the Government of Guam or
21 any political subdivision thereof or of any instrumentality
22 of any one or more of the foregoing which is wholly owned
23 thereby, and those imposed on such Government or political
24 subdivision or instrumentality with respect to having such

1 individuals in its employ, may be made by the Governor of
 2 Guam or by such agents as he may designate. The person
 3 making such return may, for convenience of administration,
 4 make payments of the tax imposed under section 3111 with
 5 respect to the service of such individuals without regard to
 6 the \$4,800 limitation in section 3121(a)(1).

7 “(b) AMERICAN SAMOA.—The return and payment of
 8 the taxes imposed by this chapter on the income of indi-
 9 viduals who are officers or employees of the Government of
 10 American Samoa or any political subdivision thereof or of
 11 any instrumentality of any one or more of the foregoing
 12 which is wholly owned thereby, and those imposed on such
 13 Government or political subdivision or instrumentality with
 14 respect to having such individuals in its employ, may be
 15 made by the Governor of American Samoa or by such agents
 16 as he may designate. The person making such return may,
 17 for convenience of administration, make payments of the tax
 18 imposed under section 3111 with respect to the service of
 19 such individuals without regard to the \$4,800 limitation in
 20 section 3121(a)(1).”

21 “(2) The table of sections for such subchapter C is
 22 amended by striking out

“Sec. 3125. Short title.”

23 and inserting in lieu thereof:

“Sec. 3125. Returns in the case of governmental employees
 in Guam and American Samoa.

“Sec. 3126. Short title.”

1 ~~(r)(1)~~ Section 6205(a) of such Code ~~(relating to~~
2 adjustment of tax) is amended by adding at the end thereof
3 the following new paragraph:

4 ~~“(3) GUAM OR AMERICAN SAMOA AS EMPLOYER.—~~
5 For purposes of this subsection, in the case of remunera-
6 tion received during any calendar year from the Govern-
7 ment of Guam, the Government of American Samoa, a
8 political subdivision of either, or any instrumentality of
9 any one or more of the foregoing which is wholly owned
10 thereby, the Governor of Guam, the Governor of Ameri-
11 can Samoa, and each agent designated by either who
12 makes a return pursuant to section 3125 shall be deemed
13 a separate employer.”

14 ~~(2)~~ Section 6413(a) of such Code ~~(relating to~~
15 adjustment of tax) is amended by adding at the end thereof
16 the following new paragraph:

17 ~~“(3) GUAM OR AMERICAN SAMOA AS EM-~~
18 PLOYER.—For purposes of this subsection, in the case
19 of remuneration received during any calendar year
20 from the Government of Guam, the Government of
21 American Samoa, a political subdivision of either, or
22 any instrumentality of any one or more of the fore-
23 going which is wholly owned thereby, the Governor
24 of Guam, the Governor of American Samoa, and each
25 agent designated by either who makes a return pur-

1 suant to section 3125 shall be deemed a separate
2 employer.”

3 ~~(3) Section 6413(e)(2) of such Code (relating to~~
4 ~~applicability of special rules to certain employment taxes)~~
5 is amended by adding at the end thereof the following new
6 subparagraphs:

7 “~~(D) GOVERNMENTAL EMPLOYEES IN GUAM.—~~

8 In the case of remuneration received from the Gov-
9 ernment of Guam or any political subdivision thereof
10 or from any instrumentality of any one or more of the
11 foregoing which is wholly owned thereby, during any
12 calendar year, the Government of Guam and each agent
13 designated by him who makes a return pursuant to
14 section 3125(a) shall, for purposes of this subsection,
15 be deemed a separate employer.

16 “~~(E) GOVERNMENTAL EMPLOYEES IN AMERICAN~~
17 ~~SAMOA.—~~In the case of remuneration received from
18 the Government of American Samoa or any political
19 subdivision thereof or from any instrumentality of any
20 one or more of the foregoing which is wholly owned
21 thereby, during any calendar year, the Governor of
22 American Samoa and each agent designated by him who
23 makes a return pursuant to section 3125(b) shall, for
24 purposes of this subsection, be deemed a separate em-
25 ployer.”

1 ~~(4)~~ The heading of such section 6413(e)(2) is
 2 amended by striking out “AND EMPLOYEES OF CERTAIN
 3 FOREIGN CORPORATIONS” and inserting in lieu thereof “, EM-
 4 PLOYEES OF CERTAIN FOREIGN CORPORATIONS, AND GOV-
 5 ERNMENTAL EMPLOYEES IN GUAM AND AMERICAN SAMOA”.

6 ~~(s)~~ Section 7213 of such Code ~~(relating to unauthor-~~
 7 ~~ized disclosure of information)~~ is amended by redesignating
 8 subsection ~~(d)~~ as subsection ~~(e)~~ and by inserting after
 9 subsection ~~(e)~~ the following new subsection:

10 “~~(d)~~ DISCLOSURES BY CERTAIN DELEGATES OF SEC-
 11 RETARY.—All provisions of law relating to the disclosure
 12 of information, and all provisions of law relating to penalties
 13 for unauthorized disclosure of information, which are ap-
 14 plicable in respect of any function under this title when
 15 performed by an officer or employee of the Treasury De-
 16 partment are likewise applicable in respect of such function
 17 when performed by any person who is a ‘delegate’ within
 18 the meaning of section 7701(a) ~~(12)~~ ~~(B)~~.”

19 ~~(t)~~ Section 7701(a) ~~(12)~~ of such Code ~~(relating to~~
 20 ~~definition of delegate)~~ is amended to read as follows:

21 “~~(12)~~ DELEGATE.—

22 “~~(A)~~ IN GENERAL.—The term ‘Secretary or
 23 his delegate’ means the Secretary of the Treasury,
 24 or any officer, employee, or agency of the Treasury
 25 Department duly authorized by the Secretary

1 (~~directly, or indirectly by one or more redelega-~~
2 tions of authority) to perform the function men-
3 tioned or described in the context, and the term 'or
4 his delegate' when used in connection with any
5 other official of the United States shall be similarly
6 construed.

7 “~~(B) PERFORMANCE OF CERTAIN FUNCTIONS~~
8 IN GUAM OR AMERICAN SAMOA.—The term 'dele-
9 gate', in relation to the performance of functions in
10 Guam or American Samoa with respect to the taxes
11 imposed by chapters 2 and 21, also includes any
12 officer or employee of any other department or
13 agency of the United States, or of any possession
14 thereof, duly authorized by the Secretary (~~directly,~~
15 or indirectly by one or more redelegations of author-
16 ity) to perform such functions.”

17 ~~(u)~~ Section 30 of the Organic Act of Guam (~~48~~
18 U.S.C., see 1421h) is amended by inserting before the
19 period at the end thereof the following: “; except that
20 nothing in this Act shall be construed to apply to any tax
21 imposed by chapter 2 or 21 of the Internal Revenue Code
22 of 1954”.

23 ~~(v)~~ (1) The amendments made by subsection ~~(a)~~ shall
24 apply only with respect to reinterments after the date of the
25 enactment of this Act. The amendments made by subsec-

1 tions ~~(b)~~, ~~(c)~~, and ~~(f)~~ shall apply only with
2 respect to service performed after 1960; except that insofar
3 as the carrying on of a trade or business (other than per-
4 formance of service as an employee) is concerned, such
5 amendments shall apply only in the case of taxable years
6 beginning after 1960. The amendments made by subsec-
7 tions ~~(d)~~, ~~(i)~~, ~~(o)~~, and ~~(p)~~ shall apply only with respect
8 to service performed after 1960. The amendments made by
9 subsections ~~(h)~~ and ~~(l)~~ shall apply only in the case of tax-
10 able years beginning after 1960. The amendments made
11 by subsections ~~(e)~~, ~~(n)~~, ~~(q)~~, and ~~(r)~~ shall apply only
12 with respect to ~~(1)~~ service in the employ of the Govern-
13 ment of Guam or any political subdivision thereof, or any
14 instrumentality of any one or more of the foregoing wholly
15 owned thereby, which is performed after 1960 and after the
16 calendar quarter in which the Secretary of the Treasury
17 receives a certification by the Governor of Guam that legis-
18 lation has been enacted by the Government of Guam express-
19 ing its desire to have the insurance system established by title
20 II of the Social Security Act extended to the officers and
21 employees of such Government and such political subdivi-
22 sions and instrumentalities, and ~~(2)~~ service in the employ of
23 the Government of American Samoa or any political subdivi-
24 sion thereof, or any instrumentality of any one or more of
25 the foregoing wholly owned thereby, which is performed after

1 1960 and after the calendar quarter in which the Secretary
2 of the Treasury receives a certification by the Governor of
3 American Samoa that the Government of American Samoa
4 desires to have the insurance system established by such title
5 II extended to the officers and employees of such Govern-
6 ment and such political subdivisions and instrumentalities.
7 The amendments made by subsections (g) and (k) shall
8 apply only in the case of taxable years beginning after 1960,
9 except that, insofar as they involve the nonapplication of
10 section 932 of the Internal Revenue Code of 1954 to the
11 Virgin Islands for purposes of chapter 2 of such
12 Code and section 211 of the Social Security Act, such
13 amendments shall be effective in the case of all taxable
14 years with respect to which such chapter 2 (and corre-
15 sponding provisions of prior law) and such section 211 are
16 applicable. The amendments made by subsections (j), (s),
17 and (t) shall take effect on the date of the enactment of this
18 Act; and there are authorized to be appropriated such sums
19 as may be necessary for the performance by any officer or
20 employee of functions delegated to him by the Secretary
21 of the Treasury in accordance with the amendment made by
22 such subsection (t).

23 (2) The amendments made by subsections (e) and
24 (n) shall have application only as expressly provided there-
25 in, and determinations as to whether an officer or employee

1 of the Government of Guam or the Government of Ameri-
 2 can Samoa or any political subdivision thereof, or of any
 3 instrumentality of any one or more of the foregoing which is
 4 wholly owned thereby, is an employee of the United States
 5 or any agency or instrumentality thereof within the meaning
 6 of any provision of law not affected by such amendments,
 7 shall be made without any inferences drawn from such
 8 amendments.

9 ~~(3)~~ The repeal ~~(by subsection (j)(1))~~ of section
 10 219 of the Social Security Act, and the elimination ~~(by~~
 11 ~~subsections (e), (f), (h), (j)(2), and (j)(3))~~ of other
 12 provisions of such Act making reference to such section
 13 219, shall not be construed as changing or otherwise affecting
 14 the effective date specified in such section for the extension
 15 to the Commonwealth of Puerto Rico of the insurance sys-
 16 tem under title II of such Act, the manner or consequences
 17 of such extension, or the status of any individual with respect
 18 to whom the provisions so eliminated are applicable.

19 DOCTORS OF MEDICINE

20 SEC. 104. ~~(a)(1)~~ Section 211(c)(5) of the Social
 21 Security Act is amended to read as follows:

22 “~~(5)~~ The performance of service by an individual
 23 in the exercise of his profession as a Christian Science
 24 practitioner.”

25 ~~(2)~~ Section 211(c) of such Act is further amended

1 by striking out the last two sentences and inserting in lieu
2 thereof the following:

3 “The provisions of paragraph ~~(4)~~ or ~~(5)~~ shall not apply
4 to service ~~(other than service performed by a member of a~~
5 ~~religious order who has taken a vow of poverty as a member~~
6 ~~of such order)~~ performed by an individual during the period
7 for which a certificate filed by him under section 1402(c)
8 of the Internal Revenue Code of 1954 is in effect.”

9 ~~(b)~~ Section 210(a)~~(6)(C)(iv)~~ of such Act is
10 amended by striking out all that follows “1947” and insert-
11 ing in lieu thereof “(relating to certain student employees of
12 hospitals of the Federal Government; ~~5 U.S.C. 1052)~~;
13 other than as a medical or dental intern or a medical or
14 dental resident in training;”.

15 ~~(c)~~ Section 210(a)~~(13)~~ of such Act is amended
16 by striking out all that follows the first semicolon.

17 ~~(d)(1)~~ Section 1402(c)~~(5)~~ of the Internal Revenue
18 Code of 1954 ~~(relating to definition of trade or business)~~ is
19 amended to read as follows:

20 ~~(5)~~ the performance of service by an individual
21 in the exercise of his profession as a Christian Science
22 practitioner.”

23 ~~(2)~~ Section 1402(c) of such Code is further amended
24 by striking out the last two sentences and inserting in
25 lieu thereof the following:

1 ~~“The provisions of paragraph (4) or (5) shall not apply to~~
 2 ~~service (other than service performed by a member of a~~
 3 ~~religious order who has taken a vow of poverty as a member~~
 4 ~~of such order) performed by an individual during the period~~
 5 ~~for which a certificate filed by him under subsection (c) is~~
 6 ~~in effect.”~~

7 ~~(c)(1) Section 1402(c)(1) of such Code (relating~~
 8 ~~to filing of waiver certificate by ministers, members of~~
 9 ~~religious orders, and Christian Science practitioners) is~~
 10 ~~amended by striking out “extended to service” and all that~~
 11 ~~follows and inserting in lieu thereof “extended to service~~
 12 ~~described in subsection (c)(4) or (c)(5) performed by~~
 13 ~~him.”~~

14 ~~(2) Clause (A) of section 1402(c)(2) of such Code~~
 15 ~~(relating to time for filing waiver certificate) is amended to~~
 16 ~~read as follows: “(A) the due date of the return (including~~
 17 ~~any extension thereof) for his second taxable year ending~~
 18 ~~after 1954 for which he has net earnings from self-employ-~~
 19 ~~ment (computed without regard to subsections (c)(4) and~~
 20 ~~(c)(5)) of \$400 or more, any part of which was derived~~
 21 ~~from the performance of service described in subsection~~
 22 ~~(c)(4) or (c)(5); or”.~~

23 ~~(f) Section 3121(b)(6)(C)(iv) of such Code (re-~~
 24 ~~lating to definition of employment) is amended by striking~~

1 out all that follows "1947" and inserting in lieu thereof
2 "(relating to certain student employees of hospitals of the
3 Federal Government; 5 U.S.C. 1052), other than as a
4 medical or dental intern or a medical or dental resident-in-
5 training."

6 ~~(g)~~ Section 3121(b)(13) of such Code is amended
7 by striking out all that follows the first semicolon.

8 ~~(h)~~ The amendments made by subsections ~~(a)~~, ~~(d)~~,
9 and ~~(e)~~ shall apply only with respect to taxable years ending
10 on or after December 31, 1960. The amendments made by
11 subsections ~~(b)~~, ~~(c)~~, ~~(f)~~, and ~~(g)~~ shall apply only with
12 respect to services performed after 1960.

13 SERVICE OF PARENT FOR SON OR DAUGHTER

14 SEC. 105. ~~(a)~~ Section 210(a)(3) of the Social Se-
15 curity Act is amended to read as follows:

16 "~~(3)~~(A) Service performed by an individual in
17 the employ of his spouse, and service performed by a
18 child under the age of twenty-one in the employ of his
19 father or mother;

20 "~~(B)~~ Service not in the course of the employer's
21 trade or business, or domestic service in a private home
22 of the employer, performed by an individual in the
23 employ of his son or daughter;".

24 ~~(b)~~ Section 3121(b)(3) of the Internal Revenue Code

1 of 1954 (~~relating to definition of employment~~) is amended
2 to read as follows:

3 “~~(3)~~ (A) service performed by an individual in
4 the employ of his spouse, and service performed by a
5 child under the age of 21 in the employ of his father
6 or mother;

7 “~~(B)~~ service not in the course of the employer's
8 trade or business, or domestic service in a private home
9 of the employer, performed by an individual in the
10 employ of his son or daughter;”

11 ~~(c)~~ The amendments made by subsections ~~(a)~~ and
12 ~~(b)~~ shall apply only with respect to services performed
13 after 1960.

14 EMPLOYEES OF NONPROFIT ORGANIZATIONS

15 SEC. ~~106~~ 103. (a) (1) The first sentence of section
16 3121 (k) (1) (A) of the Internal Revenue Code of 1954
17 (relating to waiver of exemption by religious, charitable, and
18 certain other organizations) is amended by striking out
19 “and that at least two-thirds of its employees concur in the
20 filing of the certificate”.

21 (2) The second sentence of such section 3121 (k) (1)
22 (A) is amended by inserting “(if any)” after “each em-
23 ployee”.

24 (3) Section 3121 (k) (1) (E) of such Code is

1 amended by striking out the last two sentences and in-
2 serting in lieu thereof: "An organization which has so di-
3 vided its employees into two groups may file a certificate
4 pursuant to subparagraph (A) with respect to the employees
5 in either group, or may file a separate certificate pursuant
6 to such subparagraph with respect to the employees in each
7 group."

8 (b) (1) If—

9 (A) an individual performed service in the employ
10 of an organization after 1950 with respect to which
11 remuneration was paid before July 1, 1960, and such
12 service is excepted from employment under section
13 210 (a) (8) (B) of the Social Security Act,

14 (B) such service would have constituted employ-
15 ment as defined in section 210 of such Act if the require-
16 ments of section 3121 (k) (1) of the Internal Revenue
17 Code of 1954 (or corresponding provisions of prior law)
18 were satisfied,

19 (C) such organization paid before August 11, 1960,
20 any amount, as taxes imposed by sections 3101 and
21 3111 of the Internal Revenue Code of 1954 (or corre-
22 sponding provisions of prior law), with respect to such
23 remuneration paid by the organization to the individual
24 for such service,

25 (D) such individual (or a fiduciary acting for such

1 individual or his estate, or his survivor (within the
2 meaning of section 205 (c) (1) (C) of the Social Secu-
3 rity Act)) requests that such remuneration be deemed
4 to constitute remuneration for employment for purposes
5 of title II of the Social Security Act, and

6 (E) the request is made in such form and manner,
7 and with such official, as may be prescribed by regula-
8 tions made by the Secretary of Health, Education, and
9 Welfare,

10 then, subject to the conditions stated in paragraphs (2),
11 (3), and (4), the remuneration with respect to which the
12 amount has been paid as taxes shall be deemed to constitute
13 remuneration for employment for purposes of title II of the
14 Social Security Act.

15 (2) Paragraph (1) shall not apply with respect to an
16 individual unless the organization referred to in paragraph
17 (1) (A) —

18 (A) on or before the date on which the request de-
19 scribed in paragraph (1) is made, has filed a certificate
20 pursuant to section 3121 (k) (1) of the Internal Reve-
21 nue Code of 1954 (or corresponding provisions of prior
22 law), or

23 (B) no longer has any individual in its employ-
24 for remuneration at the time such request is made.

25 (3) Paragraph (1) shall not apply with respect to an

1 individual who was in the employ of the organization re-
2 ferred to in paragraph (2) (A) at any time during the 24-
3 month period following the calendar quarter in which the
4 certificate was filed, unless the organization paid an amount
5 as taxes under sections 3101 and 3111 of the Internal Rev-
6 enue Code of 1954 (or corresponding provisions of prior
7 law) with respect to remuneration paid by the organization
8 to the employee during some portion of such 24-month
9 period.

10 (4) If credit or refund of any portion of the amount
11 referred to in paragraph (1) (C) (other than a credit or
12 refund which would be allowed if the service constituted
13 employment for purposes of chapter 21 of the Internal Reve-
14 nue Code of 1954) has been obtained, paragraph (1) shall
15 not apply with respect to the individual unless the amount
16 credited or refunded (including any interest under section
17 6611) is repaid before January 1, 1963.

18 (5) If—

19 (A) any remuneration for service performed by
20 an individual is deemed pursuant to paragraph (1) to
21 constitute remuneration for employment for purposes
22 of title II of the Social Security Act,

23 (B) such individual performs service, on or after

1 the date on which the request is made, in the employ
2 of the organization referred to in paragraph (1) (A),
3 and

4 (C) the certificate filed by such organization pur-
5 suant to section 3121(k) (1) of the Internal Revenue
6 Code of 1954 (or corresponding provisions of prior law)
7 is not effective with respect to service performed by
8 such individual before the first day of the calendar
9 quarter following the quarter in which the request is
10 made,

11 then, for purposes of clauses (ii) and (iii) of section 210
12 (a) (8) (B) of the Social Security Act and of clauses (ii)
13 and (iii) of section 3121(b) (8) (B) of the Internal
14 Revenue Code of 1954, such individual shall be deemed to
15 have become an employee of such organization (or to have
16 become a member of a group described in section 3121
17 (k) (1) (E) of such Code) on the first day of the calendar
18 quarter following the quarter in which the request is made.

19 (6) Section 403 (a) of the Social Security Amend-
20 ments of 1954 is amended by striking out "filed in such
21 form and manner" and inserting in lieu thereof "filed on or
22 before the date of the enactment of the Social Security
23 Amendments of 1960 and in such form and manner".

1 (c) (1) Section 1402 of such Code is further amended
2 by adding at the end thereof the following new subsection:

3 “(g) TREATMENT OF CERTAIN REMUNERATION ER-
4 RONEOUSLY REPORTED AS NET EARNINGS FROM SELF-
5 EMPLOYMENT.—If—

6 “(1) an amount is erroneously paid as tax under
7 section 1401, for any taxable year ending after 1954
8 and before 1962, with respect to remuneration for serv-
9 ice described in section 3121 (b) (8) (other than service
10 described in section 3121 (b) (8) (A)), and such re-
11 muneration is reported as self-employment income on a
12 return filed on or before the due date prescribed for
13 filing such return (including any extension thereof),

14 “(2) the individual who paid such amount (or a
15 fiduciary acting for such individual or his estate, or his
16 survivor (within the meaning of section 205 (c) (1)
17 (C) of the Social Security Act)) requests that such
18 remuneration be deemed to constitute net earnings from
19 self-employment,

20 “(3) such request is filed after the date of the enact-
21 ment of this paragraph and on or before April 15, 1962,

22 “(4) such remuneration was paid to such individual
23 for services performed in the employ of an organiza-
24 tion which, on or before the date on which such re-

1 quest is filed, has filed a certificate pursuant to section
2 3121 (k), and
3 “(5) no credit or refund of any portion of the
4 amount erroneously paid for such taxable year as tax
5 under section 1401 (other than a credit or refund which
6 would be allowable if such tax were applicable with re-
7 spect to such remuneration) has been obtained before
8 the date on which such request is filed or, if obtained,
9 the amount credited or refunded (including any interest
10 under section 6611) is repaid on or before such date,
11 then, for purposes of this chapter and chapter 21, any
12 amount of such remuneration which is paid to such in-
13 dividual before the calendar quarter in which such request
14 is filed (or before the succeeding quarter if such certificate
15 first becomes effective with respect to services performed by
16 such individual in such succeeding quarter), and with re-
17 spect to which no tax (other than an amount erroneously
18 paid as tax) has been paid under chapter 21, shall be deemed
19 to constitute net earnings from self-employment and not
20 remuneration for employment. For purposes of section 3121
21 (b) (8) (B) (ii) and (iii), if the certificate filed by such
22 organization pursuant to section 3121 (k) is not effective
23 with respect to services performed by such individual on or
24 before the first day of the calendar quarter in which the re-
25 quest is filed, such individual shall be deemed to have become

1 an employee of such organization (or to have become a mem-
2 ber of a group described in section 3121 (k) (1) (E)) on the
3 first day of the succeeding quarter.”

4 (2) Remuneration which is deemed under section
5 1402 (g) of the Internal Revenue Code of 1954 to con-
6 stitute net earnings from self-employment and not remunera-
7 tion for employment shall also be deemed, for purposes of
8 title II of the Social Security Act, to constitute net earnings
9 from self-employment and not remuneration for employ-
10 ment. If, pursuant to the last sentence of section 1402 (g)
11 of the Internal Revenue Code of 1954, an individual is
12 deemed to have become an employee of an organization (or
13 to have become a member of a group) on the first day of a
14 calendar quarter, such individual shall likewise be deemed,
15 for purposes of clause (ii) or (iii) of section 210 (a) (8) (B)
16 of the Social Security Act, to have become an employee of
17 such organization (or to have become a member of such
18 group) on such day.

19 ~~(d) (1) Section 3121 (h) of such Code (relating to defi-~~
20 ~~inition of American employer) is amended by striking out~~
21 ~~“or” at the end of paragraph (4), by striking out the period~~
22 ~~at the end of paragraph (5) and inserting in lieu thereof “,~~
23 ~~or”, and by adding at the end thereof the following new para-~~
24 ~~graph:~~

25 ~~“(6) a labor organization created or organized in the~~

1 Canal Zone, if such organization is chartered by a labor
2 organization ~~(described in section 501(c)(5) and ex-~~
3 ~~empt from tax under section 501(a))~~ created or organ-
4 ized in the United States.”

5 ~~(2)~~ Section 210(c) of the Social Security Act is amended
6 by striking out “or ~~(6)~~” and inserting in lieu thereof “~~(6)~~”,
7 and by inserting before the period at the end thereof the fol-
8 lowing: “, or ~~(7)~~ a labor organization created or organized in
9 the Canal Zone, if such organization is chartered by a labor
10 organization ~~(described in section 501(c)(5) of the Internal~~
11 ~~Revenue Code of 1954 and exempt from tax under section~~
12 ~~501(a) of such Code)~~ created or organized in the United
13 States”.

14 ~~(3)~~ For purposes of title II of the Social Security Act,
15 if—

16 ~~(A)~~ a citizen of the United States is paid remunera-
17 tion for service performed after 1954 and before 1961 as
18 an employee of an American employer ~~(as defined in~~
19 ~~section 210(c)(7) of such Act)~~;

20 ~~(B)~~ amounts are paid, as taxes imposed by sections
21 3101 and 3111 of the Internal Revenue Code of 1951,
22 with respect to any part of the remuneration paid in any
23 calendar quarter to such individual for such service and
24 part of such amounts have been paid before the date
25 of the enactment of this Act; and

1 ~~(C)~~ no claim for credit or refund of such amounts
2 paid with respect to such calendar quarter ~~(other than a~~
3 claim which would be allowed if such services constituted
4 employment for purposes of chapter 21 of such Code) is
5 filed prior to the expiration of the period prescribed
6 in section 6511 for filing claim for credit or refund.
7 then the remuneration paid in such calendar quarter with re-
8 spect to which such amounts are timely paid shall be deemed
9 to constitute remuneration for employment.

10 ~~(e)~~ (d) (1) The amendments made by subsection (a)
11 shall apply only with respect to certificates filed under sec-
12 tion 3121 (k) (1) of the Internal Revenue Code of 1954
13 after the date of the enactment of this Act.

14 ~~(2)~~ The amendments made by paragraphs ~~(1)~~ and ~~(2)~~
15 of subsection ~~(d)~~ shall be effective with respect to service
16 performed after December 31, 1960.

17 ~~(3)~~ (2) No monthly benefits under title II of the Social
18 Security Act for the month in which this Act is enacted or
19 any prior month shall be payable or increased by reason of
20 the provisions of subsections ~~(b)~~, ~~(e)~~, and ~~(d)~~ (b) and (c)
21 of this section or the amendments made by such subsections,
22 and no lump-sum death payment under such title shall be
23 payable or increased by reason of such provisions or amend-
24 ments in the case of any individual who died prior to the
25 date of the enactment of this Act.

1 AMERICAN CITIZEN EMPLOYEES OF FOREIGN GOVERNMENTS
2 AND INTERNATIONAL ORGANIZATIONS

3 SEC. ~~107~~ 104. (a) Section 211 (c) (2) of the Social
4 Security Act is amended to read as follows:

5 “(2) The performance of service by an individual
6 as an employee, other than—

7 “(A) service described in section 210 (a) (14)

8 (B) performed by an individual who has attained
9 the age of eighteen,

10 “(B) service described in section 210 (a) (16),

11 “(C) service described in section 210 (a)
12 ~~(11)~~, (11) or (12), ~~or (15)~~ performed in the
13 United States by a citizen of the United States, and

14 “(D) service described in paragraph (4)
15 of this subsection;”.

16 (b) Section 1402 (c) (2) of the Internal Revenue Code
17 of 1954 (relating to definition of trade or business) is
18 amended to read as follows:

19 “(2) the performance of service by an individual as
20 an employee, other than—

21 “(A) service described in section 3121 (b)

22 (14) (B) performed by an individual who has
23 attained the age of 18,

24 “(B) service described in section 3121 (b) (16),

25 “(C) service described in section 3121 (b)

1 ~~(11)~~, (11) or (12), or ~~(15)~~ performed in the
 2 United States (as defined in section 3121 (e) (2))
 3 by a citizen of the United States, and

4 “(D) service described in paragraph (4) of
 5 this subsection;”.

6 (c) The amendments made by this section shall apply
 7 only with respect to taxable years ending on or after De-
 8 cember 31, 1960; except that for purposes of section 203
 9 of the Social Security Act, the amendment made by subsec-
 10 tion (a) shall apply only with respect to taxable years (of
 11 the individual performing the service involved) beginning
 12 after the date of the enactment of this Act.

13 DOMESTIC SERVICE AND CASUAL LABOR

14 SEC. 108. ~~(a)~~ Paragraphs ~~(2)~~ and ~~(3)~~ of section 209
 15 ~~(g)~~ of the Social Security Act are each amended by strik-
 16 ing out “\$50” and inserting in lieu thereof “\$25”.

17 ~~(b)~~ SEC. 105. (a) Section 210(a) of such Act is
 18 amended by adding after paragraph ~~(18)~~ ~~(added by section~~
 19 ~~103 of this Act)~~ (17) the following new paragraph:

20 “~~(19)~~ (18) Service not in the course of the em-
 21 ployer’s trade or business, or domestic service in a
 22 private home of the employer, performed by an indi-
 23 vidual under the age of sixteen.”

24 ~~(c)~~ Subparagraphs ~~(B)~~ and ~~(C)~~ of section 3121
 25 ~~(a)~~ ~~(7)~~ of the Internal Revenue Code of 1954 ~~(relating to~~

1 definition of wages) are each amended by striking out “\$50”
 2 and inserting in lieu thereof “\$25”.

3 ~~(d)~~ (b) Section 3121 (b) of such Code (relating to
 4 definition of employment) is amended by adding after para-
 5 graph ~~(18)~~ ~~(added by section 103 of this Act)~~ (17) the
 6 following new paragraph:

7 “~~(19)~~ (18) service not in the course of the em-
 8 ployer’s trade or business, or domestic service in a
 9 private home of the employer, performed by an indi-
 10 vidual under the age of sixteen.”

11 ~~(e)~~ (c) The amendments made by subsections ~~(a)~~ and
 12 ~~(e)~~ shall apply only with respect to remuneration paid after
 13 1960. The amendments made by subsections ~~(b)~~ and ~~(d)~~
 14 (a) and (b) shall apply only with respect to service per-
 15 formed after 1960.

16 TITLE II—ELIGIBILITY FOR BENEFITS

17 CHILDREN BORN OR ADOPTED AFTER ONSET OF PARENT’S

18 DISABILITY

19 SEC. 201. (a) Section 202 (d) (1) (C) of the Social
 20 Security Act is amended to read as follows:

21 “(C) was dependent upon such individual—

22 “(i) if such individual is living, at the time such
 23 application was filed,

24 “(ii) if such individual has died, at the time of
 25 such death, or

1 “(iii) if such individual had a period of disabil-
2 ity which continued until he became entitled to old-
3 age or disability insurance benefits, or (if he has
4 died) until the month of his death, at the beginning
5 of such period of disability or at the time he became
6 entitled to such benefits,”.

7 (b) Section 202 (d) (1) of such Act is further amended
8 by adding at the end thereof the following new sen-
9 tence: “In the case of an individual entitled to disability
10 insurance benefits, the provisions of clause (i) of subpara-
11 graph (C) of this paragraph shall not apply to a child of
12 such individual unless he (A) is the natural child or stepchild
13 of such individual (including such a child who was legally
14 adopted by such individual) or (B) was legally adopted by
15 such individual before the end of the twenty-four month
16 period beginning with the month after the month in which
17 such individual most recently became entitled to disability
18 insurance benefits, *but only if (i) proceedings for such adop-*
19 *tion of the child had been instituted by such individual in or*
20 *before the month in which began the period of disability of*
21 *such individual which still exists at the time of such adoption*
22 *or (ii) such adopted child was living with such individual in*
23 *such month.”*

24 (c) The amendments made by this section shall apply
25 as though this Act had been enacted on August 28, 1958,

1 and with respect to monthly benefits under section 202 of the
2 Social Security Act for months after August 1958 based on
3 applications for such benefits filed on or after August 28,
4 1958.

5 CONTINUED DEPENDENCY OF STEPCHILD ON NATURAL

6 FATHER

7 SEC. 202. (a) Section 202 (d) (3) of the Social Security
8 Act is amended by striking out subparagraph (C), and by
9 striking out “, or” at the end of subparagraph (B) and
10 inserting in lieu thereof a period.

11 (b) The amendments made by subsection (a) shall
12 apply with respect to monthly benefits under section 202 of
13 the Social Security Act for months beginning with the month
14 in which this Act is enacted, but only if an application for
15 such benefits is filed in or after such month.

16 PAYMENT OF BURIAL EXPENSES

17 SEC. 203. (a) The second and third sentences of section
18 202 (i) of the Social Security Act are amended to read
19 as follows: “If there is no such person, or if such person
20 dies before receiving payment, then such amount shall be
21 paid—

22 “(1) if all or part of the burial expenses of such
23 insured individual which are incurred by or through a
24 funeral home or funeral homes remains unpaid, to such

1 funeral home or funeral homes to the extent of such un-
2 paid expenses, but only if (A) any person who as-
3 sumed the responsibility for the payment of all or any
4 part of such burial expenses files an application, prior to
5 the expiration of two years after the date of death of such
6 insured individual, requesting that such payment be
7 made to such funeral home or funeral homes, or (B)
8 at least 90 days have elapsed after the date of death of
9 such insured individual and prior to the expiration of
10 such 90 days no person has assumed responsibility for
11 the payment of any of such burial expenses;

12 “(2) if all of the burial expenses of such insured
13 individual which were incurred by or through a funeral
14 home or funeral homes have been paid (including pay-
15 ments made under clause (1)), to any person or per-
16 sons, equitably entitled thereto, to the extent and in the
17 proportions that he or they shall have paid such burial
18 expenses; or

19 “(3) if any part of the amount payable under this
20 subsection remains after payments have been made pur-
21 suant to clauses (1) and (2), to any person or persons,
22 equitably entitled thereto, to the extent and in the pro-
23 portions that he or they shall have paid other expenses
24 in connection with the burial of such insured individual,
25 in the following order of priority: (A) expenses of open-

1 ing and closing the grave of such insured individual,
2 (B) expenses of providing the burial plot of such insured
3 individual, and (C) any remaining expenses in connec-
4 tion with the burial of such insured individual.

5 No payment (except a payment authorized pursuant to
6 clause (1) (A) of the preceding sentence) shall be made
7 to any person under this subsection unless application there-
8 for shall have been filed, by or on behalf of such person
9 (whether or not legally competent), prior to the expiration
10 of two years after the date of death of such insured individual,
11 or unless such person was entitled to wife's or husband's
12 insurance benefits, on the basis of the wages and self-employ-
13 ment income of such insured individual, for the month pre-
14 ceding the month in which such individual died."

15 (b) The amendment made by subsection (a) shall
16 apply—

17 (1) in the case of the death of an individual oc-
18 ccurring on or after the date of the enactment of this
19 Act, and

20 (2) in the case of the death of an individual oc-
21 ccurring prior to such date, but only if no application
22 for a lump-sum death payment under section 202 (i)
23 of the Social Security Act is filed on the basis of such
24 individual's wages and self-employment income prior
25 to the third calendar month beginning after such date

1 *TECHNICAL AMENDMENTS WITH RESPECT TO FULLY*
2 *INSURED STATUS*

3 SEC. 204. (a) Section 214 (a) of the Social Security
4 Act is amended to read as follows:

5 “Fully Insured Individual

6 “(a) The term ‘fully insured individual’ means any in-
7 dividual who had not less than—

8 “(1) one quarter of coverage (whenever acquired)
9 for each ~~four~~ *two* of the quarters elapsing—

10 “(A) after (i) December 31, 1950, or (ii)
11 if later, December 31 of the year in which he at-
12 tained the age of twenty-one, and

13 “(B) prior to (i) the year in which he died,
14 or (ii) if earlier, the year in which he attained re-
15 tirement age,

16 except that in no case shall an individual be a fully
17 insured individual unless he has at least six quarters of
18 coverage; or

19 “(2) forty quarters of coverage; or

20 “(3) in the case of an individual who died prior
21 to 1951, six quarters of coverage;

22 not counting as an elapsed quarter for purposes of paragraph
23 (1) any quarter any part of which was included in a period
24 of disability (as defined in section 216 (i)) unless such
25 quarter was a quarter of coverage. When the number of

1 elapsed quarters referred to in paragraph (1) is not a mul-
2 tiple of ~~four~~ *two*, such number shall, for purposes of such
3 paragraph, be reduced to the next lower multiple of ~~four~~
4 *two*.”

5 (b) The primary insurance amount (for purposes of
6 title II of the Social Security Act) of any individual who
7 died after 1939 and prior to 1951 shall be determined as
8 provided in section 215 (a) (2) of such Act.

9 (c) Section 109 (b) of the Social Security Amend-
10 ments of 1954 is amended by inserting immediately before
11 the period at the end of such subsection “and in or prior
12 to the month in which the Social Security Amendments
13 of 1960 are enacted”.

14 (d) (1) The amendments made by subsections (a) and
15 (b) of this section shall be applicable (A) in the case of
16 monthly benefits under title II of the Social Security Act
17 for months after the month in which this Act is enacted, on
18 the basis of applications filed in or after such month, (B)
19 in the case of lump-sum death payments under such title
20 with respect to deaths occurring after such month, and (C)
21 in the case of an application for a disability determination
22 with respect to a period of disability (as defined in section
23 216 (i) of the Social Security Act) filed after such month.

24 (2) For the purposes of determining (A) entitlement
25 to monthly benefits under title II of the Social Security Act

1 for the month in which this Act is enacted and prior months
2 with respect to the wages and self-employment income of an
3 individual and (B) an individual's closing date prior to
4 1960 under section 215 (b) (3) (B) of the Social Security
5 Act, the provisions of section 214 (a) of the Social Security
6 Act in effect prior to the date of the enactment of this Act
7 and the provisions of section 109 of the Social Security
8 Amendments of 1954 in effect prior to such date shall apply.

9 SURVIVORS OF INDIVIDUALS WHO DIED PRIOR TO 1940 AND
10 OF CERTAIN OTHER INDIVIDUALS

11 SEC. 205. (a) Subsections (d) (1), (e) (1), (g) (1),
12 and (h) (1) of section 202 of the Social Security Act are
13 each amended by striking out "after 1939".

14 (b) That part of section 202 (f) (1) of such Act which
15 precedes subparagraph (A) is amended by striking out
16 "after August 1950".

17 (c) The primary insurance amount (for purposes
18 of title II of the Social Security Act) of any individual
19 who died prior to 1940, and who had not less than six
20 quarters of coverage (as defined in section 213 of such Act)
21 shall be computed under section 215 (a) (2) of such Act.

22 (d) The preceding provisions of this section and the
23 amendments made thereby shall apply only in the case
24 of monthly benefits under title II of the Social Security

1 Act for months after the month in which this Act is enacted,
2 on the basis of applications filed in or after such month.

3 CREDITING OF QUARTERS OF COVERAGE FOR YEARS

4 BEFORE 1951

5 SEC. 206. (a) Section 213 (a) (2) of the Social Secu-
6 rity Act is amended by striking out all that precedes
7 "\$3,600 in the case of a calendar year after 1950 and be-
8 fore 1955" in clause (ii) of subparagraph (B) and inserting
9 in lieu thereof the following:

10 "(2) The term 'quarter of coverage' means a quarter
11 in which the individual has been paid \$50 or more in wages
12 (except wages for agricultural labor paid after 1954) or for
13 which he has been credited (as determined under section
14 212) with \$100 or more of self-employment income, except
15 that—

16 "(i) no quarter after the quarter in which such in-
17 dividual died shall be a quarter of coverage, and no quar-
18 ter any part of which was included in a period of dis-
19 ability (other than the initial quarter and the last
20 quarter of such period) shall be a quarter of coverage;

21 "(ii) if the wages paid to any individual in any
22 calendar year equal \$3,000 in the case of a calendar
23 year before 1951, or".

24 (b) (1) Except as provided in paragraph (2), the

1 amendment made by subsection (a) shall apply only in the
2 case of monthly benefits under title II of the Social Security
3 Act, and the lump-sum death payment under section 202
4 of such Act, based on the wages and self-employment income
5 of an individual—

6 (A) who becomes entitled to benefits under section
7 202 (a) or 223 of such Act on the basis of an application
8 filed in or after the month in which this Act is enacted;
9 or

10 (B) who is (or would, but for the provisions of
11 section 215 (f) (6) of the Social Security Act, be)
12 entitled to a recomputation of his primary insurance
13 amount under section 215 (f) (2) (A) of such Act on
14 the basis of an application filed in or after the month in
15 which this Act is enacted; or

16 (C) who dies without becoming entitled to benefits
17 under section 202 (a) or 223 of the Social Security Act,
18 and (unless he dies a currently insured individual but
19 not a fully insured individual (as those terms are defined
20 in section 214 of such Act)) without leaving any
21 individual entitled (on the basis of his wages and self-
22 employment income) to survivor's benefits or a lump-
23 sum death payment under section 202 of such Act on
24 the basis of an application filed prior to the month in
25 which this Act is enacted; or

1 (D) who dies in or after the month in which this
2 Act is enacted and whose survivors are (or would, but
3 for the provisions of section 215 (f) (6) of the Social
4 Security Act, be) entitled to a recomputation of his
5 primary insurance amount under section 215 (f) (4) (A)
6 of such Act; or

7 (E) who dies prior to the month in which this Act
8 is enacted and (i) whose survivors are (or would, but
9 for the provisions of section 215 (f) (6) of the Social
10 Security Act, be) entitled to a recomputation of his pri-
11 mary insurance amount under section 215 (f) (4) (A)
12 of such Act, and (ii) on the basis of whose wages and
13 self-employment income no individual was entitled to
14 survivor's benefits or a lump-sum death payment under
15 section 202 of such Act on the basis of an application
16 filed prior to the month in which this Act is enacted
17 (and no individual was entitled to such a benefit, with-
18 out the filing of an application, for any month prior to
19 the month in which this Act is enacted) ; or

20 (F) who files an application for a recomputation
21 under section 102 (f) (2) (B) of the Social Security
22 Amendments of 1954 in or after the month in which
23 this Act is enacted and is (or would, but for the fact
24 that such recomputation would not result in a higher
25 primary insurance amount, be) entitled to have his

1 primary insurance amount recomputed under such sub-
2 paragraph; or

3 (G) who dies and whose survivors are (or would,
4 but for the fact that such recomputation would not result
5 in a higher primary insurance amount for such individ-
6 ual, be) entitled, on the basis of an application filed
7 in or after the month in which this Act is enacted, to
8 have his primary insurance amount recomputed under
9 section 102 (f) (2) (B) of the Social Security Amend-
10 ments of 1954.

11 (2) The amendment made by subsection (a) shall also
12 be applicable in the case of applications for disability deter-
13 mination under section 216 (i) of the Social Security Act
14 filed in or after the month in which this Act is enacted.

15 (3) Notwithstanding any other provision of this sub-
16 section, in the case of any individual who would not be a
17 fully insured individual under section 214 (a) of the Social
18 Security Act except for the enactment of this section, no
19 benefits shall be payable on the basis of his wages and self-
20 employment income for any month prior to the month in
21 which this Act is enacted.

22 ~~TIME NEEDED TO ACQUIRE STATUS OF WIFE, CHILD, OR~~
23 ~~HUSBAND IN CERTAIN CASES~~

24 ~~SEC. 207. (a) Section 216 (b) of the Social Security~~
25 ~~Act is amended by striking out "not less than three years~~

1 immediately preceding the day on which her application is
2 filed” and inserting in lieu thereof “not less than one year
3 immediately preceding the day on which her application is
4 filed”.

5 (b) The first sentence of section 216(e) of such Act is
6 amended to read as follows: “The term ‘child’ means (1)
7 the child or legally adopted child of an individual, and (2) a
8 stepchild who has been such stepchild for not less than one
9 year immediately preceding the day on which application for
10 child’s insurance benefits is filed or (if the insured indi-
11 vidual is deceased) the day on which such individual died.”

12 (c) Section 216(f) of such Act is amended by striking
13 out “not less than three years immediately preceding the
14 day on which his application is filed” and inserting in lieu
15 thereof “not less than one year immediately preceding the
16 day on which his application is filed”.

17 (d) The amendments made by this section shall apply
18 only with respect to monthly benefits under section 202 of
19 the Social Security Act for months beginning with the
20 month in which this Act is enacted, on the basis of applica-
21 tions filed in or after such month.

22 MARRIAGES SUBJECT TO LEGAL IMPEDIMENT

23 SEC. 208 207. (a) Section 216(h) (1) of the Social
24 Security Act is amended by inserting “(A)” after “(1)”,

1 and by adding at the end thereof the following new sub-
2 paragraph:

3 “(B) In any case where under subparagraph (A) an
4 applicant is not (and is not deemed to be) the wife, widow,
5 husband, or widower of a fully or currently insured indi-
6 vidual, or where under subsection (b), (c), (f), or (g) such
7 applicant is not the wife, widow, husband, or widower
8 of such individual, but it is established to the satisfaction
9 of the Secretary that such applicant in good faith went
10 through a marriage ceremony with such individual re-
11 sulting in a purported marriage between them which,
12 but for a legal impediment not known to the appli-
13 cant at the time of such ceremony, would have been a valid
14 marriage, and such applicant and the insured individual were
15 living in the same household at the time of the death of
16 such insured individual or (if such insured individual is
17 living) at the time such applicant files the application, then,
18 for purposes of subparagraph (A) and subsections (b), (c),
19 (f), and (g), such purported marriage shall be deemed
20 to be a valid marriage. The provisions of the preceding
21 sentence shall not apply (i) if another person is or has
22 been entitled to a benefit under subsection (b), (c), (e),
23 (f), or (g) of section 202 on the basis of the wages and
24 self-employment income of such insured individual and such
25 other person is (or is deemed to be) a wife, widow, hus-

1 band, or widower of such insured individual under sub-
2 paragraph (A) at the time such applicant files the applica-
3 tion, or (ii) if the Secretary determines, on the basis of
4 information brought to his attention, that such applicant
5 entered into such purported marriage with such insured
6 individual with knowledge that it would not be a valid mar-
7 riage. The entitlement to a monthly benefit under sub-
8 section (b), (c), (e), (f), or (g) of section 202, based
9 on the wages and self-employment income of such insured
10 individual, of a person who would not be deemed to be a wife,
11 widow, husband, or widower of such insured individual
12 but for this subparagraph, shall end with the month before
13 the month (i) in which the Secretary certifies, pursuant
14 to section 205 (i), that another person is entitled to a
15 benefit under subsection (b), (c), (e), (f), or (g) of
16 section 202 on the basis of the wages and self-employment
17 income of such insured individual, if such other person is
18 (or is deemed to be) the wife, widow, husband, or widower
19 of such insured individual under subparagraph (A), or
20 (ii) if the applicant is entitled to a monthly benefit under
21 subsection (b) or (c) of section 202, in which such appli-
22 cant entered into a marriage, valid without regard to this
23 subparagraph, with a person other than such insured indi-
24 vidual. For purposes of this subparagraph, a legal impedi-
25 ment to the validity of a purported marriage includes only

1 an impediment (i) resulting from the lack of dissolution
2 of a previous marriage or otherwise arising out of such
3 previous marriage or its dissolution, or (ii) resulting from a
4 defect in the procedure followed in connection with such
5 purported marriage.”

6 (b) Section 216(h) (2) of such Act is amended by in-
7 serting “(A)” after “(2)”, and by adding at the end
8 thereof the following new subparagraph:

9 “(B) If an applicant is a son or daughter of a fully or
10 currently insured individual but is not (and is not deemed to
11 be) the child of such insured individual under subparagraph
12 (A), such applicant shall nevertheless be deemed to be the
13 child of such insured individual if such insured individual and
14 the mother or father, as the case may be, of such applicant
15 went through a marriage ceremony resulting in a purported
16 marriage between them which, but for a legal impediment de-
17 scribed in the last sentence of paragraph (1) (B), would have
18 been a valid marriage.”

19 (c) Section 216(e) of such Act is amended by adding
20 at the end thereof the following new sentence: “For pur-
21 poses of clause (2), a person who is not the stepchild of
22 an individual shall be deemed the stepchild of such
23 individual if such individual was not the mother or adopting
24 mother or the father or adopting father of such person and

1 such individual and the mother or adopting mother, or the
2 father or adopting father, as the case may be, of such person
3 went through a marriage ceremony resulting in a purported
4 marriage between them which, but for a legal impediment
5 described in the last sentence of subsection (h) (1) (B),
6 would have been a valid marriage.”

7 (d) Section 202 (d) (3) of such Act (as amended by
8 section 202 of this Act) is amended by adding after and be-
9 low subparagraph (B) the following new sentence:

10 “For purposes of this paragraph, a child deemed to be a
11 child of a fully or currently insured individual pursuant to
12 section 216 (h) (2) (B) shall, if such individual is the
13 child’s father, be deemed to be the legitimate child of such
14 individual.”

15 (e) Where—

16 (1) one or more persons were entitled (without
17 the application of section 202 (j) (1) of the Social
18 Security Act) to monthly benefits under section 202 of
19 such Act for the month before the month in which this
20 Act is enacted on the basis of the wages and self-
21 employment income of an individual; and

22 (2) any person is entitled to benefits under subsec-
23 tion (b), (c), (d), (e), (f), or (g) of section 202 of
24 the Social Security Act for any subsequent month on

1 the basis of such individual's wages and self-employment
2 income and such person would not be entitled to such
3 benefits but for the enactment of this section; and

4 (3) the total of the benefits to which all persons
5 are entitled under section 202 of the Social Security Act
6 on the basis of such individual's wages and self-employ-
7 ment income for such subsequent month is reduced
8 by reason of the application of section 203 (a) of such
9 Act,

10 then the amount of the benefit to which each person re-
11 ferred to in paragraph (1) of this subsection is entitled for
12 such subsequent month shall not, after the application of
13 such section 203 (a), be less than the amount it would have
14 been (determined without regard to section 301) if no per-
15 son referred to in paragraph (2) of this subsection was en-
16 titled to a benefit referred to in such paragraph for such
17 subsequent month on the basis of such wages and self-
18 employment income of such individual.

19 (f) The amendments made by the preceding provisions
20 of this section shall be applicable (1) with respect to
21 monthly benefits under title II of the Social Security Act for
22 months beginning with the month in which this Act is enacted
23 on the basis of an application filed in or after such month,
24 and (2) in the case of a lump-sum death payment under

1 such title based on an application filed in or after such
 2 month, but only if no person, other than the person filing
 3 such application, has filed an application for a lump-sum
 4 death payment under such title prior to the date of the
 5 enactment of this Act with respect to the death of the same
 6 individual.

7 PENALTY DEDUCTIONS UNDER FOREIGN WORK TEST

8 SEC. ~~209~~ 208. (a) Section 203 (f) of the Social Security
 9 Act is amended by striking out “or (c)” wherever it appears
 10 and by striking out “or (c) (1)”.

11 (b) No deduction shall be imposed on or after the
 12 date of the enactment of this Act under section 203 (f)
 13 of the Social Security Act, as in effect prior to such date, on
 14 account of failure to file a report of an event described in
 15 section 203 (c) of such Act; and no such deduction imposed
 16 prior to such date shall be collected after such date.

17 EXTENSION OF FILING PERIOD FOR HUSBAND’S, WIDOWER’S,
 18 OR PARENT’S BENEFITS IN CERTAIN CASES

19 SEC. ~~210~~ 209. (a) In the case of any husband who
 20 would not be entitled to husband’s insurance benefits under
 21 section 202 (c) of the Social Security Act except for the
 22 enactment of this Act, the requirement in section 202 (c)
 23 (1) (C) of the Social Security Act relating to the time
 24 within which proof of support must be filed shall not apply

1 if such proof of support is filed within two years after the
2 month in which this Act is enacted.

3 (b) In the case of any widower who would not be
4 entitled to widower's insurance benefits under section 202 (f)
5 of the Social Security Act except for the enactment of this
6 Act, the requirement in section 202 (f) (1) (D) of the
7 Social Security Act relating to the time within which
8 proof of support must be filed shall not apply if such proof of
9 support is filed within two years after the month in which
10 this Act is enacted.

11 (c) In the case of any parent who would not be entitled
12 to parent's insurance benefits under section 202 (h) of the
13 Social Security Act except for the enactment of this Act,
14 the requirement in section 202 (h) (1) (B) of the Social
15 Security Act relating to the time within which proof of sup-
16 port must be filed shall not apply if such proof of support is
17 filed within two years after the month in which this Act is
18 enacted.

19 *ACTUARIALLY REDUCED BENEFITS FOR MEN AT AGE 62*

20 *SEC. 210. (a) Section 216(a) of the Social Security*
21 *Act is amended to read as follows:*

1 *“Retirement Age*

2 *“(a) The term ‘retirement age’ means age sixty-two”.*

3 *(b) Subsections (q), (r), and (s) of section 202 of*
4 *such Act are amended to read as follows:*

5 *“Adjustment of Old-Age, Wife’s, and Husband’s Insurance*
6 *Benefit Amounts in Accordance With Age of Beneficiary*

7 *“(q)(1) The old-age insurance benefit of any individual*
8 *for any month prior to the month in which such individual*
9 *attains the age of sixty-five shall be reduced by—*

10 *“(A) five-ninths of 1 per centum, multiplied by*

11 *“(B) the number equal to the number of months in*
12 *the period beginning with the first day of the first month*
13 *for which such individual is entitled to an old-age insur-*
14 *ance benefit and ending with the last day of the month*
15 *before the month in which such individual would attain*
16 *the age of sixty-five.*

17 *“(2) The wife’s or husband’s insurance benefit of any*
18 *individual for any month after the month preceding the*
19 *month in which such individual attains retirement age and*
20 *prior to the month in which such individual attains the age*
21 *of sixty-five shall be reduced by—*

1 “(A) twenty-five thirty-sixths of 1 per centum,
2 multiplied by

3 “(B) the number equal to the number of months in
4 the period beginning with the first day of the first month
5 for which such individual is entitled to such wife’s or hus-
6 band’s (as the case may be) insurance benefit and ending
7 with the last day of the month before the month in which
8 such individual would attain the age of sixty-five, except
9 that in no event shall such period start earlier than the
10 first day of the month in which such individual attains
11 retirement age.

12 *In the case of an individual entitled to wife’s insurance bene-*
13 *fits, the preceding provisions of this paragraph shall not ap-*
14 *ply to the benefit for any month in which such individual*
15 *has in her care (individually or jointly with the individual*
16 *on whose wages and self-employment income her wife’s in-*
17 *surance benefit is based) a child entitled to child’s insurance*
18 *benefits on the basis of such wages and self-employment in-*
19 *come. With respect to any month in the period specified in*
20 *clause (B) of the first sentence of this paragraph, if (in the*
21 *case of an individual entitled to wife’s insurance benefits) such*

1 *individual does not have in such month such a child in her*
2 *care (individually or jointly with the individual on whose*
3 *wages and self-employment income her wife's insurance bene-*
4 *fit is based), she shall be deemed to have such a child*
5 *in her care in such month for the purposes of the preceding*
6 *sentence unless there is in effect for such month a certificate*
7 *filed by her with the Secretary, in accordance with regula-*
8 *tions prescribed by him, in which she elects to receive wife's*
9 *insurance benefits reduced as provided in this subsection.*
10 *Any certificate filed pursuant to the preceding sentence shall*
11 *be effective for purposes of such sentence—*

12 “(i) *for the month in which it is filed, and for any*
13 *month thereafter, if in such month she does not have such*
14 *a child in her care (individually or jointly with the*
15 *individual on whose wages and self-employment income*
16 *her wife's insurance benefit is based), and*

17 “(ii) *for the period of one or more consecutive*
18 *months (not exceeding twelve) immediately preceding*
19 *the month in which such certificate is filed which is des-*
20 *ignated by her (not including as part of such period any*
21 *month in which she had such a child in her care (indi-*

1 *vidually or jointly with the individual on whose wages*
2 *and self-employment income her wife's insurance bene-*
3 *fit is based)).*

4 *If such a certificate is filed, the period referred to in clause*
5 *(B) of the first sentence of this paragraph shall commence*
6 *with the first day of the first month (i) for which such indi-*
7 *vidual is entitled to a wife's insurance benefit, (ii) which*
8 *occurs after the month preceding the month in which she at-*
9 *tains retirement age, and (iii) for which such certificate is*
10 *effective.*

11 *“(3) In the case of any individual who is entitled to an*
12 *old-age insurance benefit to which paragraph (1) is appli-*
13 *cable and who, for the first month for which such individual*
14 *is so entitled (but not for any prior month) or for any later*
15 *month occurring before the month in which such individual*
16 *attains the age of sixty-five, is entitled to a wife's or hus-*
17 *band's insurance benefit to which paragraph (2) is appli-*
18 *cable, the amount of such wife's or husband's insurance bene-*
19 *fit for any month prior to the month in which such individual*

1 *attains the age of sixty-five shall, in lieu of the reduction pro-*
2 *vided in paragraph (2), be reduced by the sum of—*

3 “(A) *an amount equal to the amount by which such*
4 *old-age insurance benefit for such month is reduced under*
5 *paragraph (1), plus*

6 “(B) *an amount equal to—*

7 “(i) *the number equal to the number of months*
8 *specified in clause (B) of paragraph (2), multiplied*
9 *by*

10 “(ii) *twenty-five thirty-sixths of 1 per centum,*
11 *and further multiplied by*

12 “(iii) *the excess of such wife’s or husband’s in-*
13 *surance benefit (as the case may be) prior to reduc-*
14 *tion under this subsection over the old-age insurance*
15 *benefit prior to reduction under this subsection.*

16 “(4) *In the case of any individual who is or was entitled*
17 *to a wife’s or husband’s insurance benefit to which paragraph*
18 *(2) is applicable and who, for any month after the first*
19 *month for which such individual is or was so entitled (but*

1 *not for such first month or any earlier month) occurring*
2 *before the month in which such individual attains the age of*
3 *sixty-five, is entitled to an old-age insurance benefit, the*
4 *amount of such old-age insurance benefit for any month prior*
5 *to the month in which such individual attains the age of*
6 *sixty-five shall, in lieu of the reduction provided in paragraph*
7 *(1), be reduced by the sum of—*

8 *“(A) an amount equal to the amount by which such*
9 *wife’s or husband’s (as the case may be) insurance*
10 *benefit is reduced under paragraph (2) for such month*
11 *(or, if such individual is not entitled to a wife’s or hus-*
12 *band’s insurance benefit for such month, by an amount*
13 *equal to the amount by which such benefit was reduced*
14 *for the last month for which such individual was entitled*
15 *to such a benefit), plus*

16 *“(B) if the old-age insurance benefit for such*
17 *month prior to reduction under this subsection exceeds*
18 *such wife’s or husband’s (as the case may be) insur-*
19 *ance benefit prior to reduction under this subsection, an*
20 *amount equal to—*

21 *“(i) the number equal to the number of months*

1 *specified in clause (B) of paragraph (1), multiplied*
2 *by*

3 *“(ii) five-ninths of 1 per centum, and further*
4 *multiplied by*

5 *“(iii) the excess of such old-age insurance*
6 *benefit over such wife’s or husband’s (as the case*
7 *may be) insurance benefit.*

8 *“(5) In the case of any individual who is entitled to*
9 *an old-age insurance benefit for the month in which such*
10 *individual attains the age of sixty-five or any month there-*
11 *after, such benefit for such month shall, if such individual*
12 *was also entitled to such benefit for any one or more months*
13 *prior to the month in which such individual attained the*
14 *age of sixty-five and such benefit for any such prior month*
15 *was reduced under paragraph (1) or (4), be reduced as*
16 *provided in such paragraph, except that there shall be sub-*
17 *tracted, from the number specified in clause (B) of such*
18 *paragraph—*

19 *“(A) the number equal to the number of months*
20 *for which such benefit was reduced under such para-*
21 *graph, but for which such benefit was subject to deduc-*

1 *tions under paragraph (1) or (2) of section 203(b),*
2 *and except that, in the case of any such benefit reduced*
3 *under paragraph (4), there also shall be subtracted from*
4 *the number specified in clause (B) of paragraph (2), for*
5 *the purpose of computing the amount referred to in clause*
6 *(A) of paragraph (4)—*

7 *“(B) the number equal to the number of months*
8 *for which the wife’s or husband s (as the case may be)*
9 *insurance benefit was reduced under such paragraph*
10 *(2), but for which such benefit was subject to deduc-*
11 *tions under paragraph (1) or (2) of section 203(b),*
12 *under section 203(c), or under section 222(b),*

13 *“(C) in case of a wife’s insurance benefit, the num-*
14 *ber equal to the number of months occurring after the*
15 *first month for which such benefit was reduced under*
16 *paragraph (2) in which such individual had in her care*
17 *(individually or jointly with the individual on whose*
18 *wages and self-employment income such benefit is based)*
19 *a child of such individual entitled to child’s insurance*
20 *benefits, and*

1 “(D) the number equal to the number of months
2 for which such wife’s or husband’s (as the case may be)
3 insurance benefit was reduced under such paragraph
4 (2), but in or after which such individual’s entitlement
5 to wife’s or husband’s insurance benefits was terminated
6 because such individual’s spouse ceased to be under a
7 disability, not including in such number of months any
8 month after such termination in which such individual
9 was entitled to wife’s or husband’s insurance benefits.

10 Such subtraction shall be made only if the total of such
11 months specified in clauses (A), (B), (C), and (D) of
12 the preceding sentence is not less than three. For purposes
13 of clauses (B) and (C) of this paragraph, the wife’s or hus-
14 band’s insurance benefit of an individual shall not be con-
15 sidered terminated for any reason prior to the month in
16 which such individual attains the age of sixty-five.

17 “(6) In the case of any individual who is entitled
18 to a wife’s or husband’s insurance benefit for the month in
19 which such individual attains the age of sixty-five or any
20 month thereafter, such benefit for such month shall, if such

1 *individual was also entitled to such benefit for any one or*
2 *more months prior to the month in which such individual*
3 *attained the age of sixty-five and such benefit for any such*
4 *prior month was reduced under paragraph (2) or (3), be*
5 *reduced as provided in such paragraph, except that there*
6 *shall be subtracted from the number specified in clause (B)*
7 *of such paragraph—*

8 “(A) *the number equal to the number of months*
9 *for which such benefit was reduced under such para-*
10 *graph, but for which such benefit was subject to de-*
11 *ductions under section 203(b)(1) or (2), under sec-*
12 *tion 203(c), or under section 222(b),*

13 “(B) *in case of a wife’s insurance benefit, the*
14 *number equal to the number of months, occurring after*
15 *the first month for which such benefit was reduced*
16 *under such paragraph, in which such individual had in*
17 *her care (individually or jointly with the individual on*
18 *whose wages and self-employment income such benefit*
19 *is based) a child of such individual entitled to child’s*
20 *insurance benefits, and*

21 “(C) *the number equal to the number of months*

1 for which such wife's or husband's (as the case may
2 be) insurance benefit was reduced under such paragraph,
3 but in or after which such individual's entitlement to
4 wife's or husband's insurance benefits was terminated
5 because such individual's spouse ceased to be under a
6 disability, not including in such number of months any
7 month after such termination in which such individual
8 was entitled to wife's or husband's insurance benefits,
9 and except that, in the case of any such benefit reduced
10 under paragraph (3), there also shall be subtracted from
11 the number specified in clause (B) of paragraph (1), for
12 the purpose of computing the amount referred to in clause
13 (A) of paragraph (3)—

14 “(D) the number equal to the number of months
15 for which the old-age insurance benefit was reduced
16 under such paragraph (1) but for which such benefit
17 was subject to deductions under paragraph (1) or (2)
18 of section 203(b).

19 Such subtraction shall be made only if the total of such
20 months specified in clauses (A), (B), (C), and (D) of
21 the preceding sentence is not less than three.

1 “(7) In the case of an individual who is entitled to an
2 old-age insurance benefit to which paragraph (5) is appli-
3 cable and who, for the month in which such individual attains
4 the age of sixty-five (but not for any prior month) or for
5 any later month, is entitled to a wife’s or husband’s insurance
6 benefit, the amount of such wife’s or husband’s insurance
7 benefit for any month shall be reduced by an amount equal
8 to the amount by which the old-age insurance benefit is re-
9 duced under paragraph (5) for such month.

10 “(8) In the case of an individual who is or was entitled
11 to a wife’s or husband’s insurance benefit to which para-
12 graph (2) was applicable and who, for the month in which
13 such individual attains the age of sixty-five (but not for any
14 prior month) or for any later month, is entitled to an old-age
15 insurance benefit, the amount of such old-age insurance bene-
16 fit for any month shall be reduced by an amount equal to
17 the amount by which the wife’s or husband’s (as the case
18 may be), insurance benefit is reduced under paragraph (6)
19 for such month (or, if such individual is not entitled to a
20 wife’s or husband’s insurance benefit for such month, by
21 (i) an amount equal to the amount by which such benefit
22 for the last month for which such individual was entitled
23 thereto was reduced, or (ii) if smaller, an amount equal to
24 the amount by which such benefit would have been reduced
25 under paragraph (6) for the month in which such individual

1 attained the age of sixty-five if entitlement to such benefit
2 had not terminated before such month).

3 “(9) The preceding paragraphs shall be applied to old-
4 age insurance benefits, wife’s insurance benefits, and hus-
5 band’s insurance benefits after reduction under section
6 203(a) and application of section 215(g). If the amount
7 of any reduction computed under paragraph (1), under
8 paragraph (2), under clause (A) or clause (B) of para-
9 graph (3), or under clause (A) or clause (B) of paragraph
10 (4) is not a multiple of \$0.10, it shall be reduced to the next
11 lower multiple of \$0.10.

12 “Presumed Filing of Application by Individual Eligible for
13 Old-Age and Wife’s or Husband’s Insurance Benefits

14 “(r) Any individual who becomes entitled to an old-
15 age insurance benefit for any month prior to the month in
16 which such individual attains the age of sixty-five and who is
17 eligible for a wife’s or husband’s insurance benefit for the
18 same month shall be deemed to have filed an application in
19 such month for wife’s or husband’s (as the case may be)
20 insurance benefits. Any individual who becomes entitled to
21 a wife’s or husband’s insurance benefit for any month prior
22 to the month in which such individual attains the age of
23 sixty-five and who is eligible for an old-age insurance bene-
24 fit for the same month shall be deemed, unless (in the case of
25 an individual entitled to wife’s insurance benefits) such in-

1 *dividual has in such month in her care (individually or*
2 *jointly with the individual on whose wages and self-employ-*
3 *ment income her wife's insurance benefits are based) a*
4 *child entitled to child's insurance benefits on the basis of*
5 *such wages and self-employment income, to have filed an*
6 *application in such month for old-age insurance benefits.*
7 *For purposes of this subsection an individual shall be deemed*
8 *eligible for a benefit for a month if, upon filing application*
9 *therefor in such month, such individual would have been*
10 *entitled to such benefit for such month.*

11 *“Disability Insurance Beneficiary*

12 *“(s)(1) If any individual becomes entitled to a widow's*
13 *insurance benefit, widower's insurance benefit, or parent's*
14 *insurance benefit for a month before the month in which such*
15 *individual attains the age of sixty-five, or becomes entitled*
16 *to an old-age insurance benefit, wife's insurance benefit, or*
17 *husband's insurance benefit for a month before the month in*
18 *which such individual attains the age of sixty-five which is*
19 *reduced under the provisions of subsection (q), such in-*
20 *dividual may not thereafter become entitled to disability*
21 *insurance benefits under this title.*

22 *“(2) If an individual would, but for the provisions of*
23 *subsection (k)(2)(B), be entitled for any month to a dis-*
24 *ability insurance benefit and to a wife's or husband's in-*
25 *surance benefit, subsection (q) shall be applicable to such*

1 *wife's or husband's insurance benefit (as the case may be)*
2 *for such month only to the extent it exceeds such disability*
3 *insurance benefit for such month.*

4 “(3) *The entitlement of any individual to disability*
5 *insurance benefits shall terminate with the month before the*
6 *month in which such individual becomes entitled to old-age*
7 *insurance benefits.*”

8 (c) *So much of such section 202(b)(1) as follows*
9 *clause (C) is amended by striking out “she becomes en-*
10 *titled to an old-age or disability insurance benefit based on*
11 *a primary insurance amount which is equal to or exceeds*
12 *one-half of an old-age or disability insurance benefit of her*
13 *husband,”.*

14 (d)(1) *Clause (D) of subsection (c)(1) of such sec-*
15 *tion 202 is amended by striking out “or he becomes entitled*
16 *to an old-age or disability insurance benefit equal to or ex-*
17 *ceeding one-half of the primary insurance amount of his*
18 *wife,”.*

19 (2) *Subsection (c)(3) of such section 202 is amended*
20 *by striking out “Such” and inserting in lieu thereof “Except*
21 *as provided in subsection (q), such”.*

22 (e) *Subsection 202(j)(3) of such Act is amended to*
23 *read as follows:*

24 “(3) *Notwithstanding the provisions of paragraph (1),*

1 *an individual may, at his option, waive entitlement to old-*
2 *age insurance benefits, wife's insurance benefits, or husband's*
3 *insurance benefits for any one or more consecutive months*
4 *which occur—*

5 “(A) *after the month before the month in which*
6 *such individual attains retirement age,*

7 “(B) *prior to the month in which such individual*
8 *attains the age of sixty-five, and*

9 “(C) *prior to the month in which such individual*
10 *files application for such benefits;*

11 *and, in such case, such individual shall not be considered as*
12 *entitled to such benefits for any such month or months be-*
13 *fore he filed such application. An individual shall be deemed*
14 *to have waived such entitlement for any such month for*
15 *which such benefit would, under the second sentence of para-*
16 *graph (1), be reduced to zero.”*

17 (f) *Section 3121(a)(9) of the Internal Revenue Code*
18 *of 1954 is amended to read as follows:*

19 “(9) *any payment (other than vacation or sick*
20 *pay) made to an employee after the month in which he*
21 *attains the age of 62, if such employee did not work for*
22 *the employer in the period for which such payment is*
23 *made; or”.*

24 (g)(1) *The amendment made by subsection (a) shall*
25 *apply only in the case of lump-sum death payments under*

1 *section 202(i) of the Social Security Act with respect to*
2 *deaths occurring after October 1960, and in the case of*
3 *monthly benefits under title II of such Act for months after*
4 *October 1960 on the basis of applications filed after the date*
5 *of enactment of this Act.*

6 *(2) For purposes of section 215(b)(3)(B) of the*
7 *Social Security Act (but subject to paragraph (1) of this*
8 *subsection)—*

9 *(A) a man who attains the age of sixty-two prior to*
10 *November 1960 and who was not eligible for old-age*
11 *insurance benefits under section 202 of such Act (as in*
12 *effect prior to the enactment of this Act) for any month*
13 *prior to November 1960 shall be deemed to have at-*
14 *tained the age of sixty-two in 1960 or, if earlier, the year*
15 *in which he died;*

16 *(B) an individual shall not, by reason of the amend-*
17 *ment made by subsection (a), be deemed to be a fully*
18 *insured individual before November 1960 or the month*
19 *in which he died, whichever month is the earlier; and*

20 *(C) the amendment made by subsection (a) shall*
21 *not be applicable in the case of any individual who was*
22 *eligible for old-age insurance benefits under such section*
23 *202 for any month prior to November 1960.*

24 *An individual shall, for purposes of this paragraph, be deemed*
25 *eligible for old-age insurance benefits under section 202 of the*

1 *Social Security Act for any month if he was or would have*
2 *been, upon filing application therefor in such month, en-*
3 *titled to such benefits for such month.*

4 (3) *For purposes of section 209(i) of such Act, the*
5 *amendment made by subsection (a) shall apply only with*
6 *respect to remuneration paid after October 1960.*

7 (h)(1) *The amendments made by subsections (b)*
8 *through (e) shall take effect November 1, 1960, and shall*
9 *be applicable with respect to monthly benefits under title II*
10 *of the Social Security Act for months after October 1960.*

11 (2) *The amendment made by subsection (f) shall be*
12 *effective with respect to remuneration paid after October*
13 *1960.*

14 *INCREASE IN THE EARNED INCOME LIMITATION*

15 *SEC. 211. (a)(1) Paragraphs (1) and (2) of sub-*
16 *section 203(e) of the Social Security Act are each amended*
17 *by striking out "\$1,200" wherever it appears therein and in-*
18 *serting in lieu thereof "\$1,800", and (2) such paragraphs*
19 *and paragraph (1) of subsection (g) of such section are each*
20 *amended by striking out "\$100 times" wherever it appears*
21 *therein and inserting in lieu thereof "\$150 times".*

22 (b) *The amendments made by subsection (a) shall be*
23 *effective, in the case of any individual, with respect to tax-*
24 *able years of such individual ending after 1960.*

1 TITLE III—BENEFIT AMOUNTS

2 INCREASE IN INSURANCE BENEFITS OF CHILDREN OF
3 DECEASED WORKERS

4 SEC. 301. (a) The second sentence of section 202 (d)
5 (2) of the Social Security Act is amended to read as follows:
6 “Such child’s insurance benefit for each month shall, if such
7 individual has died in or prior to such month, be equal to
8 three-fourths of the primary insurance amount of such indi-
9 vidual.”

10 (b) The amendment made by this section shall apply
11 only with respect to monthly benefits under section 202 of the
12 Social Security Act for months after the second month fol-
13 lowing the month in which this Act is enacted.

14 (c) Where—

15 (1) one or more persons were entitled (without
16 the application of section 202 (j) (1) of the Social
17 Security Act) to monthly benefits under section 202
18 of such Act for the second month following the month
19 in which this Act is enacted on the basis of the wages
20 and self-employment income of a deceased individual
21 (but not including any person who became so entitled
22 by reason of section ~~208~~ 207 of this Act) ; and

23 (2) no person, other than (i) those persons re-
24 ferred to in paragraph (1) of this subsection and (ii)

1 those persons who are entitled to benefits under section
2 202 (d), (e), (f), or (g) of the Social Security Act
3 but would not be so entitled except for the enactment
4 of section ~~208~~ 207 of this Act, is entitled to benefits under
5 such section 202 on the basis of such individual's wages
6 and self-employment income for any subsequent month
7 or for any month after the second month following the
8 month in which this Act is enacted and prior to such
9 subsequent month; and

10 (3) the total of the benefits to which all persons
11 referred to in paragraph (1) of this subsection are en-
12 titled under section 202 of the Social Security Act on
13 the basis of such individual's wages and self-employment
14 income for such subsequent month exceeds the maxi-
15 mum of benefits payable, as provided in section 203 (a)
16 of such Act, on the basis of such wages and self-
17 employment income,

18 then the amount of the benefit to which each such person
19 referred to in paragraph (1) of this subsection is entitled
20 for such subsequent month shall be determined—

21 (4) in case such person is entitled to benefits
22 under section 202 (e), (f), (g), or (h), as though
23 this section and section ~~208~~ 207 had not been enacted,
24 or

25 (5) in case such person is entitled to benefits

1 under section 202 (d), as though (i) no person is
 2 entitled to benefits under section 202 (e), (f); (g), or
 3 (h) for such subsequent month, and (ii) the maximum
 4 of benefits payable, as described in paragraph (3), is
 5 such maximum less the amount of each person's benefit
 6 for such month determined pursuant to paragraph (4).

7 MAXIMUM FAMILY BENEFITS IN CERTAIN CASES

8 SEC. 302. (a) Section 203 (a) (3) of the Social Secu-
 9 rity Act is amended—

10 (1) by striking out “and is not less than \$68, then
 11 such total of benefits shall not be reduced to less than the
 12 smaller of” and inserting in lieu thereof “, then such
 13 total of benefits shall not be reduced to less than \$99.10
 14 if such primary insurance amount is \$66, to less than
 15 \$102.40 if such primary insurance amount is \$67, to
 16 less than \$106.50 if such primary insurance amount is
 17 \$68, or, if such primary insurance amount is higher
 18 than \$68, to less than the smaller of”; and

19 (2) by striking out “the last figure in column V of
 20 the table appearing in section 215 (a)” and inserting
 21 in lieu thereof “the amount determined under this sub-
 22 section without regard to this paragraph, or \$206.60,
 23 whichever is larger”.

24 (b) The amendments made by subsection (a) shall
 25 apply only in the case of monthly benefits under section 202

1 or section 223 of the Social Security Act for months after the
2 month following the month in which this Act is enacted, and
3 then only (1) if the insured individual on the basis of whose
4 wages and self-employment income such monthly benefits are
5 payable became entitled (without the application of section
6 202 (j) (1) or section 223 (b) of such Act) to benefits un-
7 der section 202 (a) or section 223 of such Act after the
8 month following the month in which this Act is enacted, or
9 (2) if such insured individual died before becoming so en-
10 titled and no person was entitled (without the application of
11 section 202 (j) (1) or section 223 (b) of such Act) on the
12 basis of such wages and self-employment income to monthly
13 benefits under title II of the Social Security Act for the
14 month following the month in which this Act is enacted or
15 any prior month.

16 COMPUTATIONS AND RECOMPUTATIONS OF PRIMARY
17 INSURANCE AMOUNTS

18 SEC. 303. (a) Section 215 (b) of the Social Security
19 Act is amended to read as follows:

20 “(b) (1) For the purposes of column III of the table
21 appearing in subsection (a) of this section, an individual’s
22 ‘average monthly wage’ shall be the quotient obtained by
23 dividing—

24 “(A) the total of his wages paid in and self-em-
25 ployment income credited to his ‘benefit computation
26 years’ (determined under paragraph (2)), by

1 “(B) the number of months in such years.

2 “(2) (A) The number of an individual’s ‘benefit com-
3 putation years’ shall be equal to the number of elapsed years
4 (determined under paragraph (3) of this subsection), re-
5 duced by five; except that the number of an individual’s
6 benefit computation years shall in no case be less than two.

7 “(B) An individual’s ‘benefit computation years’ shall
8 be those computation base years, equal in number to the
9 number determined under subparagraph (A), for which the
10 total of his wages and self-employment income is the largest.

11 “(C) For the purposes of subparagraph (B), ‘com-
12 putation base years’ include only calendar years occurring—

13 “(i) after December 31, 1950, and

14 “(ii) prior to the year in which the individual be-
15 came entitled to old-age insurance benefits or died,
16 whichever first occurred;

17 except that the year in which the individual became entitled
18 to old-age insurance benefits or died, as the case may be,
19 shall be included as a computation base year if the Secretary
20 determines, on the basis of evidence available to him at the
21 time of the computation of the primary insurance amount
22 for such individual, that the inclusion of such year would
23 result in a higher primary insurance amount. Any calendar
24 year all of which is included in a period of disability shall not
25 be included as a computation base year.

1 “(3) For the purposes of paragraph (2), an individual’s
2 ‘elapsed years’ shall be the number of calendar years—

3 “(A) after (i) December 31, 1950, or (ii) if
4 later, December 31 of the year in which he attained the
5 age of twenty-one, and

6 “(B) prior to (i) the year in which he died, or
7 (ii) if earlier, the first year after December 31, 1960,
8 in which he both was fully insured and had attained re-
9 tirement age.

10 For the purposes of the preceding sentence, any calendar
11 year any part of which was included in a period of disa-
12 bility shall not be included in such number of calendar years.

13 “(4) The provisions of this subsection shall be appli-
14 cable only in the case of an individual with respect to whom
15 not less than six of the quarters elapsing after 1950 are
16 quarters of coverage, and—

17 “(A) who becomes entitled to benefits after De-
18 cember 1960 under section 202 (a) or section 223; or

19 “(B) who dies after December 1960 without being
20 entitled to benefits under section 202 (a) or section
21 223; or

22 “(C) who files an application for a recomputation
23 under subsection (f) (2) (A) after December 1960 and
24 is (or would, but for the provisions of subsection (f)
25 (6), be) entitled to have his primary insurance amount
26 recomputed under subsection (f) (2) (A); or

1 “(D) who dies after December 1960 and whose
2 survivors are (or would, but for the provisions of sub-
3 section (f) (6), be) entitled to a recomputation of his
4 primary insurance amount under subsection (f) (4).

5 “(5) In the case of any individual—

6 “(A) to whom the provisions of this subsection
7 are not made applicable by paragraph (4), but

8 “(B) (i) prior to 1961, met the requirements of
9 this paragraph (including subparagraph (E) thereof)
10 as in effect prior to the enactment of the Social
11 Security Amendments of 1960, or (ii) after 1960, meets
12 the conditions of subparagraph (E) of this paragraph as
13 in effect prior to such enactment,

14 then the provisions of this subsection as in effect prior to
15 such enactment shall apply to such individual for the pur-
16 poses of column III of the table appearing in subsection (a)
17 of this section.”

18 (b) Section 215 (c) (2) (B) of such Act is amended
19 to read as follows:

20 “(B) to whom the provisions of neither paragraph
21 (4) nor paragraph (5) of subsection (b) are appli-
22 cable.”

23 (c) (1) Section 215 (d) (1) (A) of such Act is amended
24 to read as follows:

25 “(A) In the computation of such benefit, such in-
26 dividual's average monthly wage shall (in lieu of being

1 determined under section 209 (f) of this title as in
2 effect prior to the enactment of such amendments) be
3 determined as provided in subsection (b) of this sec-
4 tion (but without regard to paragraphs (4) and (5)
5 thereof), except that for the purposes of paragraphs
6 (2) (C) (i) and (3) (A) (i) of subsection (b), De-
7 cember 31, 1936, shall be used instead of December 31,
8 1950.”

9 (2) Section 215 (d) (1) (C) of such Act is amended
10 by striking out “any part” and inserting in lieu thereof “all”;
11 and by striking out the last sentence thereof.

12 (3) Section 215 (d) (2) (B) of such Act is amended by
13 striking out “paragraph (5)” and inserting in lieu thereof
14 “paragraph (4)”.

15 (4) Section 215 (d) of such Act is further amended
16 by adding at the end thereof the following new paragraph:

17 “(3) The provisions of this subsection as in effect prior
18 to the enactment of the Social Security Amendments of 1960
19 shall be applicable in the case of an individual who meets the
20 requirements of subsection (b) (5) (as in effect after such
21 enactment) but without regard to whether such individual
22 has six quarters of coverage after 1950.”

23 (d) (1) Effective with respect to individuals who be-
24 come entitled to benefits under section 202 (a) of the Social
25 Security Act after 1960, section 215 (e) (3) of such Act is
26 amended to read as follows:

1 “(3) if an individual has self-employment income in
2 a taxable year which begins prior to the calendar year
3 in which he becomes entitled to old-age insurance bene-
4 fits and ends after the last day of the month preceding
5 the month in which he becomes so entitled, his self-
6 employment income in such taxable year shall not be
7 counted in determining his benefit computation years,
8 except as provided in subsection (f) (3) (C).”

9 (2) Effective with respect to individuals who meet any
10 of the subparagraphs of paragraph (4) of section 215 (b)
11 of the Social Security Act, as amended by this Act, section
12 215 (e) of the Social Security Act is further amended by
13 inserting “and” after the semicolon at the end of paragraph
14 (2) and by striking out paragraph (4).

15 (e) (1) Effective with respect to applications for re-
16 computation under section 215 (f) (2) of the Social Security
17 Act filed after 1960, section 215 (f) (2) of such Act is
18 amended by striking out “1954” the first time it appears
19 and inserting in lieu thereof “1960”, and by striking out
20 “no earlier than six months” in subparagraph (A) (iii).

21 (2) Section 215 (f) (2) (B) of such Act is amended to
22 read as follows:

23 “(B) A recomputation pursuant to subparagraph (A)
24 shall be made—

25 “(i) only as provided in subsection (a) (1), if the

1 provisions of subsection (b), as amended by the Social
2 Security Amendments of 1960, were applicable to the
3 last previous computation of the individual's primary
4 insurance amount, or

5 " (ii) as provided in subsection (a) (1) and (3),
6 in all other cases.

7 Such recomputation shall be made as though the individual
8 became entitled to old-age insurance benefits in the month in
9 which he filed the application for such recomputation, except
10 that if clause (i) of this subparagraph is applicable to such
11 recomputation, the computation base years referred to in sub-
12 section (b) (2) shall include only calendar years occurring
13 prior to the year in which he filed his application for such
14 recomputation."

15 (3) Section 215 (f) (3) of such Act is amended to read
16 as follows:

17 "(3) (A) Upon application by an individual—

18 "(i) who became entitled to old-age insurance
19 benefits under section 202 (a) after December 1960, or

20 "(ii) whose primary insurance amount was recom-
21 puted as provided in paragraph (2) (B) (ii) of this
22 subsection on the basis of an application filed after
23 December 1960,

24 the Secretary shall recompute his primary insurance amount
25 if such application is filed after the calendar year in which

1 he became entitled to old-age insurance benefits or in
2 which he filed application for the recomputation of his
3 primary insurance amount under clause (ii) of this sentence,
4 whichever is the later. Such recomputation under this sub-
5 paragraph shall be made as provided in subsection (a) (1)
6 and (3) of this section, except that such individual's com-
7 putation base years referred to in subsection (b) (2) shall
8 include the calendar year referred to in the preceding sen-
9 tence. Such recomputation under this subparagraph shall be
10 effective for and after the first month for which his last pre-
11 vious computation of his primary insurance amount was
12 effective, but in no event for any month prior to the twenty-
13 fourth month before the month in which the application for
14 such recomputation is filed.

15 “(B) In the case of an individual who dies after
16 December 1960 and—

17 “(i) who, at the time of death was not entitled to
18 old-age insurance benefits under section 202 (a), or

19 “(ii) who became entitled to such old-age insurance
20 benefits after December 1960, or

21 “(iii) whose primary insurance amount was re-
22 computed under paragraph (2) of this subsection of the
23 basis of an application filed after December 1960, or

24 “(iv) whose primary insurance amount was re-
25 computed under paragraph (4) of this subsection,

1 the Secretary shall recompute his primary insurance amount
2 upon the filing of an application by a person entitled to
3 monthly benefits or a lump-sum death payment on the basis
4 of such individual's wages and self-employment income.
5 Such recomputation shall be made as provided in subsection
6 (a) (1) and (3) of this section, except that such in-
7 dividual's computation base years referred to in subsection
8 (b) (2) shall include the calendar year in which he died
9 in the case of an individual who was not entitled to old-age
10 insurance benefits at the time of death or whose primary
11 insurance amount was recomputed under paragraph (4) of
12 this subsection, or in all other cases, the calendar year
13 in which he filed his application for the last previous
14 computation of his primary insurance amount. In the
15 case of monthly benefits, such recomputation shall be
16 effective for and after the month in which the person en-
17 titled to such monthly benefits became so entitled, but in no
18 event for any month prior to the twenty-fourth month before
19 the month in which the application for such recomputation
20 is filed.

21 “(C) In the case of an individual who becomes en-
22 titled to old-age insurance benefits in a calendar year after
23 1960, if such individual has self-employment income in a tax-
24 able year which begins prior to such calendar year and ends
25 after the last day of the month preceding the month in which

1 he became so entitled, the Secretary shall recompute such
2 individual's primary insurance amount after the close of
3 such taxable year and shall take into account in determining
4 the individual's benefit computation years only such self-
5 employment income in such taxable year as is credited, pur-
6 suant to section 212, to the year preceding the year in which
7 he became so entitled. Such recomputation shall be effective
8 for and after the first month in which he became entitled to
9 old-age insurance benefits."

10 (4) (A) Section 215 (f) (4) of such Act is amended
11 by striking out "1954" in the first sentence and inserting
12 in lieu thereof "1960", and by striking out the second and
13 third sentences and inserting in lieu thereof the following:
14 "If the recomputation is permitted by subparagraph (A),
15 the recomputation shall be made (if at all) as though he had
16 filed application for a recomputation under paragraph (2)
17 (A) in the month in which he died. If the recomputation is
18 permitted by subparagraph (B), the recomputation shall
19 take into account only the wages and self-employment in-
20 come which were considered in the last previous computation
21 of his primary insurance amount and the compensation (de-
22 scribed in section 205 (o)) paid to him in the years in
23 which such wages were paid or to which such self-employ-
24 ment income was credited.

1 (B) Effective in the case of deaths occurring on or after
2 the date of the enactment of this Act, the first sentence of
3 such section 215 (f) (4) is further amended by striking out
4 “ (without the application of clause (iii) thereof) ”.

5 (f) Effective with respect to individuals who become
6 entitled to benefits under section 223 of the Social Security
7 Act after 1960, section 223 (a) (2) of such Act (as amended
8 by section 402 (b) of this Act) is amended to read as
9 follows:

10 “ (2) Such individual’s disability insurance benefit for
11 any month shall be equal to his primary insurance amount
12 for such month determined under section 215 as though he
13 had attained retirement age in—

14 “ (A) the first month of his waiting period, or

15 “ (B) in any case in which clause (ii) of para-
16 graph (1) of this subsection is applicable, the first month
17 for which he becomes entitled to such disability insurance
18 benefits,

19 and as though he had become entitled to old-age insurance
20 benefits in the month in which he filed his application for
21 disability insurance benefits. For the purposes of the pre-
22 ceding sentence, in the case of a ~~woman~~ *an individual* who
23 both was fully insured and had attained retirement age in
24 or before the first month referred to in subparagraph (A)
25 or (B) of such sentence, as the case may be, the elapsed

1 years referred to in section 215 (b) (3) shall not include the
2 first year in which ~~she~~ *such individual* both was fully in-
3 sured and had attained retirement age, or any year there-
4 after.”

5 (g) (1) In the case of any individual who both was
6 fully insured and had attained retirement age prior to 1961
7 and (A) who becomes entitled to old-age insurance benefits
8 after 1960, or (B) who dies after 1960 without being en-
9 titled to such benefits, then, notwithstanding the amendments
10 made by the preceding subsections of this section, the Secre-
11 tary shall also compute such individual’s primary insurance
12 amount on the basis of such individual’s average monthly
13 wage determined under the provisions of section 215 of the
14 Social Security Act in effect prior to the enactment of this
15 Act with a closing date determined under section 215 (b)
16 (3) (B) of such Act as then in effect, but only if such closing
17 date would have been applicable to such computation had this
18 section not been enacted. If the primary insurance amount
19 resulting from the use of such an average monthly wage is
20 higher than the primary insurance amount resulting from the
21 use of an average monthly wage determined pursuant to the
22 provisions of section 215 of the Social Security Act, as
23 amended by the Social Security Amendments of 1960, such
24 higher primary insurance amount shall be the individual’s
25 primary insurance amount for purposes of such section 215.

1 The terms used in this subsection shall have the meaning
2 assigned to them by title II of the Social Security Act.

3 (2) Notwithstanding the amendments made by the
4 preceding subsections of this section, in the case of any
5 individual who was entitled (without regard to the provi-
6 sions of section 223 (b) of the Social Security Act) to a
7 disability insurance benefit under such section 223 for the
8 month before the month in which he became entitled to an
9 old-age insurance benefit under section 202 (a) of such Act,
10 or in which he died, and such disability insurance benefit was
11 based upon a primary insurance amount determined under
12 the provisions of section 215 of the Social Security Act in
13 effect prior to the enactment of this Act, the Secretary shall,
14 in applying the provisions of such section 215 (a) (except
15 paragraph (4) thereof), for purposes of determining benefits
16 payable under section 202 of such Act on the basis of such
17 individual's wages and self-employment income, determine
18 such individual's average monthly wage under the provisions
19 of section 215 of the Social Security Act in effect prior to the
20 enactment* of this Act. The provisions of this paragraph
21 shall not apply with respect to any such individual, entitled to
22 such old-age insurance benefits, (i) who applies, after 1960,
23 for a recomputation (to which he is entitled) of his primary
24 insurance amount under section 215 (f) (2) of such Act, or
25 (ii) who dies after 1960 and meets the conditions for a

1 recomputation of his primary insurance amount under section
2 215 (f) (4) of such Act.

3 (h) In any case where application for recomputation
4 under section 215 (f) (3) of the Social Security Act is filed
5 on or after the date of the enactment of this Act with
6 respect to an individual for whom the last previous com-
7 putation of the primary insurance amount was based on an
8 application filed prior to 1961, or who died before 1961,
9 the provisions of section 215 of such Act as in effect prior
10 to the enactment of this Act shall apply except that—

11 (1) such recomputation shall be made as provided
12 in section 215 (a) of the Social Security Act (as in
13 effect prior to the enactment of this Act) and as though
14 such individual first became entitled to old-age insur-
15 ance benefits in the month in which he filed his applica-
16 tion for such recomputation or died without filing such
17 an application, and his closing date for such purposes
18 shall be as specified in such section 215 (f) (3) ; and

19 (2) the provisions of section 215 (b) (4) of the
20 Social Security Act (as in effect prior to the enactment
21 of this Act) shall apply only if they were applicable to
22 the last previous computation of such individual's pri-
23 mary insurance amount, or would have been applicable
24 to such computation if there had been taken into
25 account—

1 (A) his wages and self-employment income in
2 the year in which he became entitled to old-age
3 insurance benefits or filed application for the last
4 previous recomputation of his primary insurance
5 amount, where he is living at the time of the appli-
6 cation for recomputation under this subsection, or

7 (B) his wages and self-employment income in
8 the year in which he died without becoming entitled
9 to old-age insurance benefits, or (if he was entitled
10 to such benefits) the year in which application was
11 filed for the last previous computation of his primary
12 insurance amount or in which he died, whichever
13 first occurred, where he has died at the time of the
14 application for such recomputation.

15 If the primary insurance amount of an individual was re-
16 computed under section 215 (f) (3) of the Social Security
17 Act as in effect prior to the enactment of this Act, and such
18 amount would have been larger if the recomputation had been
19 made under such section as modified by this subsection, then
20 the Secretary shall recompute such primary insurance
21 amount under such section as so modified, but only if
22 an application for such recomputation is filed on or after the
23 date of the enactment of this Act. A recomputation under
24 the preceding sentence shall be effective for and after the first
25 month for which the last previous recomputation of such in-

1 individual's primary insurance amount under such section 215
2 was effective, but in no event for any month prior to the
3 twenty-fourth month before the month in which the applica-
4 tion for a recomputation is filed under the preceding sentence.

5 (i) (1) In the case of an application for a recomputa-
6 tion under section 215 (f) (2) of the Social Security Act
7 filed after 1954 and prior to 1961, the provisions of section
8 215 (f) (2) of such Act in effect prior to the enactment of
9 this Act shall apply.

10 (2) In the case of an individual who died after 1954
11 and prior to 1961 and who was entitled to an old-age in-
12 surance benefit under section 202 (a) at the time of his death,
13 the provisions of section 215 (f) (4) of the Social Security
14 Act in effect prior to the enactment of this Act shall apply.

15 (j) In the case of an individual whose average monthly
16 wage is computed under the provisions of section 215 (b)
17 of the Social Security Act, as amended by this Act, and—

18 (1) who is entitled, by reason of the provisions
19 of section 202 (j) (1) or section 223 (b) of the Social
20 Security Act, to a monthly benefit for any month prior
21 to January 1961, or

22 (2) who is (or would, but for the fact that such
23 recomputation would not result in a higher primary
24 insurance amount for such individual, be) entitled, by
25 reason of section 215 (f) of the Social Security Act, to

1 have his primary insurance amount recomputed effective
2 for a month prior to January 1961,
3 his average monthly wage as determined under the provi-
4 sions of such section 215 (b) shall be his average monthly
5 wage for the purposes of determining his primary insurance
6 amount for such prior month.

7 (k) Section 102 (f) (2) (B) of the Social Security
8 Amendments of 1954 is amended by inserting after "Social
9 Security Act" in the second sentence thereof "as in effect
10 prior to the enactment of the Social Security Amendments
11 of 1960"; and by striking out "bond" and inserting in lieu
12 thereof "month".

13 ELIMINATION OF CERTAIN OBSOLETE RECOMPUTATIONS

14 SEC. 304. (a) The first sentence of section 215 (f) (5)
15 of the Social Security Act is amended by striking out "after
16 the close of such taxable year by such individual or (if he
17 died without filing such application)" and inserting in lieu
18 thereof the following: "by such individual after the close
19 of such taxable year and prior to January 1961 or (if he
20 died without filing such application and such death occurred
21 prior to January 1961)".

22 (b) Section 102 (e) (5) of the Social Security Amend-

1 ments of 1954 is amended by adding at the end thereof the
2 following new subparagraph:

3 “(D) Notwithstanding the provisions of subparagraphs
4 (A), (B), and (C), the primary insurance amount of an
5 individual shall not be recomputed under such provisions un-
6 less such individual files the application referred to in sub-
7 paragraph (A) or (B) prior to January 1961 or, if he dies
8 without filing such application, his death occurred prior to
9 January 1961.”

10 (c) Section 102 (e) (8) of the Social Security Amend-
11 ments of 1954 is amended by inserting before the period at
12 the end thereof “but only if such individual files the applica-
13 tion referred to in subparagraph (A) of such section prior to
14 January 1961 or (if he dies without filing such application)
15 his death occurred prior to January 1961”.

16 (d) Section 5 (c) (1) of the Social Security Act
17 Amendments of 1952 is amended by adding at the end
18 thereof the following new sentence: “Notwithstanding the
19 preceding provisions of this paragraph, the primary insur-
20 ance amount of an individual shall not be recomputed under
21 such provisions unless such individual files the application
22 referred to in clause (A) of the first sentence of this para-

1 graph prior to January 1961 or, if he dies without filing such
2 application, his death occurred prior to January 1961.”

3 TITLE IV—DISABILITY INSURANCE BENEFITS
4 AND THE DISABILITY FREEZE

5 ELIMINATION OF REQUIREMENT OF ATTAINMENT OF AGE
6 FIFTY FOR DISABILITY INSURANCE BENEFITS

7 SEC. 401. (a) Section 223 (a) (1) (B) of the Social
8 Security Act is amended by striking out “has attained the
9 age of fifty and”.

10 (b) The last sentence of section 223 (c) (3) of such
11 Act is amended by striking out the semicolon and all that
12 follows and inserting in lieu thereof a period.

13 (c) The amendments made by this section shall apply
14 only with respect to monthly benefits under sections 202 and
15 223 of the Social Security Act for months after the
16 month following the month in which this Act is enacted
17 which are based on the wages and self-employment income
18 of an individual who did not attain the age of fifty in or
19 prior to the month following the month in which this Act
20 is enacted, but only where applications for such benefits are
21 filed in or after the month in which this Act is enacted.

22 ELIMINATION OF THE WAITING PERIOD FOR DISABILITY
23 INSURANCE BENEFITS IN CERTAIN CASES

24 SEC. 402. (a) Section 223 (a) (1) of the Social Secu-
25 rity Act is amended by striking out “shall be entitled to a

1 disability insurance benefit for each month, beginning
2 with the first month after his waiting period (as defined
3 in subsection (c) (3)) in which he becomes so entitled
4 to such insurance benefits” and inserting in lieu thereof
5 the following: “shall be entitled to a disability insurance
6 benefit (i) for each month beginning with the first month
7 after his waiting period (as defined in subsection (c) (3))
8 in which he becomes so entitled to such insurance benefits,
9 or (ii) for each month beginning with the first month dur-
10 ing all of which he is under a disability and in which he
11 becomes so entitled to such insurance benefits, but only if
12 he was entitled to disability insurance benefits which ter-
13 minated, or had a period of disability (as defined in section
14 216 (i)) which ceased, within the 60-month period preceding
15 the first month in which he is under such disability,”.

16 (b) Section 223 (a) (2) of such Act is amended to
17 read as follows:

18 “(2) Such individual’s disability insurance benefit for
19 any month shall be equal to his primary insurance amount
20 for such month determined under section 215 as though he
21 became entitled to old-age insurance benefits in—

22 “(A) the first month of his waiting period, or

23 “(B) in any case in which clause (ii) of para-
24 graph (1) of this subsection is applicable, the first

1 month for which he becomes so entitled to such dis-
2 ability insurance benefits.”

3 (c) The first sentence of section 223 (b) of such Act
4 is amended to read as follows: “No application for dis-
5 ability insurance benefits shall be accepted as a valid appli-
6 cation for purposes of this section (1) if it is filed more than
7 nine months before the first month for which the applicant
8 becomes entitled to such benefits, or (2) in any case in
9 which clause (ii) of paragraph (1) of subsection (a) is
10 applicable, if it is filed more than six months before the
11 first month for which the applicant becomes entitled to such
12 benefits; and any application filed within such nine months’
13 period or six months’ period, as the case may be, shall
14 be deemed to have been filed in such first month.”

15 (d) The second sentence of section 223 (b) of such
16 Act is amended by striking out “if he files application
17 therefor” and inserting in lieu thereof “if he is continuously
18 under a disability after such month and until he files appli-
19 cation therefor, and he files such application”.

20 (e) (1) The first sentence of section 216 (i) (2)
21 of such Act is amended to read as follows: “The
22 term ‘period of disability’ means a continuous period (be-
23 ginning and ending as hereinafter provided in this subsec-
24 tion) during which an individual was under a disability (as
25 defined in paragraph (1)), but only if such period is of not

1 less than six full calendar months' duration or such individual
2 was entitled to benefits under section 223 for one or more
3 months in such period."

4 (2) (A) The fifth sentence of such section 216 (i) (2)
5 is amended by inserting ", or, in any case in which clause
6 (ii) of section 223 (a) (1) is applicable, more than six
7 months before the first month for which such applicant be-
8 comes entitled to benefits under section 223," after "(as
9 determined under this paragraph)".

10 (B) Such section 216 (i) (2) is further amended by
11 adding at the end thereof the following new sentence: "Any
12 application for a disability determination which is filed within
13 such three months' period or six months' period shall be
14 deemed to have been filed on such first day or in such first
15 month, as the case may be."

16 (f) The amendments made by subsections (a) and (b)
17 shall apply only with respect to benefits under section 223
18 of the Social Security Act for the month in which this Act
19 is enacted and subsequent months. The amendment made
20 by subsection (c) shall apply only in the case of applications
21 for benefits under such section 223 filed after the seventh
22 month before the month in which this Act is enacted. The
23 amendment made by subsection (d) shall apply only in the
24 case of applications for benefits under such section 223 filed
25 in or after the month in which this Act is enacted. The

1 amendment made by subsection (e) shall apply only in
 2 the case of individuals who become entitled to benefits under
 3 such section 223 in or after the month in which this Act
 4 is enacted.

5 ~~PERIOD OF TRIAL WORK BY DISABLED INDIVIDUAL;~~
 6 ~~SEC. 403.~~ (a) Section 222 of the Social Security Act is
 7 amended by striking out subsection (c), and inserting in lieu
 8 thereof the following:

9 "Period of Trial Work

10 " (c) (1) The term 'period of trial work', with respect
 11 to an individual entitled to benefits under section 223 or
 12 202 (d), means a period of months beginning and ending as
 13 provided in paragraphs (3) and (4).

14 " (2) For purposes of sections 216 (i) and 223, any
 15 services rendered by an individual during a period of trial
 16 work shall be deemed not to have been rendered by such in-
 17 dividual in determining whether his disability has ceased in
 18 a month during such period. For purposes of this subsection
 19 the term 'services' means activity which is performed for
 20 remuneration or gain or is determined by the Secretary to
 21 be of a type normally performed for remuneration or gain.

22 " (3) A period of trial work for any individual shall
 23 begin with the month in which he becomes entitled to dis-
 24 ability insurance benefits, or, in the case of an individual
 25 entitled to benefits under section 202 (d) who has at

1 tained the age of eighteen, with the month in which
2 he becomes entitled to such benefits or the month in
3 which he attains the age of eighteen, whichever is later.
4 Notwithstanding the preceding sentence, no period of trial
5 work may begin for any individual prior to the beginning of
6 the month following the month in which this paragraph is
7 enacted; and no such period may begin for an individual
8 in a period of disability of such individual in which he had
9 a previous period of trial work.

10 “(4) A period of trial work for any individual shall
11 end with the close of whichever of the following months is
12 the earlier:

13 “(A) the ninth month, beginning on or after the
14 first day of such period, in which the individual renders
15 services (whether or not such nine months are consecu-
16 tive) ; or

17 “(B) the month in which his disability (as defined
18 in section 223 (c) (2)) ceases (as determined after ap-
19 plication of paragraph (2) of this subsection).

20 “(5) In the case of an individual who becomes entitled
21 to benefits under section 223 for any month as provided in
22 clause (ii) of subsection (a) (1) of such section, the pre-
23 ceding provisions of this subsection shall not apply with
24 respect to services in any month beginning with the first
25 month for which he is so entitled and ending with the first

1. month thereafter for which he is not entitled to benefits under
2. section 223.”

3. (b) Section 223(a) (1) of such Act is amended
4. by striking out “the first month in which any of the
5. following occurs: his disability ceases, he dies, or he at-
6. tains the age of sixty-five” and inserting in lieu thereof
7. “whichever of the following months is the earliest: the month
8. in which he dies, the month in which he attains the age of
9. sixty-five, or the third month following the month in which
10. his disability ceases”.

11. (c) The fourth sentence of section 216(i) (2) of
12. such Act is amended by striking out “the first month
13. in which either the disability ceases or the individual
14. attains the age of sixty-five” and inserting in lieu thereof “the
15. month preceding whichever of the following months is the
16. earlier: the month in which the individual attains age sixty-
17. five or the third month following the month in which the
18. disability ceases”.

19. (d) (1) The first sentence of section 202(d) (1) of
20. such Act is amended by inserting “or” before “attains
21. the age of eighteen and is not under a disability (as
22. defined in section 223(c)) which began before he at-

1 tained such age” and by striking out “, or ceases to be under
2 a disability (as so defined) on or after the day on which he
3 attains age eighteen”.

4 (2) Such section 202 (d) (1) is further amended by
5 inserting after the first sentence the following new sentence:
6 “Entitlement of any child to benefits under this subsection
7 shall also end with the month preceding the third month
8 following the month in which he ceases to be under a dis-
9 ability (as so defined) after the month in which he attains
10 age eighteen.”

11 (e) (1) The amendment made by subsection (a) shall
12 be effective only with respect to months beginning after the
13 month in which this Act is enacted.

14 (2) The amendments made by subsections (b) and
15 (d) shall apply only with respect to benefits under
16 section 223 (a) or 202 (d) of the Social Security Act for
17 months after the month in which this Act is enacted in the
18 case of individuals who, without regard to such amendments,
19 would have been entitled to such benefits for the month in
20 which this Act is enacted or for any succeeding month.

21 (3) The amendment made by subsection (c) shall

1 apply only in the case of individuals who have a period
2 of disability (as defined in section 216 (i) of the Social Secu-
3 rity Act) beginning on or after the date of the enactment
4 of this Act, or beginning before such date and continuing,
5 without regard to such amendment, beyond the end of the
6 month in which this Act is enacted.

7 SPECIAL INSURED STATUS TEST IN CERTAIN CASES FOR
8 DISABILITY PURPOSES

9 SEC. 404. (a) In the case of any individual who does
10 not meet the requirements of section 216 (i) (3) of the
11 Social Security Act with respect to any quarter, or who
12 is not insured for disability insurance benefits as deter-
13 mined under section 223 (c) (1) of such Act with
14 respect to any month in a quarter, such individual shall be
15 deemed to have met such requirements with respect to such
16 quarter or to be so insured with respect to such month of such
17 quarter, as the case may be, if—

18 (1) he had a total of not less than twenty quar-
19 ters of coverage (as defined in section 213 of such
20 Act) during the period ending with the close of such
21 quarter, and

22 (2) all of the quarters elapsing after 1950 and up

1 to but excluding such quarter were quarters of coverage
2 with respect to him and there were not fewer than six
3 such quarters of coverage.

4 (b) Subsection (a) shall apply only in the case of ap-
5 plications for disability insurance benefits under section 223
6 of the Social Security Act, or for disability determinations
7 under section 216 (i) of such Act, filed in or after the month
8 in which this Act is enacted, and then only with respect to an
9 individual who, but for such subsection (a), would not meet
10 the requirements for a period of disability under section
11 216 (i) with respect to the quarter in which this Act is
12 enacted or any prior quarter and would not meet the re-
13 quirements for benefits under section 223 with respect to the
14 month in which this Act is enacted or any prior month. No
15 benefits under title II of the Social Security Act for the
16 month in which this Act is enacted or any prior month shall
17 be payable or increased by reason of the amendment made
18 by such subsection.

19 TITLE V—EMPLOYMENT SECURITY

20 PART 1—SHORT TITLE

21 SEC. 501. This title may be cited as the “Employment
22 Security Act of 1960”.

1 Treasury to the Unemployment Trust Fund and credited to
 2 the employment security administration account. Each such
 3 transfer shall be based on estimates made by the Secretary
 4 of the Treasury of the amounts received in the Treasury.
 5 Proper adjustments shall be made in the amounts subse-
 6 quently transferred, to the extent prior estimates (including
 7 estimates for the fiscal year ending June 30, 1960,) were in
 8 excess of or were less than the amounts required to be
 9 transferred.

10 ~~“(3) The Secretary of the Treasury is directed to pay~~
 11 ~~from time to time from the employment security administra-~~
 12 ~~tion account into the Treasury, as repayments to the account~~
 13 ~~for refunding internal revenue collections, amounts equal~~
 14 ~~to all refunds made after June 30, 1960, of amounts received~~
 15 ~~as tax under the Federal Unemployment Tax Act (includ-~~
 16 ~~ing interest on such refunds).~~

17 ~~“Administrative Expenditures~~

18 ~~“(e)(1) There are hereby authorized to be made avail-~~
 19 ~~able for expenditure out of the employment security adminis-~~
 20 ~~tration account for the fiscal year ending June 30, 1961,~~
 21 ~~and for each fiscal year thereafter—~~

22 ~~“(A) such amounts (not in excess of \$350,000,000~~
 23 ~~for any fiscal year) as the Congress may deem appropri-~~
 24 ~~ate for the purpose of—~~

25 ~~“(i) assisting the States in the administration~~

1 of their unemployment compensation laws as pro-
2 vided in title III (including administration pur-
3 suant to agreements under any Federal unemploy-
4 ment compensation law, except the Temporary
5 Unemployment Compensation Act of 1958, as
6 amended),

7 “(ii) the establishment and maintenance of
8 systems of public employment offices in accordance
9 with the Act of June 6, 1933, as amended (29
10 U.S.C., secs. 49-49n), and

11 “(iii) carrying into effect section 2012 of title
12 38 of the United States Code;

13 “(B) such amounts as the Congress may deem
14 appropriate for the necessary expenses of the Depart-
15 ment of Labor for the performance of its functions
16 under—

17 “(i) this title and titles III and XII of this
18 Act,

19 “(ii) the Federal Unemployment Tax Act,

20 “(iii) the provisions of the Act of June 6,
21 1933, as amended,

22 “(iv) subchapter II of chapter 41 (except see-
23 tion 2012) of title 38 of the United States Code,
24 and

25 “(v) any Federal unemployment compensation

1 law, except the Temporary Unemployment Com-
2 pensation Act of 1958, as amended.

3 “(2) The Secretary of the Treasury is directed to pay
4 from the employment security administration account into
5 the Treasury as miscellaneous receipts the amount estimated
6 by him which will be expended during a three-month period
7 by the Treasury Department for the performance of its
8 functions under—

9 “(A) this title and titles III and XII of this Act,
10 including the expenses of banks for servicing unemploy-
11 ment benefit payment and clearing accounts which are
12 offset by the maintenance of balances of Treasury funds
13 with such banks,

14 “(B) the Federal Unemployment Tax Act, and

15 “(C) any Federal unemployment compensation law
16 with respect to which responsibility for administration is
17 vested in the Secretary of Labor.

18 In determining the expenses taken into account under sub-
19 paragraphs (B) and (C), there shall be excluded any
20 amount attributable to the Temporary Unemployment Com-
21 pensation Act of 1958, as amended. If it subsequently ap-
22 pears that the estimates under this paragraph in any particu-
23 lar period were too high or too low, appropriate adjustments
24 shall be made by the Secretary of the Treasury in future
25 payments.

1 “Additional Tax Attributable to Reduced Credits

2 “~~(d)-(1)~~ The Secretary of the Treasury is directed to
3 transfer from the employment security administration ac-
4 count—

5 “~~(A)~~ To the Federal unemployment account, an
6 amount equal to the amount by which—

7 “~~(i)~~ 100 per centum of the additional tax re-
8 ceived under the Federal Unemployment Tax Act
9 with respect to any State by reason of the reduced
10 credits provisions of section 3302(c) ~~(2)~~ or ~~(3)~~
11 of such Act and covered into the Treasury for the
12 repayment of advances made to the State under
13 section 1201, exceeds

14 “~~(ii)~~ the amount transferred to the account of
15 such State pursuant to subparagraph ~~(B)~~ of this
16 paragraph.

17 Any amount transferred pursuant to this subparagraph
18 shall be credited against, and shall operate to reduce,
19 that balance of advances, made under section 1201 to the
20 State, with respect to which employers paid such addi-
21 tional tax.

22 “~~(B)~~ To the account ~~(in the Unemployment Trust~~
23 ~~Fund)~~ of the State with respect to which employers
24 paid such additional tax, an amount equal to the amount
25 by which such additional tax received and covered into

1 the Treasury exceeds that balance of advances, made
2 under section 1201 to the State, with respect to which
3 employers paid such additional tax.

4 If, for any taxable year, there is with respect to any State
5 both a balance described in section 3302(e)(2) of the
6 Federal Unemployment Tax Act and a balance described
7 in section 3302(e)(3) of such Act, this paragraph shall
8 be applied separately with respect to section 3302(e)(2)
9 (and the balance described therein) and separately with
10 respect to section 3302(e)(3) (and the balance described
11 therein).

12 “(2) The Secretary of the Treasury is directed to
13 transfer from the employment security administration
14 account—

15 “(A) To the general fund of the Treasury, and
16 amount equal to the amount by which—

17 “(i) 100 per centum of the additional tax re-
18 ceived under the Federal Unemployment Tax Act
19 with respect to any State by reason of the reduced
20 credit provision of section 104 of the Temporary
21 Unemployment Compensation Act of 1958, as
22 amended, and covered into the Treasury, exceeds

23 “(ii) the amount transferred to the account
24 of such State pursuant to subparagraph (B) of this
25 paragraph.

1 tion. If the net balance in the employment security admin-
2 istration account as of the beginning of any fiscal year is
3 \$250,000,000, no advance may be made under this subsection
4 during such fiscal year.

5 “(3) Advances to the employment security administra-
6 tion account made under this subsection shall bear interest
7 until repaid at a rate equal to the average rate of interest
8 (computed as of the end of the calendar month next pre-
9 ceeding the date of such advance) borne by all interest-bear-
10 ing obligations of the United States then forming a part of
11 the public debt; except that where such average rate is not
12 a multiple of one-eighth of 1 per centum, the rate of interest
13 shall be the multiple of one-eighth of 1 per centum next
14 lower than such average rate.

15 “(4) Advances to the employment security adminis-
16 tration account made under this subsection, plus interest
17 accrued thereon, shall be repaid by the transfer from time
18 to time, from the employment security administration ac-
19 count to the revolving fund, of such amounts as the Secre-
20 tary of the Treasury, in consultation with the Secretary of
21 Labor, determines to be available in the employment security
22 administration account for such repayment. Any amount
23 transferred as a repayment under this paragraph shall be
24 credited against, and shall operate to reduce, any balance of

1 advances ~~(plus accrued interest)~~ repayable under this
2 subsection.

3 ~~“Determination of Excess and Amount To Be Retained in~~
4 ~~Employment Security Administration Account~~

5 ~~“(f)(1) The Secretary of the Treasury shall determine~~
6 ~~as of the close of each fiscal year (beginning with the fiscal~~
7 ~~year ending June 30, 1961) the excess in the employment~~
8 ~~security administration account.~~

9 ~~“(2) The excess in the employment security adminis-~~
10 ~~tration account as of the close of any fiscal year is the~~
11 ~~amount by which the net balance in such account as of such~~
12 ~~time (after the application of section 902(b) exceeds the~~
13 ~~net balance in the employment security administration ac-~~
14 ~~count as of the beginning of that fiscal year (including the~~
15 ~~fiscal year for which the excess is being computed) for which~~
16 ~~the net balance was higher than as of the beginning of any~~
17 ~~other such fiscal year.~~

18 ~~“(3) If the entire amount of the excess determined~~
19 ~~under paragraph (1) as of the close of any fiscal year is~~
20 ~~not transferred to the Federal unemployment account, there~~
21 ~~shall be retained (as of the beginning of the succeeding fiscal~~
22 ~~year) in the employment security administration account so~~
23 ~~much of the remainder as does not increase the net balance~~
24 ~~in such account (as of the beginning of such succeeding fiscal~~
25 ~~year) above \$250,000,000.~~

1 ~~“(4) For the purposes of this section, the net balance~~
 2 ~~in the employment security administration account as of any~~
 3 ~~time is the amount in such account as of such time reduced~~
 4 ~~by the sum of—~~

5 ~~“(A) the amounts then subject to transfer pur-~~
 6 ~~suant to subsection (d), and~~

7 ~~“(B) the balance of advances (plus interest ac-~~
 8 ~~rued thereon) then repayable to the revolving fund~~
 9 ~~established by subsection (e).~~

10 The net balance in the employment security administration
 11 account as of the beginning of any fiscal year shall be de-
 12 termined after the disposition of the excess in such account
 13 as of the close of the preceding fiscal year.

14 ~~“TRANSFERS BETWEEN FEDERAL UNEMPLOYMENT ACCOUNT~~
 15 ~~AND EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT~~

16 ~~“Transfers to Federal Unemployment Account~~

17 ~~“SEC. 902. (a) Whenever the Secretary of the Treas-~~
 18 ~~ury determines pursuant to section 901(f) that there is an~~
 19 ~~excess in the employment security administration account as~~
 20 ~~of the close of any fiscal year, there shall be transferred~~
 21 ~~(as of the beginning of the succeeding fiscal year) to the~~
 22 ~~Federal unemployment account the total amount of such~~
 23 ~~excess or so much thereof as is required to increase the~~
 24 ~~amount in the Federal unemployment account to whichever~~
 25 ~~of the following is the greater:~~

1 ~~“(1) \$550,000,000, or~~

2 ~~“(2) The amount (determined by the Secretary~~
 3 ~~of Labor and certified by him to the Secretary of the~~
 4 ~~Treasury) equal to four-tenths of 1 per centum of the~~
 5 ~~total wages subject to contributions under all State~~
 6 ~~unemployment compensation laws for the calendar~~
 7 ~~year ending during the fiscal year for which the excess~~
 8 ~~is determined.~~

9 ~~“Transfers to Employment Security Administration Account~~

10 ~~“(b) The amount, if any, by which the amount in the~~
 11 ~~Federal unemployment account as of the close of any fiscal~~
 12 ~~year exceeds the greater of the amounts specified in para-~~
 13 ~~graphs (1) and (2) of subsection (a) shall be transferred to~~
 14 ~~the employment security administration account as of the~~
 15 ~~close of such fiscal year.~~

16 ~~“AMOUNTS TRANSFERRED TO STATE ACCOUNTS~~

17 ~~“In General~~

18 ~~“SEC. 903. (a) (1) Except as provided in subsection (b);~~
 19 ~~whenever, after the application of section 1203 with respect~~
 20 ~~to the excess in the employment security administration~~
 21 ~~account as of the close of any fiscal year, there remains any~~
 22 ~~portion of such excess, the remainder of such excess shall be~~
 23 ~~transferred (as of the beginning of the succeeding fiscal year)~~
 24 ~~to the accounts of the States in the Unemployment Trust~~
 25 ~~Fund.~~

1 ~~“(2) Each State’s share of the funds to be transferred~~
2 ~~under this subsection as of any July 1—~~

3 ~~“(A) shall be determined by the Secretary of Labor~~
4 ~~and certified by him to the Secretary of the Treasury~~
5 ~~before that date on the basis of reports furnished by the~~
6 ~~States to the Secretary of Labor before June 1, and~~

7 ~~“(B) shall bear the same ratio to the total amount~~
8 ~~to be so transferred as the amount of wages subject to~~
9 ~~contributions under such State’s unemployment compen-~~
10 ~~sation law during the preceding calendar year which~~
11 ~~have been reported to the State before May 1 bears to~~
12 ~~the total of wages subject to contributions under all~~
13 ~~State unemployment compensation laws during such~~
14 ~~calendar year which have been reported to the States~~
15 ~~before May 1.~~

16 ~~“Limitations on Transfers~~

17 ~~“(b) (1) If the Secretary of Labor finds that on July 1~~
18 ~~of any fiscal year—~~

19 ~~“(A) a State is not eligible for certification under~~
20 ~~section 303, or~~

21 ~~“(B) the law of a State is not approvable under~~
22 ~~section 3304 of the Federal Unemployment Tax Act,~~
23 ~~then the amount available for transfer to such State’s account~~
24 ~~shall, in lieu of being so transferred, be transferred to the~~
25 ~~Federal unemployment account as of the beginning of such~~

1 July 1. If, during the fiscal year beginning on such July
2 1, the Secretary of Labor finds and certifies to the Secretary
3 of the Treasury that such State is eligible for certification
4 under section 303, that the law of such State is approvable
5 under such section 304, or both, the Secretary of the Treas-
6 ury shall transfer such amount from the Federal unemploy-
7 ment account to the account of such State. If the Secretary
8 of Labor does not so find and certify to the Secretary of the
9 Treasury before the close of such fiscal year then the amount
10 which was available for transfer to such State's account as
11 of July 1 of such fiscal year shall (as of the close of such
12 fiscal year) become unrestricted as to use as part of the
13 Federal unemployment account.

14 ~~“(2) The amount which, but for this paragraph,~~
15 ~~would be transferred to the account of a State under sub-~~
16 ~~section (a) or paragraph (1) of this subsection shall be~~
17 ~~reduced (but not below zero) by the balance of advances~~
18 ~~made to the State under section 1201. The sum by which~~
19 ~~such amount is reduced shall—~~

20 ~~“(A) be transferred to or retained in (as the case~~
21 ~~may be) the Federal unemployment account, and~~

22 ~~“(B) be credited against, and operate to reduce—~~

23 ~~“(i) first, any balance of advances made be-~~
24 ~~fore the date of the enactment of the Employment~~

1 Security Act of 1960 to the State under section
2 1201, and

3 ~~“(ii) second, any balance of advances made on~~
4 ~~or after such date to the State under section 1201.~~

5 ~~“Use of Transferred Amounts~~

6 ~~“(c)(1) Except as provided in paragraph (2),~~
7 ~~amounts transferred to the account of a State pursuant to~~
8 ~~subsections (a) and (b) shall be used only in the payment~~
9 ~~of cash benefits to individuals with respect to their unem-~~
10 ~~ployment, exclusive of expenses of administration.~~

11 ~~“(2) A State may, pursuant to a specific appropriation~~
12 ~~made by the legislative body of the State, use money with-~~
13 ~~drawn from its account in the payment of expenses incurred~~
14 ~~by it for the administration of its unemployment compensa-~~
15 ~~tion law and public employment offices if and only if—~~

16 ~~“(A) the purposes and amounts were specified in~~
17 ~~the law making the appropriation,~~

18 ~~“(B) the appropriation law did not authorize the~~
19 ~~obligation of such money after the close of the two-year~~
20 ~~period which began on the date of enactment of the ap-~~
21 ~~propriation law,~~

22 ~~“(C) the money is withdrawn and the expenses are~~
23 ~~incurred after such date of enactment, and~~

1 ~~“(D)~~ the appropriation law limits the total amount
2 which may be obligated during a fiscal year to an
3 amount which does not exceed the amount by which
4 ~~(i)~~ the aggregate of the amounts transferred to the
5 account of such State pursuant to subsections ~~(a)~~ and
6 ~~(b)~~ during such fiscal year and the four preceding fiscal
7 years, exceeds ~~(ii)~~ the aggregate of the amounts used
8 by the State pursuant to this subsection and charged
9 against the amounts transferred to the account of such
10 State during such five fiscal years.

11 For the purposes of subparagraph ~~(D)~~, amounts used by a
12 State during any fiscal year shall be charged against equiva-
13 lent amounts which were first transferred and which have
14 not previously been so charged; except that no amount
15 obligated for administration during any fiscal year may be
16 charged against any amount transferred during a fiscal year
17 earlier than the fourth preceding fiscal year.

18 ~~“UNEMPLOYMENT TRUST FUND~~

19 ~~“Establishment, etc.~~

20 ~~“SEC. 904. (a)~~ There is hereby established in the
21 Treasury of the United States a trust fund to be known as
22 the ‘Unemployment Trust Fund’, hereinafter in this title
23 called the ‘Fund’. ~~The Secretary of the Treasury is author-~~
24 ized and directed to receive and hold in the Fund all moneys
25 deposited therein by a State agency from a State unem-

1 ployment fund, or by the Railroad Retirement Board to the
2 credit of the railroad unemployment insurance account or
3 the railroad unemployment insurance administration fund, or
4 otherwise deposited in or credited to the Fund or any account
5 therein. Such deposit may be made directly with the
6 Secretary of the Treasury, with any depository designated
7 by him for such purpose, or with any Federal Reserve Bank.

8 "Investments

9 "(b) It shall be the duty of the Secretary of the Treas-
10 ury to invest such portion of the Fund as is not, in his judg-
11 ment, required to meet current withdrawals. Such invest-
12 ment may be made only in interest-bearing obligations of
13 the United States or in obligations guaranteed as to both
14 principal and interest by the United States. For such pur-
15 pose such obligations may be acquired (1) on original issue
16 at the issue price, or (2) by purchase of outstanding obliga-
17 tions at the market price. The purposes for which obliga-
18 tions of the United States may be issued under the Second
19 Liberty Bond Act, as amended, are hereby extended to
20 authorize the issuance at par of special obligations exclusively
21 to the Fund. Such special obligations shall bear interest at a
22 rate equal to the average rate of interest, computed as of the
23 end of the calendar month next preceding the date of such
24 issue, borne by all interest-bearing obligations of the United
25 States then forming part of the public debt; except that

1 where such average rate is not a multiple of one-eighth of 1
2 per centum, the rate of interest of such special obligations
3 shall be the multiple of one-eighth of 1 per centum next lower
4 than such average rate. Obligations other than such special
5 obligations may be acquired for the Fund only on such terms

1 such payment. The Secretary of the Treasury is authorized
2 and directed to make such payments out of the railroad un-
3 employment insurance account for the payment of benefits,
4 and out of the railroad unemployment insurance administra-
5 tion fund for the payment of administrative expenses, as the
6 Railroad Retirement Board may duly certify, not exceeding
7 the amount standing to the credit of such account or such
8 fund, as the case may be, at the time of such payment.

9 “Federal Unemployment Account

10 “(g) There is hereby established in the Unemployment
11 Trust Fund a Federal unemployment account. There is
12 hereby authorized to be appropriated to such Federal un-
13 employment account a sum equal to (1) the excess of taxes
14 collected prior to July 1, 1946, under title IX of this Act
15 or under the Federal Unemployment Tax Act, over the
16 total unemployment administrative expenditures made prior
17 to July 1, 1946, plus (2) the excess of taxes collected under
18 the Federal Unemployment Tax Act after June 30, 1946,
19 and prior to July 1, 1953, over the unemployment admin-
20 istrative expenditures made after June 30, 1946, and prior
21 to July 1, 1953. As used in this subsection, the term ‘un-
22 employment administrative expenditures’ means expendi-
23 tures for grants under title III of this Act, expenditures for
24 the administration of that title by the Social Security Board,
25 the Federal Security Administrator, or the Secretary of

1 Labor, and expenditures for the administration of title IX
 2 of this Act, or of the Federal Unemployment Tax Act, by
 3 the Department of the Treasury, the Social Security Board,
 4 the Federal Security Administrator, or the Secretary of
 5 Labor. For the purposes of this subsection, there shall be
 6 deducted from the total amount of taxes collected prior to
 7 July 1, 1943, under title IX of this Act, the sum of
 8 \$40,561,886.43 which was authorized to be appropriated
 9 by the Act of August 24, 1937 (50 Stat. 754), and the
 10 sum of \$18,451,846 which was authorized to be appropriated
 11 by section 11(b) of the Railroad Unemployment Insurance
 12 Act.”

13 *AMENDMENTS TO TITLE IX OF THE SOCIAL SECURITY*

14 *ACT*

15 *SEC. 501. (a)(1) Section 902(2) of the Social Se-*
 16 *curity Act is amended by striking out “\$200,000,000” and*
 17 *inserting in lieu thereof “\$500,000,000”.*

18 *(2) The last sentence of such section 902 is amended by*
 19 *striking out “1202(c)” and inserting in lieu thereof “1203”.*

20 *(b) Section 903(b) is amended to read as follows:*

21 *“(b)(1) If the Secretary of Labor finds that on July 1*
 22 *of any fiscal year—*

23 *“(A) a State is not eligible for certification under*
 24 *section 303, or*

25 *“(B) the law of a State is not approvable under sec-*

1 tion 3304 of the Federal Unemployment Tax Act,
2 then the amount available for crediting to such State's ac-
3 count shall, in lieu of being so credited, be credited to the
4 Federal unemployment account as of the beginning of such
5 July 1. If, during the fiscal year beginning on such July 1,
6 the Secretary of Labor finds and certifies to the Secretary of
7 the Treasury that such State is eligible for certification under
8 section 303, that the law of such State is approvable under
9 such section 3304, or both, the Secretary of the Treasury
10 shall transfer such amount from the Federal unemployment
11 account to the account of such State. If the Secretary of
12 Labor does not so find and certify to the Secretary of the
13 Treasury before the close of such fiscal year then the amount
14 which was available for credit to such State's account as of
15 July 1 of such fiscal year shall (as of the close of such fiscal
16 year) become unrestricted as to use as part of the Federal
17 unemployment account.

18 “(2) The amount which, but for this paragraph, would
19 be transferred to the account of a State under subsection
20 (a) or paragraph (1) of this subsection shall be reduced
21 (but not below zero) by the balance of advances made to
22 the State under section 1201. The sum by which such amount
23 is reduced shall—

24 “(A) be credited to the Federal unemployment
25 account, and

1 to a State for the payment of compensation in any month
2 may be made if—

3 “(A) the Governor of the State applies therefor
4 no earlier than the first day of the preceding month, and

5 “(B) he furnishes to the Secretary of Labor his
6 estimate of the amount of an advance which will be
7 required by the State for the payment of compensation
8 in such month.

9 “(2) In the case of any application for an advance
10 under this section to any State for any month, the Secretary
11 of Labor shall—

12 “(A) determine the amount (if any) which he
13 finds will be required by such State for the payment of
14 compensation in such month, and

15 “(B) certify to the Secretary of the Treasury the
16 amount (not greater than the amount estimated by the
17 Governor of the State) determined under subparagraph

18 (A).

19 The aggregate of the amounts certified by the Secretary of
20 Labor with respect to any month shall not exceed the amount
21 which the Secretary of the Treasury reports to the Secretary
22 of Labor is available in the Federal unemployment account
23 for advances with respect to such month.

24 “(3) For purposes of this subsection—

1 “(A) an application for an advance shall be made
2 on such forms, and shall contain such information and
3 data (fiscal and otherwise) concerning the operation
4 and administration of the State unemployment com-
5 pensation law, as the Secretary of Labor deems neces-
6 sary or relevant to the performance of his duties under
7 this title,

8 “(B) the amount required by any State for the
9 payment of compensation in any month shall be deter-
10 mined with due allowance for contingencies and taking
11 into account all other amounts that will be available
12 in the State’s unemployment fund for the payment of
13 compensation in such month, and

14 “(C) the term ‘compensation’ means cash benefits
15 payable to individuals with respect to their unemploy-
16 ment, exclusive of expenses of administration.

17 “(b) The Secretary of the Treasury shall, prior to audit
18 or settlement by the General Accounting Office, transfer
19 from the Federal unemployment account to the account of
20 the State in the Unemployment Trust Fund the amount
21 certified under subsection (a) by the Secretary of Labor
22 (but not exceeding that portion of the balance in the Federal
23 unemployment account at the time of the transfer which is
24 not restricted as to use pursuant to section 903 (b) (1)).

1 "REPAYMENT BY STATES OF ADVANCES TO STATE UNEM-
2 PLOYMENT FUNDS

3 "SEC. 1202. The Governor of any State may at
4 any time request that funds be transferred from the account
5 of such State to the Federal unemployment account in re-
6 payment of part or all of that balance of advances, made to
7 such State under section 1201, specified in the request. The
8 Secretary of Labor shall certify to the Secretary of the
9 Treasury the amount and balance specified in the request;
10 and the Secretary of the Treasury shall promptly transfer
11 such amount in reduction of such balance.

12 "ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

13 "SEC. 1203. There are hereby authorized to be appropri-
14 ated to the Federal unemployment account, as repayable ad-
15 vances (without interest), such sums as may be necessary to
16 carry out the purposes of this title. ~~Whenever, after the ap-~~
17 ~~plication of section 901(f)(3) with respect to the excess in~~
18 ~~the employment security administration account as of the~~
19 ~~close of any fiscal year, there remains any portion of such ex-~~
20 ~~cess, so much of such remainder as does not exceed the~~
21 ~~balance of advances made pursuant to this section shall be~~
22 ~~transferred to the general fund of the Treasury and shall be~~
23 ~~credited against, and shall operate to reduce, such balance of~~
24 ~~advances.~~

1 "DEFINITION OF GOVERNOR

2 "SEC. 1204. When used in this title, the term 'Governor'
3 includes the Commissioners of the District of Columbia."

4 (b) (1) No amount shall be transferred on or after the
5 date of the enactment of this Act from the Federal unem-
6 ployment account to the account of any State in the Unem-
7 ployment Trust Fund pursuant to any application made
8 under section 1201 (a) of the Social Security Act as in effect
9 before such date; except that, if—

10 (A) some but not all of an amount certified by the
11 Secretary of Labor to the Secretary of the Treasury for
12 transfer to the account of any State was transferred to
13 such account before such date, and

14 (B) the Governor of such State, after the date of
15 the enactment of this Act, requests the Secretary of the
16 Treasury to transfer all or any part of the remainder to
17 such account,

18 the Secretary of the Treasury shall, prior to audit or set-
19 tlement by the General Accounting Office, transfer from the
20 Federal unemployment account to the account of such State
21 in the Unemployment Trust Fund the amount so requested
22 or (if smaller) the amount available in the Federal unem-
23 ployment account at the time of the transfer. No such
24 amount shall be transferred under this paragraph after the

1 one-year period beginning on the date of the enactment of
2 this Act.

3 (2) For purposes of section 3302(c) of the Federal
4 Unemployment Tax Act and titles IX and XII of the Social
5 Security Act, if any amount is transferred pursuant to para-
6 graph (1) to the unemployment account of any State, such
7 amount shall be treated as an advance made before the
8 date of the enactment of this Act.

9 AMENDMENTS TO THE FEDERAL UNEMPLOYMENT TAX ACT

10 Increase in Tax Rate

11 ~~SEC. 523. (a) Section 3301 of the Internal Revenue~~
12 ~~Code of 1954 (relating to rate of tax under Federal Unem-~~
13 ~~ployment Tax Act) is amended—~~

14 ~~(1) by striking out “1955” and inserting in lieu~~
15 ~~thereof “1961”, and~~

16 ~~(2) by striking out “3 percent” and inserting in~~
17 ~~lieu thereof “3.1 percent”.~~

18 Computation of Credits Against Tax

19 ~~(b) SEC. 503. Section 3302 of such Code the Internal~~
20 ~~Revenue Code of 1954 (relating to credits against tax)~~
21 ~~is amended by striking out subsection (c) and inserting in~~
22 ~~lieu thereof the following new subsections:~~

23 “(c) LIMIT ON TOTAL CREDITS.—

24 “(1) The total credits allowed to a taxpayer under

1 this section shall not exceed 90 percent of the tax
2 against which such credits are allowable.

3 “(2) If an advance or advances have been made to
4 the unemployment account of a State under title XII
5 of the Social Security Act before the date of the enact-
6 ment of the Employment Security Act of 1960, then the
7 total credits (after applying subsections (a) and (b)
8 and paragraph (1) of this subsection) otherwise allow-
9 able under this section for the taxable year in the case
10 of a taxpayer subject to the unemployment compensa-
11 tion law of such State shall be reduced—

12 “(A) in the case of a taxable year beginning
13 with the fourth consecutive January 1 as of the
14 beginning of which there is a balance of such
15 advances, by 5 percent of the tax imposed by sec-
16 tion 3301 with respect to the wages paid by such
17 taxpayer during such taxable year which are attrib-
18 utable to such State; and

19 “(B) in the case of any succeeding taxable year
20 beginning with a consecutive January 1 as of the be-
21 ginning of which there is a balance of such advances,
22 by an additional 5 percent, for each such succeeding
23 taxable year, of the tax imposed by section 3301
24 with respect to the wages paid by such taxpayer

1 during such taxable year which are attributable to
2 such State.

3 “(3) If an advance or advances have been made
4 to the unemployment account of a State under title XII
5 of the Social Security Act on or after the date of the
6 enactment of the Employment Security Act of 1960,
7 then the total credits (after applying subsections (a)
8 and (b) and paragraphs (1) and (2) of this sub-
9 section) otherwise allowable under this section for the
10 taxable year in the case of a taxpayer subject to the un-
11 employment compensation law of such State shall be
12 reduced—

13 “(A) (i) in the case of a taxable year begin-
14 ning with the second consecutive January 1 as of
15 the beginning of which there is a balance of such
16 advances, by 10 percent of the tax imposed by sec-
17 tion 3301 with respect to the wages paid by such
18 taxpayer during such taxable year which are at-
19 tributable to such State; and

20 “(ii) in the case of any succeeding taxable
21 year beginning with a consecutive January 1 as of
22 the beginning of which there is a balance of such
23 advances, by an additional 10 percent, for each such
24 succeeding taxable year, of the tax imposed by
25 section 3301 with respect to the wages paid by

1 such taxpayer during such taxable year which are
2 attributable to such State;

3 “(B) in the case of a taxable year beginning
4 with the third or fourth consecutive January 1 as
5 of the beginning of which there is a balance of such
6 advances, by the amount determined by multiplying
7 the wages paid by such taxpayer during such taxable
8 year which are attributable to such State by the
9 percentage (if any) by which—

10 “(i) 2.7 percent, exceeds

11 “(ii) the average employer contribution
12 rate for such State for the calendar year pre-
13 ceding such taxable year; and

14 “(C) in the case of a taxable year beginning
15 with the fifth or any succeeding consecutive January
16 1 as of the beginning of which there is a balance
17 of such advances, by the amount determined by
18 multiplying the wages paid by such taxpayer during
19 such taxable year which are attributable to such
20 State by the percentage (if any) by which—

21 “(i) the 5-year benefit cost rate applicable
22 to such State for such taxable year or (if
23 higher) 2.7 percent, exceeds

24 “(ii) the average employer contribution

1 rate for such State for the calendar year pre-
 2 ceding such taxable year.

3 “(d) DEFINITIONS AND SPECIAL RULES RELATING
 4 TO SUBSECTION (c).—

5 “~~(1)~~ RATE OF TAX DEEMED TO BE 3 PERCENT.—

6 In applying subsection (c), the tax imposed by section
 7 3301 shall be computed at the rate of 3 percent in lieu
 8 of 3.1 percent.

9 “~~(2)~~ (1) WAGES ATTRIBUTABLE TO A PARTICU-
 10 LAR STATE.—For purposes of subsection (c), wages
 11 shall be attributable to a particular State if they are sub-
 12 ject to the unemployment compensation law of the State,
 13 or (if not subject to the unemployment compensation
 14 law of any State) if they are determined (under rules or
 15 regulations prescribed by the Secretary or his delegate)
 16 to be attributable to such State.

17 “~~(3)~~ (2) ADDITIONAL TAXES INAPPLICABLE
 18 WHERE ADVANCES ARE REPAID BEFORE NOVEMBER 10
 19 OF TAXABLE YEAR.—Paragraph (2) or (3) of subsec-
 20 tion (c) shall not apply with respect to any State for
 21 the taxable year if (as of the beginning of November 10
 22 of such year) there is no balance of advances referred to
 23 in such paragraph.

24 “~~(4)~~ (3) AVERAGE EMPLOYER CONTRIBUTION
 25 RATE.—For purposes of subparagraphs (B) and (C)

1 of subsection (c) (3), the average employer contribu-
 2 tion rate for any State for any calendar year is that per-
 3 centage obtained by dividing—

4 “(A) the total of the contributions paid into
 5 the State unemployment fund with respect to such
 6 calendar year, by

7 “(B) the total of the remuneration subject to
 8 contributions under the State unemployment com-
 9 pensation law with respect to such calendar year.

10 For purposes of subparagraph (C) of subsection (c)
 11 (3), if the average employer contribution rate for any
 12 State for any calendar year (determined without regard
 13 to this sentence) equals or exceeds 2.7 percent, such rate
 14 shall be determined by increasing the amount taken
 15 into account under subparagraph (A) of the preceding
 16 sentence by the aggregate amount of employee pay-
 17 ments (if any) into the unemployment fund of such
 18 State with respect to such calendar year which are
 19 to be used solely in the payment of unemployment
 20 compensation.

21 “~~(5)~~ (4) 5-YEAR BENEFIT COST RATE.—For pur-
 22 poses of subparagraph (C) of subsection (c) (3), the 5-
 23 year benefit cost rate applicable to any State for any tax-
 24 able year is that percentage obtained by dividing—

25 “(A) one-fifth of the total of the compensa-

1 tion paid under the State unemployment compensa-
2 tion law during the 5-year period ending at the
3 close of the second calendar year preceding such
4 taxable year, by

5 “(B) the total of the remuneration subject to
6 contributions under the State unemployment com-
7 pensation law with respect to the first calendar
8 year preceding such taxable year.

9 “~~(6)~~ (5) ROUNDING.—If any percentage referred
10 to in either subparagraph (B) or (C) of subsection
11 (c) (3) is not a multiple of .1 percent, it shall be
12 rounded to the nearest multiple of .1 percent.

13 “~~(7)~~ (6) DETERMINATION AND CERTIFICATION OF
14 PERCENTAGES.—The percentage referred to in subsec-
15 tion (c) (3) (B) or (C) for any taxable year for any
16 State having a balance referred to therein shall be de-
17 termined by the Secretary of Labor, and shall be certi-
18 fied by him to the Secretary of the Treasury before
19 June 1 of such year, on the basis of a report furnished
20 by such State to the Secretary of Labor before May 1
21 of such year. Any such State report shall be made as
22 of the close of March 31 of the taxable year, and shall
23 be made on such forms, and shall contain such infor-
24 mation, as the Secretary of Labor deems necessary to
25 the performance of his duties under this section.

1 ~~PART 3—EXTENSION OF COVERAGE UNDER UNEMPLOY-~~
2 ~~MENT COMPENSATION PROGRAM~~
3 ~~FEDERAL INSTRUMENTALITIES~~

4 SEC. 531. ~~(a)~~ Section 3305 ~~(b)~~ of the Internal Revenue
5 Code of 1954 is amended to read as follows:

6 ~~“(b) FEDERAL INSTRUMENTALITIES IN GENERAL.—~~
7 The legislature of any State may require any instrumentality
8 of the United States ~~(other than an instrumentality to which~~
9 ~~section 3306(c)(6) applies)~~, and the individuals in its
10 employ, to make contributions to an unemployment fund
11 under a State unemployment compensation law approved by
12 the Secretary of Labor under section 3304 and ~~(except as~~
13 ~~provided in section 5240 of the Revised Statutes, as amended~~
14 ~~(12 U.S.C., sec. 484)~~, and as modified by subsection ~~(c)~~,
15 to comply otherwise with such law. The permission granted
16 in this subsection shall apply ~~(A)~~ only to the extent that
17 no discrimination is made against such instrumentality, so
18 that if the rate of contribution is uniform upon all other
19 persons subject to such law on account of having individuals
20 in their employ, and upon all employees of such persons,
21 respectively, the contributions required of such instrumen-
22 tality or the individuals in its employ shall not be at a greater
23 rate than is required of such other persons and such em-
24 ployees, and if the rates are determined separately for
25 different persons or classes of persons having individuals in

1 their employ or for different classes of employees, the de-
2 termination shall be based solely upon unemployment ex-
3 perience and other factors bearing a direct relation to unem-
4 ployment risk; ~~(B)~~ only if such State law makes provision
5 for the refund of any contributions required under such law
6 from an instrumentality of the United States or its employees
7 for any year in the event such State is not certified by the
8 Secretary of Labor under section 3304 with respect to such
9 year; and ~~(C)~~ only if such State law makes provision for
10 the payment of unemployment compensation to any em-
11 ployee of any such instrumentality of the United States in
12 the same amount, on the same terms, and subject to the
13 same conditions as unemployment compensation is payable
14 to employees of other employers under the State unemploy-
15 ment compensation law.”

16 ~~(b)~~ The third sentence of section 3305 ~~(g)~~ of such Code
17 is amended by striking out “not wholly” and inserting in lieu
18 thereof “neither wholly nor partially”.

19 ~~(c)~~ Section 3306 ~~(c)~~ ~~(G)~~ of such Code is amended to
20 read as follows:

21 “~~(G)~~ service performed in the employ of the
22 United States Government or of an instrumentality of
23 the United States which is—

24 “~~(A)~~ wholly or partially owned by the United
25 States, or

1 “(B) exempt from the tax imposed by section
2 3301 by virtue of any provision of law which spe-
3 cifically refers to such section (or the corresponding
4 section of prior law) in granting such exemption;”-

5 (d) (1) Chapter 23 of such Code is amended by re-
6 numbering section 3308 as section 3309 and by inserting
7 after section 3307 the following new section:

8 **“SEC. 3308. INSTRUMENTALITIES OF THE UNITED STATES.**

9 “Notwithstanding any other provision of law (whether
10 enacted before or after the enactment of this section) which
11 grants to any instrumentality of the United States an ex-
12 emption from taxation, such instrumentality shall not be
13 exempt from the tax imposed by section 3301 unless such
14 other provision of law grants a specific exemption, by refer-
15 ence to section 3301 (or the corresponding section of prior
16 law), from the tax imposed by such section.”

17 (2) The table of sections for such chapter is amended
18 by striking out the last line and inserting in lieu thereof the
19 following:

 “Sec. 3308. Instrumentalities of the United States.
 “Sec. 3309. Short title.”

20 (c) So much of the first sentence of section 1501(a) of
21 the Social Security Act as precedes paragraph (1) is
22 amended by striking out “wholly” and inserting in lieu
23 thereof “wholly or partially”.

1 ~~(f)~~ The first sentence of section 1507(a) of the Social
2 Security Act is amended by striking out “wholly” and insert-
3 ing in lieu thereof “wholly or partially”.

4 AMERICAN AIRCRAFT

5 SEC. 532. ~~(a)~~ So much of section 3306(c) of the In-
6 ternal Revenue Code of 1954 as precedes paragraph ~~(1)~~
7 thereof is amended by striking out “or ~~(B)~~ on or in con-
8 nection with an American vessel” and all that follows down
9 through the phrase “outside the United States,” and by in-
10 serting in lieu thereof the following: “or ~~(B)~~ on or in con-
11 nection with an American vessel or American aircraft under
12 a contract of service which is entered into within the United
13 States or during the performance of which and while the
14 employee is employed on the vessel or aircraft it touches at a
15 port in the United States, if the employee is employed on and
16 in connection with such vessel or aircraft when outside the
17 United States,”.

18 ~~(b)~~ Section 3306(c) ~~(4)~~ of such Code is amended to
19 read as follows:

20 “~~(4)~~ service performed on or in connection with a
21 vessel or aircraft not an American vessel or American
22 aircraft, if the employee is employed on and in connec-
23 tion with such vessel or aircraft when outside the United
24 States;”.

25 ~~(c)~~ Section 3306(m) of such Code is amended—

1 ~~(1)~~ by striking out the heading and inserting in
2 lieu thereof the following:

3 “~~(m)~~ AMERICAN VESSEL AND AIRCRAFT.—”; and

4 ~~(2)~~ by striking out the period at the end thereof
5 and inserting in lieu thereof a semicolon and the follow-
6 ing: “and the term ‘American aircraft’ means an air-
7 craft registered under the laws of the United States.”

8 FEEDER ORGANIZATIONS, ETC.

9 SEC. 533. Section 3306(e)(8) of the Internal Revenue
10 Code of 1954 is amended to read as follows:

11 “~~(8)~~ service performed in the employ of a reli-
12 gious, charitable, educational, or other organization de-
13 scribed in section 501(c)(3) which is exempt from
14 income tax under section 501(a);”.

15 FRATERNAL BENEFICIARY SOCIETIES, AGRICULTURAL OR-
16 GANIZATIONS, VOLUNTARY EMPLOYEES’ BENEFICIARY
17 ASSOCIATIONS, ETC.

18 SEC. 534. Section 3306(e)(10) of the Internal Reve-
19 nue Code of 1954 is amended to read as follows:

20 “~~(10)(A)~~ service performed in any calendar
21 quarter in the employ of any organization exempt from
22 income tax under section 501(a) (other than an or-
23 ganization described in section 401(a)) or under section
24 521, if the remuneration for such service is less than
25 \$50, or

1 geographical sense means, except where otherwise pro-
2 vided, the States, the District of Columbia, and the
3 Commonwealth of Puerto Rico.”

4 FEDERAL EMPLOYEES AND EX-SERVICEMEN

5 SEC. 542. (a) (1) Effective with respect to weeks of
6 unemployment beginning after December 31, 1965, section
7 1503(b) of such Act is amended by striking out “Puerto
8 Rico or”.

9 (2) Effective with respect to first claims filed after
10 December 31, 1965, paragraph (3) of section 1504 of
11 such Act is amended by striking out “Puerto Rico or”
12 wherever appearing therein.

13 (b) (1) Effective on and after January 1, 1961 (but
14 only in the case of weeks of unemployment beginning before
15 January 1, 1966)—

16 (A) Section 1502(b) of such Act is amended
17 by striking out “(b) Any” and inserting in lieu thereof
18 “(b) (1) Except as provided in paragraph (2), any”,
19 and by adding at the end thereof the following new
20 paragraph:

21 “(2) In the case of the Commonwealth of Puerto Rico,
22 the agreement shall provide that compensation will be paid
23 by the Commonwealth of Puerto Rico to any Federal em-
24 ployee whose Federal service and Federal wages are assigned
25 under section 1504 to such Commonwealth, with respect to

1 unemployment after December 31, 1960 (but only in the
2 case of weeks of unemployment beginning before January 1,
3 1966), in the same amount, on the same terms, and subject
4 to the same conditions as the compensation which would be
5 payable to such employee under the unemployment compen-
6 sation law of the District of Columbia if such employee's
7 Federal service and Federal wages had been included as em-
8 ployment and wages under such law, except that if such em-
9 ployee, without regard to his Federal service and Federal
10 wages, has employment or wages sufficient to qualify for any
11 compensation during the benefit year under such law, then
12 payments of compensation under this subsection shall be
13 made only on the basis of his Federal service and Federal
14 wages. In applying this paragraph or subsection (b) of sec-
15 tion 1503, as the case may be, employment and wages under
16 the unemployment compensation law of the Commonwealth
17 of Puerto Rico shall not be combined with Federal service or
18 Federal wages."

19 (B) Section 1503(a) of such Act is amended by
20 adding at the end thereof the following: "For the pur-
21 poses of this subsection, the term 'State' does not include
22 the Commonwealth of Puerto Rico."

23 (C) Section 1503(b) of such Act is amended by
24 adding at the end thereof the following: "This subsection
25 shall apply in respect of the Commonwealth of Puerto

1 Rico only if such Commonwealth does not have an agree-
2 ment under this title with the Secretary.”

3 ~~(2)~~ Effective on and after January 1, 1961 (but only
4 in the case of first claims filed before January 1, 1966), sec-
5 tion 1504 of such Act is amended by adding after and below
6 paragraph ~~(3)~~ the following:

7 “For the purposes of paragraph ~~(2)~~, the term ‘United
8 States’ does not include the Commonwealth of Puerto Rico.”

9 ~~(c)~~ Effective on and after January 1, 1961—

10 ~~(1)~~ section 1503(d) of such Act is amended by
11 striking out “Puerto Rico and”, and by striking out
12 “agencies” each place it appears and inserting in lieu
13 thereof “agency”; and

14 ~~(2)~~ section 1511(e) of such Act is amended by
15 striking out “Puerto Rico or”.

16 ~~(d)~~ The last sentence of section 1501(a) of such Act
17 is amended to read as follows:

18 “For the purpose of paragraph ~~(5)~~ of this subsection, the
19 term ‘United States’ when used in the geographical sense
20 means the States, the District of Columbia, the Common-
21 wealth of Puerto Rico, and the Virgin Islands.”

22 EXTENSION OF FEDERAL UNEMPLOYMENT TAX ACT

23 SEC. 543. ~~(a)~~ Effective with respect to remuneration
24 paid after December 31, 1960, for services performed after

1 such date, section 3306(j) of the Internal Revenue Code
2 of 1954 is amended to read as follows:

3 “(j) STATE, UNITED STATES, AND CITIZEN.—For
4 purposes of this chapter—

5 “(1) STATE.—The term ‘State’ includes the Dis-
6 trict of Columbia and the Commonwealth of Puerto Rico.

7 “(2) UNITED STATES.—The term ‘United States’
8 when used in a geographical sense includes the States’
9 the District of Columbia, and the Commonwealth of
10 Puerto Rico.

11 An individual who is a citizen of the Commonwealth of
12 Puerto Rico (but not otherwise a citizen of the United
13 States) shall be considered, for purposes of this section, as
14 a citizen of the United States.”

15 (b) The unemployment compensation law of the Com-
16 monwealth of Puerto Rico shall be considered as meeting the
17 requirements of—

18 (1) Section 3304(a)(2) of the Federal Unem-
19 ployment Tax Act, if such law provides that no com-
20 pensation is payable with respect to any day of unem-
21 ployment occurring before January 1, 1959.

22 (2) Section 3304(a)(3) of the Federal Unem-
23 ployment Tax Act and section 303(a)(4) of the Social
24 Security Act, if such law contains the provisions re-

1 quired by those sections and if it requires that, on or
 2 before February 1, 1961, there be paid over to the Sec-
 3 retary of the Treasury, for credit to the Puerto Rico
 4 account in the Unemployment Trust Fund, an amount
 5 equal to the excess of—

6 (A) the aggregate of the moneys received in
 7 the Puerto Rico unemployment fund before Janu-
 8 ary 1, 1961, over

9 (B) the aggregate of the moneys paid from
 10 such fund before January 1, 1961, as unemploy-
 11 ment compensation or as refunds of contributions
 12 erroneously paid.

13 ~~TITLE VI—MEDICAL SERVICES FOR THE AGED~~
 14 ESTABLISHMENT OF PROGRAM

15 SEC. 601. The Social Security Act is amended by add-
 16 ing at the end thereof the following new title:

17 ~~“TITLE XVI—MEDICAL SERVICES FOR THE AGED~~
 18 “APPROPRIATION

19 “SEC. 1601. For the purpose of enabling each State,
 20 as far as practicable under the conditions in such State, to
 21 assist aged individuals of low income in meeting their medi-
 22 cal expenses, there is hereby authorized to be appropriated
 23 for each fiscal year a sum sufficient to carry out the purposes
 24 of this title. The sums made available under this section
 25 shall be used for making payments to States which have

1 submitted, and had approved by the Secretary, State plans
2 for medical services for the aged.

3 “STATE PLANS

4 “SEC. 1602. (a) A State plan for medical services for
5 the aged must—

6 “(1) provide that it shall be in effect in all political
7 subdivisions of the State, and, if administered by them,
8 be mandatory upon them;

9 “(2) provide for financial participation by the
10 State;

11 “(3) provide for the establishment or designation
12 of a single State agency to administer or supervise the
13 administration of the plan;

14 “(4) provide that medical services with respect
15 to which payments are made under the plan shall include
16 both institutional and noninstitutional medical services;

17 “(5) include reasonable standards, consistent with
18 the objectives of this title, for determining the eligibility
19 of individuals for medical benefits under the plan and
20 the amounts thereof, and provide that no benefits under
21 the plan will be furnished any individual who is not an
22 eligible individual (as defined in section 1605);

23 “(6) provide that all individuals wishing to apply
24 for medical benefits under the plan shall have oppor-

1 tunity to do so; and that such benefits shall be furnished
2 with reasonable promptness to all individuals making
3 application therefor who are eligible for medical benefits
4 under the plan;

5 ~~“(7) provide that no benefits will be furnished any~~
6 individual under the plan with respect to any period with
7 respect to which he is receiving old-age assistance under
8 the State plan approved under section 2; aid to depend-
9 ent children under the State plan approved under sec-
10 tion 402; aid to the blind under the State plan approved
11 under section 1002; or aid to the permanently and totally
12 disabled under the State plan approved under section
13 1402 (and for purposes of this paragraph an individual
14 shall not be deemed to have received such assistance or
15 aid with respect to any month unless he received such
16 assistance or aid in the form of money payments for such
17 month, or in the form of medical or any other type of
18 remedial care in such month (without regard to when
19 the expenditures in the form of such care were made));

20 ~~“(8) provide that no lien may be imposed against~~
21 the property of any individual prior to his death on
22 account of benefits paid or to be paid on his behalf under
23 the plan (except pursuant to the judgment of a court
24 on account of benefits incorrectly paid on behalf of such
25 individual); and that there shall be no adjustment or

1 recovery (except, after the death of such individual and
2 his surviving spouse, if any, from such individual's
3 estate) of any benefits correctly paid on behalf of any
4 individual under the plan;

5 “(9) provide that no enrollment fee, premium, or
6 similar charge will be imposed as a condition of any
7 individual's eligibility for medical benefits under the
8 plan;

9 “(10) provide that benefits under the plan shall not
10 be greater in amount, duration, or scope than the
11 assistance furnished under a plan of such State approved
12 under section 2—

13 “(A) in the form of medical or any other type
14 of remedial care; and

15 “(B) in the form of money payments to the
16 extent that amounts are included in such payments
17 because of the medical needs of the recipients;

18 “(11) provide for granting an opportunity for a fair
19 hearing before the State agency to any individual whose
20 claim for medical benefits under the plan is denied or is
21 not acted upon with reasonable promptness;

22 “(12) provide such methods of administration (in-
23 cluding methods relating to the establishment and main-
24 tenance of personnel standards on a merit basis, except
25 that the Secretary shall exercise no authority with re-

1 spect to the selection, tenure of office, and compensation
 2 of any individual employed in accordance with such
 3 methods) as are found by the Secretary to be necessary
 4 for the proper and efficient operation of the plan;

5 “(13) provide safeguards which restrict the use or
 6 disclosure of information concerning applicants for and
 7 recipients of benefits under the plan to purposes directly
 8 connected with the administration of the plan;

9 “(14) provide for establishment or designation of
 10 a State authority or authorities which shall be responsi-
 11 ble for establishing and maintaining standards for—

12 “(A) hospitals providing hospital services;

13 “(B) nursing homes providing skilled nursing
 14 home services; and

15 “(C) agencies providing organized home care
 16 services;

17 for which expenditures are made under the plan;

18 “(15) include methods for determining—

19 “(A) rates of payment for institutional serv-
 20 ices; and

21 “(B) schedules of fees or rates of payment for
 22 other medical services;

23 for which expenditures are made under the plan;

24 “(16) to the extent required by regulations pre-
 25 scribed by the Secretary, include provisions (conform-

1 ing to such regulations) with respect to the furnishing
2 of medical benefits to eligible individuals who are resi-
3 dents of the State but absent therefrom; and

4 “(17) provide that the State agency will make such
5 reports, in such form and containing such information,
6 as the Secretary may from time to time require, and
7 comply with such provisions as the Secretary may from
8 time to time find necessary to assure the correctness and
9 verification of such reports.

10 “(b) The Secretary shall approve any State plan which
11 complies with the requirements of subsection (a), except
12 that he shall not approve any plan which imposes as a con-
13 dition of eligibility for medical benefits under the plan—

14 “(1) an age requirement of more than sixty-five
15 years;

16 “(2) any citizenship requirement which excludes
17 any citizen of the United States; or

18 “(3) any residence requirement which excludes any
19 individual who resides in the State.

20 “(c) Notwithstanding subsection (b), the Secretary
21 shall not approve any State plan for medical services for
22 the aged unless the State has established to his satisfaction
23 that the approval and operation of the plan will not result in
24 a reduction in old-age assistance under the plan of such
25 State approved under section 2, aid to dependent children

1 under the plan of such State approved under section 402,
2 aid to the blind under the plan of such State approved under
3 section 1002, or aid to the permanently and totally disabled
4 under the plan of such State approved under section 1402.

5 ~~“PAYMENTS~~

6 ~~“SEC. 1602. (a) From the sums appropriated therefor,~~
7 ~~there shall be paid to each State which has a plan approved~~
8 ~~under section 1602, for each calendar quarter, beginning~~
9 ~~with the quarter commencing July 1, 1961—~~

10 ~~“(1) in the case of any State other than the~~
11 ~~Commonwealth of Puerto Rico, the Virgin Islands, and~~
12 ~~Guam, an amount equal to the Federal percentage (as~~
13 ~~defined in section 1101(a)(8)) of the total amounts~~
14 ~~expended during such quarter for medical benefits under~~
15 ~~the State plan;~~

16 ~~“(2) in the case of the Commonwealth of Puerto~~
17 ~~Rico, the Virgin Islands, and Guam, an amount equal~~
18 ~~to one-half of the total amounts expended during such~~
19 ~~quarter for medical benefits under the State plan; and~~

20 ~~“(3) in the case of any State, an amount equal to~~
21 ~~one-half of the total of the sums expended during such~~
22 ~~quarter as found necessary by the Secretary for the~~
23 ~~proper and efficient administration of the State plan;~~

24 ~~except that there shall not be counted as an expenditure~~

1 for purposes of paragraph ~~(1)~~ or ~~(2)~~ any amount expended
2 for an individual during a benefit year of such individual—

3 ~~“(A) for inpatient hospital services after expendi-~~
4 ~~tures have been made for the cost of 120 days of such~~
5 ~~services for such individual during such year, or~~

6 ~~“(B) for laboratory and X-ray services (which do~~
7 ~~not constitute inpatient hospital services) after expendi-~~
8 ~~tures of \$200 have been made for such individual during~~
9 ~~such year, or~~

10 ~~“(C) for prescribed drugs (which do not constitute~~
11 ~~inpatient hospital services) after expenditures of \$200~~
12 ~~have been made for such individual during such year.~~

13 ~~“(b) Prior to the beginning of each quarter, the Secre-~~
14 ~~tary shall estimate the amounts to be paid to each State~~
15 ~~under subsection (a) for such quarter, such estimates to~~
16 ~~be based on (1) a report filed by the State containing its~~
17 ~~estimate of the total sum to be expended in such quarter in~~
18 ~~accordance with the provisions of such subsection, and~~
19 ~~stating the amount appropriated or made available by the~~
20 ~~State and its political subdivisions for such expenditures in~~
21 ~~such quarter, and if such amount is less than the State's~~
22 ~~proportionate share of the total sum of such estimated ex-~~
23 ~~penditures, the source or sources from which the difference is~~
24 ~~expected to be derived, and (2) such other investigation as~~

1 the Secretary may find necessary. The amount so estimated,
2 reduced or increased to the extent of any overpayment or
3 underpayment which the Secretary determines was made
4 under this section to such State for any prior quarter and
5 with respect to which adjustment has not already been
6 made under this subsection, shall then be paid to the State,
7 through the disbursing facilities of the Treasury Department,
8 in such installments as the Secretary may determine. The
9 reductions under the preceding sentence shall include the pro
10 rata share to which the United States is equitably entitled,
11 as determined by the Secretary, of the net amount recovered
12 by the State or any political subdivision thereof with respect
13 to medical benefits furnished under the State plan.

14 "OPERATION OF STATE PLANS

15 "SEC. 1604. If the Secretary, after reasonable notice
16 and opportunity for hearing to the State agency administer-
17 ing or supervising the administration of any State plan which
18 has been approved by him under section 1602, finds—

19 "(1) that the plan has been so changed that it no
20 longer complies with the provisions of section 1602, or

21 "(2) that in the administration of the plan there is
22 a failure to comply substantially with any such provision,
23 the Secretary shall notify such State agency that further
24 payments will not be made to the State under section 1603
25 (or, in his discretion, that payments will be limited to parts

1 of the plan not affected by such noncompliance) until the Sec-
 2 retary is satisfied that there is no longer any such noncompli-
 3 ance. Until he is so satisfied, no further payments shall be
 4 made to such State under section 1602 (or payments shall be
 5 limited to parts of the plan not affected by such noncompli-
 6 ance). For purposes of this section, a plan shall be treated
 7 as having been so changed that it no longer complies with the
 8 provisions of section 1602 if at any time the Secretary deter-
 9 mines that, were such plan to be submitted at such time for
 10 approval, he would be barred from approving such plan
 11 by reason of section 1602(c).

12 "ELIGIBLE INDIVIDUALS

13 "Sec. 1605. For the purposes of this title, the term
 14 'eligible individual' means any individual—

15 "(1) who is sixty five years of age or over, and

16 "(2) whose income and resources, taking into ac-
 17 count his other living requirements as determined by the
 18 State, are insufficient to meet the cost of his medical
 19 services.

20 "BENEFITS

21 "SEC. 1606. For the purposes of this title—

22 "(a) The term 'medical benefits' means payment of
 23 part or all of the cost of medical services on behalf of eligible
 24 individuals.

25 "(b) (1) Except as provided in paragraph (2), the

1 term 'medical services' means the following to the extent
2 determined by the physician to be medically necessary:

3 ~~“(A) inpatient hospital services;~~

4 ~~“(B) skilled nursing home services;~~

5 ~~“(C) physicians' services;~~

6 ~~“(D) outpatient hospital services;~~

7 ~~“(E) organized home care services;~~

8 ~~“(F) private duty nursing services;~~

9 ~~“(G) therapeutic services;~~

10 ~~“(H) major dental treatment;~~

11 ~~“(I) laboratory and X-ray services; and~~

12 ~~“(J) prescribed drugs.~~

13 ~~“(2) The term 'medical services' does not include—~~

14 ~~“(A) services for any individual who is an inmate~~
15 ~~of a public institution (except as a patient in a medical~~
16 ~~institution) or any individual who is a patient in an~~
17 ~~institution for tuberculosis or mental diseases; or~~

18 ~~“(B) services for any individual who is a patient in~~
19 ~~a medical institution as a result of a diagnosis of tuber-~~
20 ~~culosis or psychosis, with respect to any period after~~
21 ~~the individual has been a patient in such an institution,~~
22 ~~as a result of such diagnosis, for forty-two days.~~

23 ~~“(c) The term 'inpatient hospital services' means the~~
24 ~~following items furnished to an inpatient by a hospital:~~

1 ~~“(1) Bed and board (at a rate not in excess of the~~
2 ~~rate for semiprivate accommodations);~~

3 ~~“(2) Physicians’ services; and~~

4 ~~“(3) Nursing services, interns’ services, laboratory~~
5 ~~and X-ray services, ambulance service, and other serv-~~
6 ~~ices, drugs, and appliances related to his care and treat-~~
7 ~~ment (whether furnished directly by the hospital or, by~~
8 ~~arrangement, through other persons).~~

9 ~~“(d) The term ‘skilled nursing-home services’ means~~
10 ~~th following items furnished to an inpatient in a nursing~~
11 ~~home:~~

12 ~~“(1) Skilled nursing care provided by a registered~~
13 ~~professional nurse or a licensed practical nurse which is~~
14 ~~prescribed by, or performed under the general direction~~
15 ~~of, a physician;~~

16 ~~“(2) Medical care and other services related to~~
17 ~~such skilled nursing care; and~~

18 ~~“(3) Bed and board in connection with the fur-~~
19 ~~nishing of such skilled nursing care.~~

20 ~~“(e) The term ‘physicians’ services’ means services~~
21 ~~provided in the exercise of his profession in any State by a~~
22 ~~physician licensed in such State; and the term ‘physician’~~
23 ~~includes a physician within the meaning of section 1101~~

24 ~~(a) (7).~~

1 ~~“(f) The term ‘outpatient hospital services’ means~~
2 ~~medical and surgical care furnished by a hospital to an indi-~~
3 ~~vidual as an outpatient.~~

4 ~~“(g) The term ‘organized home care services’ means~~
5 ~~visiting nurse services and physicians’ services, and services~~
6 ~~related thereto, which are prescribed by a physician and~~
7 ~~are provided in the home through a public or private non-~~
8 ~~profit agency operated in accordance with medical policies~~
9 ~~established by one or more physicians (who are responsi-~~
10 ~~ble for supervising the execution of such policies) to govern~~
11 ~~such services.~~

12 ~~“(h) The term ‘private duty nursing services’ means~~
13 ~~nursing care provided in the home by a registered profes-~~
14 ~~sional nurse or licensed practical nurse, under the general~~
15 ~~direction of a physician, to a patient requiring nursing care~~
16 ~~on a full-time basis.~~

17 ~~“(i) The term ‘therapeutic services’ means services~~
18 ~~prescribed by a physician for the treatment of disease or~~
19 ~~injury by physical nonmedical means, including retraining~~
20 ~~for the loss of speech.~~

21 ~~“(j) The term ‘major dental treatment’ means services~~
22 ~~provided by a dentist, in the exercise of his profession, with~~
23 ~~respect to a condition of an individual’s teeth, oral cavity,~~
24 ~~or associated parts which has seriously affected, or may seri-~~

1 lations prescribed by the Secretary. Subject to regulations
 2 prescribed by the Secretary, the State plan may permit the
 3 extension of a benefit year in order to avoid hardship.”

4 IMPROVEMENT OF MEDICAL CARE FOR OLD-AGE ASSIST-
 5 ANCE RECIPIENTS

6 SEC. 602. ~~(a)~~ Section 3(a) of the Social Security Act
 7 is amended by striking out “and ~~(3)~~ in the case of any
 8 State,” and inserting in lieu thereof the following: “and
 9 ~~(3)~~ in the case of any State which is qualified for such
 10 quarter ~~(as determined under subsection ~~(c)(1)~~)~~; an
 11 amount equal to 5 per centum of the total of the sums
 12 expended during such quarter as old-age assistance under
 13 the State plan in the form of medical or any other type of
 14 remedial care, not counting so much of any expenditure
 15 with respect to any month as exceeds whichever of the fol-
 16 lowing is the smaller—

17 “~~(A)~~ \$5 multiplied by the total number of re-
 18 cipients of old-age assistance for such month, or

19 “~~(B)~~ the additional expenditure per recipient of
 20 old-age assistance for such month ~~(as determined under~~
 21 ~~subsection ~~(c)(2)~~)~~, multiplied by the total number of
 22 recipients of old-age assistance for such month;

23 and ~~(4)~~ in the case of any State.”

24 ~~(b)~~ Section 3 of such Act is further amended by adding
 25 at the end thereof the following new subsection:

1 ~~“(e)(1)~~ For the purposes of clause ~~(3)~~ of subsection
2 ~~(a)~~, a State shall be qualified for a quarter if the State agency
3 of such State has submitted, in or prior to such quarter ~~(but~~
4 ~~in no event prior to the quarter in which this subsection is~~
5 ~~enacted)~~, a modification of the plan of such State approved
6 under this title which the Secretary is satisfied would result
7 in a significant improvement in old-age assistance in the
8 form of medical or any other type of remedial care under the
9 plan, except that in no event may a State be qualified for a
10 quarter prior to the first quarter for which such modification
11 is effective. Any determination under the preceding sen-
12 tence with respect to any modification of a State plan shall
13 be based on a comparison with old-age assistance in the form
14 of medical or any other type of remedial care, if any, under
15 the plan during the quarter prior to the quarter in which this
16 subsection was enacted, and in making such determination
17 the Secretary shall take into account the extent to which
18 there would be any reduction in amounts previously included
19 because of medical needs in old-age assistance under the
20 plan in the form of money payments. Such State shall cease
21 to be qualified for any quarter occurring ~~(1)~~ after the quar-
22 ter in which the Secretary determines, after notice and op-
23 portunity for hearing to the State agency administering or
24 supervising the administration of the State plan of such
25 State, that the improvement referred to in the first sentence

1 of this subsection has ~~(through a change in the plan or in its~~
2 ~~administration)~~ ceased to be a significant improvement, and
3 ~~(2)~~ prior to the quarter in which such State again qualifies
4 as provided in the preceding sentences.

5 “~~(2)~~ For the purposes of clause ~~(3)~~~~(B)~~ of subsection
6 ~~(a)~~, the additional expenditure per recipient of old-age
7 assistance in any State for any month means the excess of—

8 “~~(A)~~ the quotient obtained by dividing the total of
9 the sums expended in such month as old-age assistance
10 under the State plan in the form of medical or any other
11 type of remedial care by the total number of recipients
12 of old-age assistance under such plan for such month,
13 over

14 “~~(B)~~ the quotient obtained by dividing the total of
15 the sums expended in the last month which ended prior
16 to the enactment of this paragraph as old-age assistance
17 under the State plan in the form of medical or any other
18 type of remedial care by the total number of recipients
19 of old-age assistance under such plan for such month.”

20 ~~(c)~~ Section 6 of such Act is amended by striking out
21 “but does not include” and all that follows and inserting in
22 lieu thereof “but does not include—

23 “~~(1)~~ any such payments to or care in behalf of any
24 individual who is an inmate of a public institution ~~(ex-~~
25 ~~cept as a patient in a medical institution)~~ or any in-

1 appropriated for making grants to the States such sums
2 as the Congress may determine.

3 (b) A grant under this section to any State shall be
4 made only upon application therefor which is submitted by
5 a State agency designated by the State to carry out the
6 purpose of this section and is approved by the Secretary.
7 No such grant for any State may exceed 50 per centum
8 of the cost of carrying out such purpose in accordance with
9 such application.

10 (c) Payment of any grant under this section may be
11 made in advance or by way of reimbursement, and in such
12 installments, as the Secretary may determine. The aggre-
13 gate amount paid to any State under this section shall not
14 exceed \$50,000.

15 (d) Appropriations pursuant to this section shall re-
16 main available for grants under this section only until the
17 close of June 30, 1962; and any part of such a grant which
18 has been paid to a State prior to the close of June 30, 1962,
19 but has not been used or obligated by such State for carrying
20 out the purpose of this section prior to the close of such
21 date, shall be returned to the United States.

22 (e) As used in this section, the term "State" includes
23 the District of Columbia, the Commonwealth of Puerto Rico,
24 the Virgin Islands, and Guam.

TECHNICAL AMENDMENT

1
2 SEC. 604. Effective July 1, 1961, section 1101(a)(1)
3 of the Social Security Act (as amended by section 541 of
4 this Act) is amended by striking out “and XIV” and in-
5 serting in lieu thereof “XIV, and XVI”.

6 TITLE VI—MEDICAL SERVICES FOR THE AGED
7 *Amendments to Title I of the Social Security Act*

8 SEC. 601. (a) *The heading of title I of the Social Se-*
9 *curity Act is amended to read as follows:*

10 “TITLE I—GRANTS TO STATES FOR OLD-AGE
11 ASSISTANCE AND MEDICAL ASSISTANCE
12 FOR THE AGED”

13 (b) *Sectons 1 and 2 of such Act are amended to read as*
14 *follows:*

“APPROPRIATION

15
16 “SECTION 1. *For the purpose (a) of enabling each State*
17 *as far as practicable under the conditions in such State, to fur-*
18 *nish financial assistance to aged needy individuals and of en-*
19 *couraging each State, as far as practicable under such condi-*
20 *tions, to help such individuals attain self-care, and (b) of*
21 *enabling each State, as far as practicable under the conditions in*
22 *such State, to furnish medical assistance on behalf of aged indi-*
23 *viduals who are not recipients of old-age assistance but whose*
24 *income and resources are insufficient to meet the costs of neces-*

1 sary medical services, there is hereby authorized to be appro-
2 priated for each fiscal year a sum sufficient to carry out the
3 purposes of this title. The sums made available under this sec-
4 tion shall be used for making payments to States which have
5 submitted, and had approved by the Secretary of Health, Edu-
6 cation, and Welfare (hereinafter referred to as the 'Secre-
7 tary'), State plans for old-age assistance, or for medical
8 assistance for the aged, or for old-age assistance and medical
9 assistance for the aged.

10 "STATE OLD-AGE AND MEDICAL ASSISTANCE PLANS

11 "SEC. 2. (a) A State plan for old-age assistance, or for
12 medical assistance for the aged, or for old-age assistance and
13 medical assistance for the aged must—

14 "(1) provide that it shall be in effect in all political
15 subdivisions of the State, and, if administered by them, be
16 mandatory upon them;

17 "(2) provide for financial participation by the State
18 which shall, effective January 1, 1962, extend to all
19 aspects of the State plan;

20 "(3) either provide for the establishment or designa-
21 tion of a single State agency to administer the plan, or
22 provide for the establishment or designation of a single
23 State agency to supervise the administration of the plan;

24 "(4) provide for granting an opportunity for a fair
25 hearing before the State agency to any individual whose

1 *claim for assistance under the plan is denied or is not*
2 *acted upon with reasonable promptness;*

3 “(5) *provide such methods of administration (in-*
4 *cluding methods relating to the establishment and main-*
5 *tenance of personnel standards on a merit basis, except*
6 *that the Secretary shall exercise no authority with respect*
7 *to the selection, tenure of office, and compensation of any*
8 *individual employed in accordance with such methods)*
9 *as are found by the Secretary to be necessary for the*
10 *proper and efficient operation of the plan;*

11 “(6) *provide that the State agency will make such*
12 *reports, in such form and containing such information,*
13 *as the Secretary may from time to time require, and*
14 *comply with such provisions as the Secretary may from*
15 *time to time find necessary to assure the correctness and*
16 *verification of such reports;*

17 “(7) *provide safeguards which restrict the use or*
18 *disclosure of information concerning applicants and re-*
19 *cipients to purposes directly connected with the admin-*
20 *istration of the State plan;*

21 “(8) *provide that all individuals wishing to make*
22 *application for assistance under the plan shall have op-*
23 *portunity to do so, and that such assistance shall be*
24 *furnished with reasonable promptness to all eligible in-*
25 *dividuals;*

1 “(9) if the State plan includes old-age assistance—

2 “(A) provide that the State agency shall, in
3 determining need for such assistance, take into con-
4 sideration any other income and resources of an in-
5 dividual claiming old-age assistance;

6 “(B) provide reasonable standards, consistent
7 with the objectives of this title, for determining eli-
8 gibility for and the extent of such assistance;

9 “(C) provide a description of the services (if
10 any) which the State agency makes available to ap-
11 plicants for and recipients of such assistance to help
12 them attain self-care, including a description of the
13 steps taken to assure, in the provision of such serv-
14 ices, maximum utilization of other agencies provid-
15 ing similar or related services;

16 “(10) provide, if the plan includes payments of
17 old-age assistance to individuals in private or public
18 institutions, for the establishment or designation of a
19 State authority or authorities which shall be responsible
20 for establishing and maintaining standards for such in-
21 stitutions;

22 “(11) if the State plan includes medical assistance
23 for the aged—

24 “(A) provide for inclusion of some institutional
25 and some noninstitutional care and services;

1 “(B) provide that no enrollment fee, premium,
2 or similar charge will be imposed as a condition of
3 any individual’s eligibility for medical assistance for
4 the aged under the plan;

5 “(C) provide for inclusion, to the extent re-
6 quired by regulations prescribed by the Secretary, of
7 provisions (conforming to such regulations) with re-
8 spect to the furnishing of such assistance to individ-
9 uals who are residents of the State but are absent
10 therefrom;

11 “(D) include reasonable standards, consistent
12 with the objectives of this title, for determining eli-
13 gibility for and the extent of such assistance;

14 “(E) provide that no lien may be imposed
15 against the property of any individual prior to his
16 death on account of medical assistance for the aged
17 paid or to be paid on his behalf under the plan
18 (except pursuant to the judgment of a court on ac-
19 count of benefits incorrectly paid on behalf of such
20 individual), and that there shall be no adjustment
21 or recovery (except, after the death of such indi-
22 vidual and his surviving spouse, if any, from such
23 individual’s estate) of any medical assistance for the
24 aged correctly paid on behalf of such individual
25 under the plan.

1 “(b) The Secretary shall approve any plan which fulfills
2 the conditions specified in subsection (a), except that he
3 shall not approve any plan which imposes, as a condition of
4 eligibility for assistance under the plan—

5 “(1) an age requirement of more than sixty-five
6 years; or

7 “(2) any residence requirement which (A) in the
8 case of applicants for old-age assistance, excludes any
9 resident of the State who has resided therein five years
10 during the nine years immediately preceding the applica-
11 tion for old-age assistance and has resided therein con-
12 tinuously for one year immediately preceding the appli-
13 cation, and (B) in the case of applicants for medical
14 assistance for the aged, excludes any individual who re-
15 sides in the State; or

16 “(3) any citizenship requirement which excludes
17 any citizen of the United States.”

18 (c) Section 3(a) of such Act is amended to read as
19 follows:

20 “SEC. 3. (a) From the sums appropriated therefor, the
21 Secretary of the Treasury shall pay to each State which has
22 a plan approved under this title, for each quarter, beginning
23 with the quarter commencing October 1, 1960—

24 “(1) in the case of any State other than Puerto
25 Rico, the Virgin Islands, and Guam, an amount equal

1 to the sum of the following proportions of the total
2 amounts expended during such quarter as old-age assist-
3 ance under the State plan (including expenditures for
4 insurance premiums for medical or any other type of
5 remedial care or the cost thereof)—

6 “(A) four-fifths of such expenditures, not count-
7 ing so much of any expenditure with respect to any
8 month as exceeds the product of \$30 multiplied by
9 the total number of recipients of old-age assistance
10 for such month (which total number, for purposes
11 of this subsection, means (i) the number of indi-
12 viduals who received old-age assistance in the form
13 of money payments for such month, plus (ii) the
14 number of other individuals with respect to whom
15 expenditures were made in such month as old-age
16 assistance in the form of medical or any other type
17 of remedial care); plus

18 “(B) the Federal percentage (as defined in sec-
19 tion 1101(a)(8)) of the amount by which such
20 expenditures exceed the maximum which may be
21 counted under clause (A), not counting so much of
22 any expenditure with respect to any month as ex-
23 ceeds the product of \$65 multiplied by the total num-
24 ber of such recipients of old-age assistance for such
25 month; plus

1 “(C) the larger of the following: (i) the Fed-
2 eral medical percentage (as defined in section 6(c))
3 of the amount by which such expenditures exceed the
4 maximum which may be counted under clause (B),
5 not counting so much of any expenditure with respect
6 to any month as exceeds (I) the product of \$77
7 multiplied by the total number of such recipients of
8 old-age assistance for such month, or (II) if smaller,
9 the total expended as old-age assistance in the form
10 of medical or any other type of remedial care with
11 respect to such month plus the product of \$65 multi-
12 plied by such total number of such recipients, or (ii)
13 15 per centum of the total of the sums expended dur-
14 ing such quarter as old-age assistance under the
15 State plan in the form of medical or any other type
16 of remedial care, not counting so much of any
17 expenditure with respect to any month as exceeds
18 the product of \$12 multiplied by the total number of
19 such recipients of old-age assistance for such month;
20 and

21 “(2) in the case of Puerto Rico, the Virgin
22 Islands, and Guam, an amount equal to—

23 “(A) one-half of the total of the sums expended
24 during such quarter as old-age assistance under the
25 State plan (including expenditures for insurance

1 *premiums for medical or any other type of remedial*
2 *care or the cost thereof), not counting so much of*
3 *any expenditure with respect to any month as ex-*
4 *ceeds \$35 multiplied by the total number of recipi-*
5 *ents of old-age assistance for such month; plus*

6 “(B) the larger of the following amounts: (i)
7 *one-half of the amount by which such expenditures*
8 *exceed the maximum which may be counted under*
9 *clause (A), not counting so much of any expendi-*
10 *ture with respect to any month as exceeds (I) the*
11 *product of \$41 multiplied by the total number of*
12 *such recipients of old-age assistance for such month,*
13 *or (II) if smaller, the total expended as old-age*
14 *assistance in the form of medical or any other type*
15 *of remedial care with respect to such month plus*
16 *the product of \$35 multiplied by the total number of*
17 *such recipients, or (ii) 15 per centum of the total of*
18 *the sums expended during such quarter as old-age*
19 *assistance under the State plan in the form of medi-*
20 *cal or any other type of remedial care, not count-*
21 *ing so much of any expenditure with respect to any*
22 *month as exceeds the product of \$6 multiplied by*
23 *the total number of such recipients of old-age assist-*
24 *ance for such month; and*

25 “(3) in the case of any State, an amount equal

1 to the Federal medical percentage (as defined in sec-
2 tion 6(c)) of the total amounts expended during such
3 quarter as medical assistance for the aged under the
4 State plan; and

5 “(4) in the case of any State, an amount equal to
6 one-half of the total of the sums expended during such
7 quarter as found necessary by the Secretary of Health,
8 Education, and Welfare for the proper and efficient
9 administration of the State plan, including services
10 which are provided by the staff of the State agency (or
11 of the local agency administering the State plan in the
12 political subdivision) to applicants for and recipients
13 of old-age assistance to help them attain self-care.”

14 (d) Section 3(b)(2)(B) of such Act is amended by
15 striking out “old-age assistance” and inserting in lieu thereof
16 “assistance”.

17 (e) Section 4 of such Act is amended by striking out
18 “State plan for old-age assistance which has been approved”
19 and inserting in lieu thereof “State plan which has been
20 approved under this title”.

21 (f)(1) Section 6 of such Act is amended (A) by strik-
22 ing out “tuberculosis or psychosis” and inserting in lieu
23 thereof “pulmonary tuberculosis or psychosis”, (B) by
24 striking out “(a)” and inserting in lieu thereof “(1)”, and

1 *(C) by striking out “(b)” and inserting “(2)” in lieu*
2 *thereof.*

3 *(2) Section 6 is further amended by inserting “(a)”*
4 *immediately after “SEC. 6.” and by adding after such section*
5 *6 the following new subsections:*

6 *“(b) For purposes of this title, the term ‘medical assist-*
7 *ance for the aged’ means payment of part or all of the cost*
8 *of the following care and services for individuals sixty-five*
9 *years of age or older who are not recipients of old-age assist-*
10 *ance but whose income and resources are insufficient to meet*
11 *all of such cost—*

12 *“(1) inpatient hospital services;*

13 *“(2) skilled nursing-home services;*

14 *“(3) physicians’ services;*

15 *“(4) outpatient hospital or clinic services;*

16 *“(5) home health care services;*

17 *“(6) private duty nursing services;*

18 *“(7) physical therapy and related services;*

19 *“(8) dental services;*

20 *“(9) laboratory and X-ray services;*

21 *“(10) prescribed drugs, eyeglasses, dentures, and*
22 *prosthetic devices;*

23 *“(11) diagnostic, screening, and preventive serv-*
24 *ices; and*

1 “(12) any other medical care or remedial care
2 recognized under State law;
3 except that such term shall not include any payments with
4 respect to care or services for any individual who is an in-
5 mate of a public institution (except as a patient in a medical
6 institution) or any individual (A) who is a patient in an
7 institution for tuberculosis or mental diseases, or (B) who has
8 been diagnosed as having pulmonary tuberculosis or psychosis
9 and is a patient in a medical institution as a result thereof.

10 “(c) For purposes of this title, the term ‘Federal medi-
11 cal percentage’ for any State shall be 100 per centum less
12 the State percentage; and the State percentage shall be that
13 percentage which bears the same ratio to 50 per centum as
14 the square of the per capita income of such State bears to
15 the square of the per capita income of the continental United
16 States (including Alaska) and Hawaii; except that (i) the
17 Federal medical percentage shall in no case be less than 50
18 per centum or more than 80 per centum, and (ii) the Federal
19 medical percentage for Puerto Rico, the Virgin Islands, and
20 Guam shall be 50 per centum. The Federal medical per-
21 centage for any State shall be determined and promulgated
22 in accordance with the provisions of subparagraph (B) of
23 section 1101(a)(8) (other than the proviso at the end
24 thereof); except that the Secretary shall, as soon as possible
25 after enactment of the Social Security Amendments of 1960,

1 *determine and promulgate the Federal medical percentage for*
 2 *each State—*

3 “(1) *for the period beginning October 1, 1960,*
 4 *and ending with the close of June 30, 1961, which*
 5 *promulgation shall be based on the same data with re-*
 6 *spect to per capita income as the data used by the Secre-*
 7 *tary in promulgating the Federal percentage (under*
 8 *section 1101(a)(8)) for such State for the fiscal year*
 9 *ending June 30, 1961 (which promulgation of the Fed-*
 10 *eral medical percentage shall be conclusive for such*
 11 *period), and*

12 “(2) *for the period beginning July 1, 1961, and*
 13 *ending with the close of June 30, 1963, which promulga-*
 14 *tion shall be based on the same data with respect to per*
 15 *capita income as the data used by the Secretary in pro-*
 16 *mulgating the Federal percentage (under section 1101*
 17 *(a)(8)) for such State for such period (which promul-*
 18 *gation of the Federal medical percentage shall be con-*
 19 *clusive for such period).”*

20 *INCREASE IN LIMITATIONS ON ASSISTANCE PAYMENT TO*

21 *PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM*

22 *SEC. 602. Section 1108 of the Social Security Act is*
 23 *amended by—*

24 (1) *striking out “\$8,500,000” and inserting in lieu*
 25 *thereof “\$9,000,000, of which \$500,000 may be used*

1 *only for payments certified with respect to section 3(a)*
2 *(2)(B)”;*

3 *(2) striking out “\$300,000” and inserting in lieu*
4 *thereof “\$315,000, of which \$15,000 may be used only*
5 *for payments certified in respect to section 3(a)(2)(B)”;*

6 *(3) striking out “\$400,000” and inserting in lieu*
7 *thereof “\$420,000, of which \$20,000 may be used only*
8 *for payments certified in respect to section 3(a)(2)*
9 *(B)”; and*

10 *(4) striking out “titles I, IV, X, and XIV”, and*
11 *inserting in lieu thereof “titles I (other than section*
12 *3(a)(3) thereof), IV, X, and XIV”.*

13 *TECHNICAL AMENDMENT*

14 *SEC. 603. (a) Section 618 of the Revenue Act of 1951*
15 *(65 Stat. 569) is amended by striking out “title I” and*
16 *inserting in lieu thereof “title I (other than section 3(a)(3)*
17 *thereof)”.*

18 *(b) The amendment made by subsection (a) shall take*
19 *effect October 1, 1960.*

20 *EFFECTIVE DATES*

21 *SEC. 604. The amendments made by section 601 of this*
22 *Act shall take effect October 1, 1960, and the amendments*
23 *made by section 602 shall be effective with respect to fiscal*
24 *years ending after 1960.*

1 TITLE VII—MISCELLANEOUS

2 INVESTMENT OF TRUST FUNDS

3 SEC. 701. (a) Section 201 (c) of the Social Security
4 Act is amended by inserting after the third sentence the
5 following new sentence: "The Board of Trustees shall meet
6 not less frequently than once each six months."

7 (b) Section 201 (c) (3) of such Act is amended to
8 read as follows:

9 " (3) Report immediately to the Congress when-
10 ever the Board of Trustees is of the opinion that the
11 amount of either of the Trust Funds is unduly small;".

12 (c) Section 201 (c) of such Act is further amended by
13 striking out the period at the end of paragraph (4) and in-
14 serting in lieu thereof "; and", and by inserting after para-
15 graph (4) the following new paragraph:

16 " (5) Review the general policies followed in man-
17 aging the Trust Funds, and recommend changes in such
18 policies, including necessary changes in the provisions
19 of the law which govern the way in which the Trust
20 Funds are to be managed."

21 (d) Section 201 (d) of such Act is amended to read as
22 follows:

23 " (d) It shall be the duty of the Managing Trustee to

1 invest such portion of the Trust Funds as is not, in his judg-
2 ment, required to meet current withdrawals. Such invest-
3 ments may be made only in interest-bearing obligations of
4 the United States or in obligations guaranteed as to both
5 principal and interest by the United States. For such pur-
6 pose such obligations may be acquired (1) on original issue
7 at the issue price, or (2) by purchase of outstanding obliga-
8 tions at the market price. The purposes for which obliga-
9 tions of the United States may be issued under the Second
10 Liberty Bond Act, as amended, are hereby extended to au-
11 thorize the issuance at par of public-debt obligation for pur-
12 chase by the Trust Funds. Such obligations issued for
13 purchase by the Trust Funds shall have maturities fixed with
14 due regard for the needs of the Trust Funds and shall bear
15 interest at a rate equal to the average market yield (com-
16 puted by the Managing Trustee on the basis of market quo-
17 tations as of the end of the calendar month next preceding
18 the date of such issue) on all marketable interest-bearing
19 obligations of the United States then forming a part of the
20 public debt which are not due or callable until after the
21 expiration of four years from the end of such calendar month;
22 except that where such average market yield is not a multiple

1 of one-eighth of 1 per centum, the rate of interest of such
2 obligations shall be the multiple of one-eighth of 1 per centum
3 nearest such market yield. The Managing Trustee may pur-
4 chase other interest-bearing obligations of the United States
5 or obligations guaranteed as to both principal and interest
6 by the United States, on original issue or at the market price,
7 only where he determines that the purchase of such other
8 obligations is in the public interest.”

9 (e) Section 201 (e) of such Act is amended by striking
10 out “special obligations” each place it appears and inserting
11 in lieu thereof “public-debt obligations”.

12 (f) The amendments made by this section shall take
13 effect on the first day of the first month beginning after
14 the date of the enactment of this Act.

15 SURVIVAL OF ACTIONS

16 SEC. 702. (a) Section 205 (g) of the Social Security
17 Act is amended by adding at the end thereof the following
18 new sentence: “Any action instituted in accordance with this
19 subsection shall survive notwithstanding any change in the
20 person occupying the office of Secretary or any vacancy in
21 such office.”

22 (b) The amendment made by subsection (a) shall ap-

1 ply to actions which are pending in court on the date of the
2 enactment of this Act or are commenced after such date.

3 PERIODS OF LIMITATION ENDING ON NONWORK DAYS

4 SEC. 703. Section 216 of the Social Security Act is
5 amended by adding at the end thereof the following new
6 subsection:

7 "Periods of Limitation Ending on Nonwork Days

8 "(j) Where this title, any provision of another
9 law of the United States (other than the Internal Revenue
10 Code of 1954) relating to or changing the effect of this
11 title, or any regulation issued by the Secretary pursuant
12 thereto provides for a period within which an act is required
13 to be done which affects eligibility for or the amount of any
14 benefit or payment under this title or is necessary to estab-
15 lish or protect any rights under this title, and such period
16 ends on a Saturday, Sunday, or legal holiday, or on any
17 other day all or part of which is declared to be a nonwork
18 day for Federal employees by statute or Executive order,
19 then such act shall be considered as done within such period
20 if it is done on the first day thereafter which is not a Satur-
21 day, Sunday, or legal holiday or any other day all or part of
22 which is declared to be a nonwork day for Federal employees
23 by statute or Executive order. For purposes of this subsec-
24 tion, the day on which a period ends shall include the day on

1 which an extension of such period, as authorized by law or
2 by the Secretary pursuant to law, ends. The provisions of
3 this subsection shall not extend the period during which bene-
4 fits under this title may (pursuant to section 202 (j) (1)
5 or 223 (b)) be paid for months prior to the day application
6 for such benefits is filed, or during which an application for
7 benefits under this title may (pursuant to section 202 (j) (2)
8 or 223 (b)) be accepted as such.”

9 ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

10 SEC. 704. ~~(a)~~ Section 116 (e) of the Social Security
11 Amendments of 1956 is amended to read as follows:

12 “(e) During 1963, 1966, and every fifth year there-
13 after, the Secretary shall appoint an Advisory Council on
14 Social Security Financing, with the same functions, and
15 constituted in the same manner, as prescribed in the preced-
16 ing subsections of this section. Each such Council shall
17 report its findings and recommendations, as prescribed in
18 subsection (d), not later than January 1 of the second
19 year after the year in which it is appointed, after which
20 date such Council shall cease to exist, and such report and
21 recommendations shall be included in the annual report of
22 the Board of Trustees to be submitted to the Congress not
23 later than the March 1 following such January 1.”

24 ~~(b)~~ Section 116 of the Social Security Amendments of

1 1956 is further amended by adding at the end thereof the
2 following new subsection:

3 “(f) The Advisory Council appointed under subsection
4 (e) during 1963 shall, in addition to the other findings and
5 recommendations it is required to make, include in its report
6 its findings and recommendations with respect to extensions
7 of the coverage of the old-age, survivors, and disability insur-
8 ance program, the adequacy of benefits under the program,
9 and all other aspects of the programs.”

10 MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSIST-
11 ANCE AND MEDICAL SERVICES ASSISTANCE FOR THE
12 AGED

13 SEC. 705. Title XI of the Social Security Act is amended
14 by adding at the end thereof the following new section:

15 “MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSIST-
16 ANCE AND MEDICAL SERVICES ASSISTANCE FOR THE
17 AGED

18 “SEC. 1112. In order to assist the States to extend the
19 scope and content, and improve the quality, of medical care
20 and medical services for which payments are made to or on
21 behalf of needy and low-income individuals under this Act
22 and in order to promote better public understanding about
23 medical care and medical services assistance for needy and
24 low-income individuals, the Secretary shall develop and re-
25 vise from time to time guides or recommended standards as to

1 the level, content, and quality of medical care and medical
 2 services for the use of the States in evaluating and improving
 3 their public assistance medical care programs and their pro-
 4 grams of medical ~~services~~ *assistance* for the aged; shall secure
 5 periodic reports from the States on items included in, and the
 6 quantity of, medical care and medical services for which
 7 expenditures under such programs are made; and shall
 8 from time to time publish data secured from these reports and
 9 other information necessary to carry out the purposes of this
 10 section.”

11 **TEMPORARY EXTENSION OF CERTAIN SPECIAL PROVISIONS**

12 **RELATING TO STATE PLANS FOR AID TO THE BLIND**

13 **SEC. 706.** Section 344 (b) of the Social Security Act
 14 Amendments of 1950 is amended by striking out “June 30,
 15 1961” and inserting in lieu thereof “June 30, 1964”.

16 **MATERNAL AND CHILD WELFARE**

17 **SEC. 707.** (a) (1) (A) Section 501 of the Social Secu-
 18 rity Act is amended by striking out “for each fiscal year
 19 beginning after June 30, 1958, the sum of \$21,500,000” and
 20 inserting in lieu thereof “for each fiscal year beginning after
 21 June 30, 1960, the sum of \$25,000,000”.

22 (B) Section 502 (a) (2) of such Act is amended by
 23 striking out “for each fiscal year beginning after June 30,
 24 1958, the Secretary shall allot \$10,750,000 as follows: He
 25 shall allot to each State \$60,000 (even though the amount

1 appropriated for such year is less than \$21,500,000), and
2 shall allot each State such part of the remainder of the
3 \$10,750,000” and inserting in lieu thereof “for each fiscal
4 year beginning after June 30, 1960, the Secretary shall
5 allot \$12,500,000 as follows: He shall allot to each State
6 \$70,000 (even though the amount appropriated for such
7 year is less than \$25,000,000), and shall allot each State
8 such part of the remainder of the \$12,500,000”.

9 (C) The first sentence of section 502(b) of such Act
10 is amended by striking out “for each fiscal year beginning
11 after June 30, 1958, the sum of \$10,750,000” and inserting
12 in lieu thereof “for each fiscal year beginning after June 30,
13 1960, the sum of \$12,500,000”.

14 (2) (A) Section 511 of such Act is amended by striking
15 out “for each fiscal year beginning after June 30, 1958,
16 the sum of \$20,000,000” and inserting in lieu thereof “for
17 each fiscal year beginning after June 30, 1960, the sum
18 of \$25,000,000”.

19 (B) Section 512(a) (2) of such Act is amended by
20 striking out “for each fiscal year beginning after June 30,
21 1958, the Secretary shall allot \$10,000,000 as follows: He
22 shall allot to each State \$60,000 (even though the amount
23 appropriated for such year is less than \$20,000,000) and
24 shall allot the remainder of the \$10,000,000” and inserting
25 in lieu thereof “for each fiscal year beginning after June 30,

1 1960, the Secretary shall allot \$12,500,000 as follows: He
2 shall allot to each State \$70,000 (even though the amount
3 appropriated for such year is less than \$25,000,000) and
4 shall allot the remainder of the \$12,500,000”.

5 (C) The first sentence of section 512 (b) of such Act is
6 amended by striking out “for each fiscal year beginning after
7 June 30, 1958, the sum of \$10,000,000” and inserting in
8 lieu thereof “for each fiscal year beginning after June 30,
9 1960, the sum of \$12,500,000”.

10 (3) (A) Section 521 of such Act is amended by striking
11 out “for each fiscal year, beginning with the fiscal year
12 ending June 30, 1959, the sum of \$17,000,000” and insert-
13 ing in lieu thereof “for each fiscal year, beginning with the
14 fiscal year ending June 30, 1961, the sum of ~~\$20,000,000~~
15 \$25,000,000.”

16 (B) Section 522 (a) of such Act is amended by
17 striking out “\$60,000” and inserting in lieu thereof
18 “\$70,000”.

19 (b) (1) (A) The second sentence of section 502 (b) of
20 such Act is amended by inserting “from time to time” after
21 “shall be allotted”, and by inserting before the period at the
22 end thereof the following: “; except that not more than 25
23 per centum of such sums shall be available for grants to
24 State health agencies (administering or supervising the
25 administration of a State plan approved under section 503),

1 and to public or other nonprofit institutions of higher learning
2 (situated in any State), for special projects of regional or
3 national significance which may contribute to the advance-
4 ment of maternal and child health”.

5 (B) Section 504 (c) of such Act is amended by adding
6 at the end thereof the following new sentence: “Payments
7 of grants for special projects under section 502 (b) may be
8 made in advance or by way of reimbursement, and in such
9 installments, as the Secretary may determine; and shall
10 be made on such conditions as the Secretary finds necessary
11 to carry out the purposes of the grants.”

12 (2) (A) The second sentence of section 512 (b) of
13 such Act is amended by inserting “from time to time”
14 after “shall be allotted”, and by inserting before the period
15 at the end thereof the following: “; except that not more
16 than 25 per centum of such sums shall be available for
17 grants to State agencies (administering or supervising the
18 administration of a State plan approved under section 513),
19 and to public or other nonprofit institutions of higher learn-
20 ing (situated in any State), for special projects of regional
21 or national significance which may contribute to the advance-
22 ment of services for crippled children”.

23 (B) Section 514 (c) of such Act is amended by adding
24 at the end thereof the following new sentence: “Payments
25 of grants for special projects under section 512 (b) may

1 be made in advance or by way of reimbursement, and in
2 such installments, as the Secretary may determine; and
3 shall be made on such conditions as the Secretary finds
4 necessary to carry out the purposes of the grants.”

5 (3) Part 3 of title V of such Act is amended by in-
6 serting at the end thereof the following new section:

7 “RESEARCH OR DEMONSTRATION PROJECTS

8 “SEC. 526. (a) There are hereby authorized to be ap-
9 propriated for each fiscal year such sums as the Congress
10 may determine for grants by the Secretary to public or
11 other nonprofit institutions of higher learning, and to pub-
12 lic or other nonprofit agencies and organizations engaged
13 in research or child welfare activities, for special research
14 or demonstration projects in the field of child welfare which
15 are of regional or national significance and for special proj-
16 ects for the demonstration of new methods or facilities
17 which show promise of substantial contribution to the ad-
18 vancement of child welfare.

19 “(b) Payments of grants for special projects under
20 this section may be made in advance or by way of reim-
21 bursement, and in such installments, as the Secretary may
22 determine; and shall be made on such conditions as the
23 Secretary finds necessary to carry out the purposes of the
24 grants.”

25 (c) The amendments made by this section shall be

1 effective only with respect to fiscal years beginning after
2 June 30, 1960.

3 AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAIL-
4 ROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DIS-
5 ABILITY INSURANCE

6 SEC. 708. Section 1 (q) of the Railroad Retirement Act
7 of 1937 is amended by striking out "1958" and inserting in
8 lieu thereof "1960".

9 MEANING OF TERM "SECRETARY"

10 SEC. 709. As used in this Act and the provisions of the
11 Social Security Act amended by this Act the term "Secre-
12 tary", unless the context otherwise requires, means the
13 Secretary of Health, Education, and Welfare.

14 AID TO THE BLIND

15 SEC. 710. (a) *Effective for the period beginning with*
16 *the first day of the calendar quarter which begins after the*
17 *date of enactment of this Act, and ending June 30, 1961,*
18 *clause (8) of section 1002(a) of the Social Security Act*
19 *is amended to read as follows "(8) provide that the State*
20 *agency shall, in determining need, take into consideration any*
21 *other income and resources of the individual claiming aid to*
22 *the blind; except that, in making such determination, the State*
23 *agency shall disregard either (i) the first \$50 per month of*
24 *earned income, or (ii) the first \$1,000 per annum of earned*

1 *income plus one-half of earned income in excess of \$1,000*
2 *per annum.”.*

3 *(b) Effective July 1, 1961, clause (8) of such section*
4 *1002(a) is amended to read as follows: “(8) provide that*
5 *the State agency shall, in determining need, take into con-*
6 *sideration any other income and resources of the individual*
7 *claiming aid to the blind; except that, in making such deter-*
8 *mination, the State agency shall disregard the first \$1,000 per*
9 *annum of earned income plus one-half of earned income in*
10 *excess of \$1,000 per annum;”.*

Passed the House of Representatives June 23, 1960.

Attest:

RALPH R. ROBERTS,
Clerk.

Calendar No. 1928

86TH CONGRESS
2D SESSION

H. R. 12580

[Report No. 1856]

AN ACT

To extend and improve coverage under the Federal Old-Age, Survivors, and Disability Insurance System and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such Act; and for other purposes.

JUNE 23 (legislative day, JUNE 22), 1960

Read twice and referred to the Committee on Finance

AUGUST 19, 1960

Reported with amendments